Proportional Reinsurance Accounting

September 2023

Tinyiko Ngobeni & Priesh Valabh

Munich RE

Agenda

Munich RE

01 | Rendering of accounts

02 | Coverage System

03 | Cash Calls

04 | Annual Accounts

Image: Aeriform / Ikon Images / Getty Images

Quiz

Munich RE

- Name any function or purpose for rendering accounts
- Name the most common coverage systems that can be used for rendering quarterly accounts?
- Cash call request is usually applicable to the cedant based on profitability ?
- Name the most accurate method of calculating unearned premium ?
- ***(True or False)*** Occurrence year treaties requires the cedant to render loss portfolio withdrawal
- ***(True or False)*** It is standard practice for the Reinsured to submit Run/off accounts on a Calender year treaty?

Quiz

Munich RE

- Name any advantage of having portfolio conditions ?
- Name any disadvantage of having portfolio conditions ?
- ***True or False*** – A cash call can only be requested quarterly by the cedant? And the refund should be submitted annually ?
- A flat commission is applicable to a sliding scale adjustment

Key treaty **terms** relevant for accounting purposes

Munich RE

RENDERING OF ACCOUNTS			
Premium	Commission & Brokerage	Claims / Cash Call	Outstanding Loss reserves

ACCOUNTING METHODS		
Underwriting year basis	Occurrence year basis	Calendar year basis

ANNUAL ACCOUNTS			
Profit commissions	Sliding Scale Commission	Loss participation	Portfolio entry & withdrawal

Rendering of Accounts

Munich RE

Treaty performance

Reflect the financial transactions on the treaty

Summarising the balances due from either party.

To provide the required information for preparing treaty stats and assessment of the treaty portfolio.

Rendering of Accounts

Munich RE

The contract wording provides precise details of the accounting arrangements

Submission of accounts :

- Quarterly , half-yearly or annually
- Due within 45/60 days after close of each period
- Confirmation & Settlement of accounts
- Relevant items to be included, Class of business, Currency, Accounting Period and signed lines.

Rendering of Accounts

Munich RE

Technical	Settlement	Financial
▪ Premium ▪ Losses ▪ Operating Expenses ▪ O/S Losses	▪ Balances due	▪ Underwriting results

Coverage system

Munich RE

REINSURANCE ACCOUNTING METHODS

Underwriting year	Calendar Year	Occurrence year
Describes the year, in which the policy has been underwritten.	Describes the year for which premiums, claims & provisions have been deducted from the cedent.	Describes the year in which a claim occurred or was caused.

Importance of Coverage systems

Munich RE

coverage systems in reinsurance are the decisive criteria which determine how covered risks and losses are assigned to a reinsurance policy period.

determines the allocation of both reinsurance risks and premiums in the accounts

as a result, which losses fall under a certain reinsurance contract period

When preparing the annual statements such as Sliding scale commission, PC's and : what system of presentation is to be used?

Image: Aeriform / Ikon Images / Getty Images

Accounting mode: (Underwriting Year)

Munich RE

Breakdown of all accounting items should be displayed by underwriting year

All premiums and losses occurring under the covered policies are to be allocated to the correct UW year

Accounts for premiums and losses in subsequent years are to be allocated to the original UY.

The longer development periods mean that performance of the reinsurance treaty cannot be seen so quickly

In principle:

- There is no premium and Loss portfolio movements
- Proportional and fixed commission agreements apply per underwriting year.
  - Results of each U/W year will be finalized when liabilities for that year have expired

Statement of Account: 2nd Quarter 2019
Cedant : ABC Insurance PLC
Reinsurer : Munich Reinsurance of Africa Ltd

- Marine Hull Quota Share Treaty
- Underwriting Year Method
- Currency : USD

2nd Quarter 2019 period ending as at 30.06.2019			
Description	**U/Y**	**Debit**	**Credit**
Premium Ceded	2019		5,500.00
	2018		4,200.00
	2017		1,150.00
	2016		750.00
			11,600.00
Commission (15%)	2019	825.00	
	2018	630.00	
	2017	172.50	
	2016	112.50	
		1,740.00	
Paid Losses	2019	680	
	2018	1050	
	2017	460	
	2016	510	
		2,700.00	
NET AMOUNT DUE TO YOU			7,160.00

Image: Aeriform / Ikon Images / Getty Images

Accounting mode: (Occurrence Year)

Munich RE

Breakdown of all accounting items by occurrence year.

All losses paid must be in the years of occurrence/ where the claim was caused.

Traditionally not applied for Prop business

In principle:

- There is premium portfolio movements but no Loss portfolio movements
- Loss reserves as at the end of the reinsurance treaty period go into the Run-off.

Statement of Account : 2nd Quarter 2019
Cedant : ABC Insurance Company
Reinsurer : Munich Reinsurance of Africa Ltd

Munich RE

Personal Accident Quota Share Treaty			
Munich Re Share 80%			
Currency : USD			
2nd Quarter 2019 period ending as at 30.06.2019	O/Y = Year of Occurrence		
Description	O/Y	Debit	Credit
Premium Ceded			6,000.00
Less Commission		1,800.00	
Less Paid Losses	2019	1,250.00	
	2018	960.00	
	2017	120.00	
	2016	370.00	
		2,700.00	
NET AMOUNT DUE TO YOU			1,500.00

Accounting mode: (Accounting Year)

Munich RE

All accounting items are allocated to the current accounting year.

Works on a portfolio transfer basis.

There is premium and loss portfolio movements

No rendering of accounts in subsequent years for former reinsurance treaty periods

In principle:

- Accounts are concluded after four quarters, no further run off administration
- All result-dependent calculations are to be prepared on an accounting-year basis.

Statement of Account: 2nd Quarter 2019
Cedant : ABC Insurance Company
Reinsurer : Munich Reinsurance of Africa Ltd

Munich RE

Fire Surplus		
Calendar Year Method (Munich Re share 80%)		
Currency : USD		
2nd Quarter 2019 period ending as at 30.06.2019	Calender Year Method	
Descriptions	Debit	Credit
Premium Ceded		7,500.00
Less Commission (27.50%)	2,062.50	
Less Paid Losses	2,700.00	
NET AMOUNT DUE TO YOU		**2,737.50**

Image: Aeriform / Ikon Images / Getty Images

Cash Loss

Munich RE

- A Cash Call/Cash call refund arises mostly in **proportional contracts.**

- The cash payment (*CASH CALL*) is an advance to the cedant.

- It allows a reinsured to request immediate payment for a large loss without waiting for the quarterly accounts to be due.

- A Cash Call is intended to cushion exceptional burdens on the cedant’s liquidity arising from major losses.

Procedures to accept the cash call

Munich RE

- The amount of the loss must exceed a certain limit as specified in the wording.
- All the qualified claims documentation must be provided following the request so as not to delay the cash call payment.
- The claims department will check all the relevant facts, legal assessment and adjusting reports pertaining to the loss.

Time limit for the cash call

Munich RE

- Cash call request is a special recall of funds from the reinsured.
- Reinsurer will have to make payment as soon as possible .Usually within 10 working days after receipt of such request.
- Once payment is made the reinsurer then awaits the cash call recovery.

Cash Call Refund

- Cash calls are requested before the end of a current quarter we therefore usually expect the funds to be recovered in that particular current quarter or in the next quarter.
- Important to control this, otherwise duplicates may occur.

Cash Loss Example

Munich RE

Fire Quota Share

Treaty Information

- Cash Loss Limit: ZAR 10,000,000 (100%)
- Quarterly Accounts, submitted within 45 days

Cash Loss Information

- Cash loss request dated 12.02.2019 in the amount of ZAR 12,000,000
- Insured Name : Coco Island
- Settlement by Reinsurer on 16.02.2019

Account Information

- Paid Losses in 1st Quarter 2019 : 22,500,000
- Current underwriting year 2019 1st Qtr. 2019

COB : Fire QS **UY : 2019**	**Debit**	**Credit**
Premium		150,000,000
Commission	30,000,000	
Losses Paid	10,500,000	
Cash Loss recovery	12,000,000	
cash loss Refund paid for Coco Island		12,000,000

Portfolio Condition

Munich RE

This section specifies the method of handling the portfolio premium and loss portfolio calculation if applicable in the treaty conditions.

Image: Aeriform / Ikon Images / Getty Images

Definitions

- Premium Portfolio Entry - The reinsurer receives a portfolio Entry from the Insurer, in return, assumes ***liability*** for the policies underwritten in the previous year.

- Loss Portfolio Entry - The reinsurer assumes the previous years ***loss reserves*** by receiving a corresponding amount from the cedant for participating in the risk.

- Premium Portfolio Withdrawal – At the end of the treaty year the reinsurer terminates its ***liability*** for policies whose period extend to the next treaty year.

- Loss Portfolio Withdrawal – The reinsurer withdraws from the existing ***loss reserves*** by paying its amount to the cedant, usually net of a certain discount,

Portfolio Entry & Withdrawal

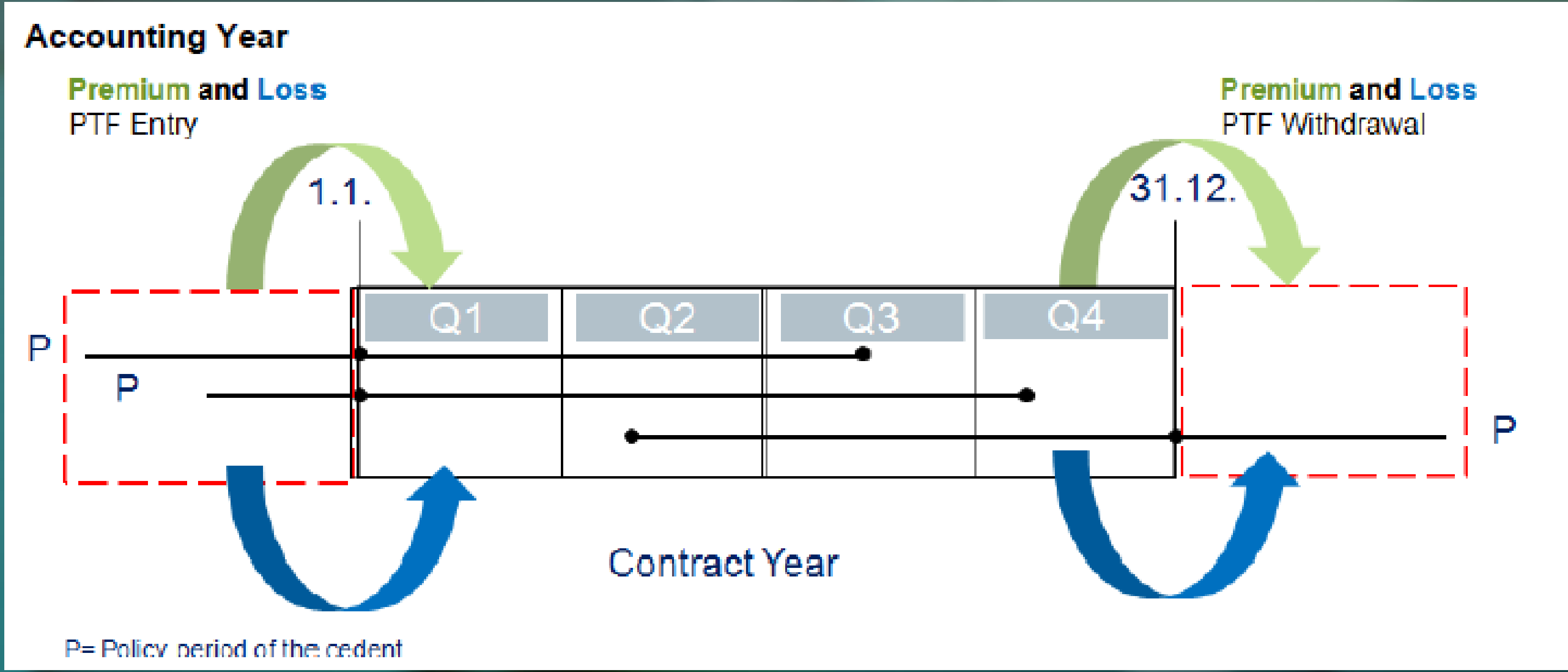
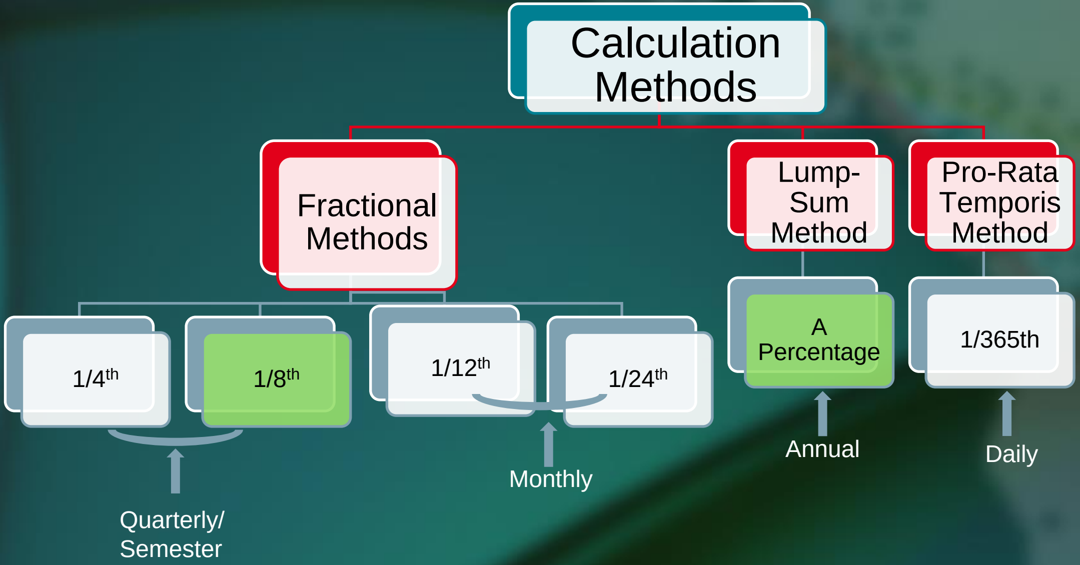


Image: Aeriform / Ikon Images / Getty Images

METHODS OF CALCULATION



Portfolio Lump Sum Method

Munich RE

Treaty Condition	
PORTFOLIO WITHDRAWAL & ENTRY	
Premium Portfolio : 40% Net of Commission	Commission ; 20%
Loss Portfolio: 100% of Outstanding Lösses	

Accounting Items	Dollar
Written Premium for the Year	100,000
Commission	20,000
Outstanding loss reserves at 31.12.2020	50,000
Portfolio Withdrawal	
Premium portfolio (100 000 – 20%)* 40%	32,000
Loss portfolio (50 000* 100%)	50,000

Portfolio 1/8th Method

Munich RE

One Eighths basis to be calculated as follows:

- 1 8th of Written Premium Ceded in the 1st Quarter
  Plus
- 3 8th of Written Premium Ceded in the 2nd Quarter
  Plus
- 5 8th of Written Premium Ceded in the 3rd Quarter
  Plus
- 7 8th of Written Premium Ceded in the 4th Quarter

- Loss Portfolio calculated 90% or 100% of Outstanding Loss Reserves

Portfolio 1/8th Method

Munich RE

Treaty conditions: **Our share of 70%**	Premium Portfolio is net of 35% commission using the 1/8th Method	Loss Portfolio is 90% of Outstanding Losses

Calculation of Premium portfolio

Gross Premium (our share)	Premium Net Of Comm.	1/8th method
1st Quarter 2020 $ 20,000	13,000	1,625
2nd Quarter 2020 $ 16,000	10,400	3,900
3rd Quarter 2020 $ 24,000	15,600	9,750
4th Quarter 2020 $ 30,000	19,500	17,062.50
Total	**$58,500**	**$ 32,337.50**

Calculation of Loss portfolio

O/S losses as 31.12	$ 20 000	
Loss portfolio	20 000* 90%	**$ 18 000**

Image: Aeriform / Ikon Images / Getty Images

Causes and Consequences of Portfolios

Munich RE

- Change of reinsurer
- Change of reinsurance shares
- Change of insured self retention (change in cession)
- Treaty operating in a clean cut /revenue year basis.
- Cancellation of a treaty

Munich RE

Portfolios – Advantages and Disadvantages

- Advantages of portfolios
- The direct insurer does not have to render accounts for the previous year's reinsurers in respect of premiums & claims occurred
- Profit commission / Sliding scale commissions for a certain treaty year must not be amended in subsequent years.
- Easy to administer

Portfolios – Advantages and Disadvantages

Munich RE

Disadvantages of Portfolios

- Limited practicability-
- For the former reinsurer:
  profits on loss reserves are realized by the subsequent reinsurer.
- For the subsequent reinsurer:
  losses on loss reserves are realized by himself.

Dates for Rendering the Accounts

Munich RE

- ❑ Portfolio withdrawals and entries must take place simultaneously either
  - in the last account of the current year (Q4) or
  - in the first account of the following year (Q1)

- ❑ The Portfolio account can have the following design:
  - Within the quarterly account or
  - in a separate portfolio account at the same time as the regular account

Sliding Scale Commission Calculation

Munich RE

- Definition:
- The sliding scale commission calculation is a system of calculation to adapt the reinsurance commission to the profitability of ceded business.
- To evaluate ceded business the loss ratio is used, which shows the relation between incurred losses and earned premium.
- According to this loss ratio the appropriate commission rate can be calculated, using the sliding scale agreements determined in the treaty conditions.
- So, in case of profitable business, sliding scale commission can be a kind of "reward" granted by the reinsurer to the cedent.

Calculation of Sliding Scale
Calendar year

Munich RE

- Steps:

a) Calculation of Incurred Losses and Earned Premium

b) Calculation of Loss Ratio

c) Determination of the commission rate according to the scale

d) Appliance of the commission rate to the premiums written

e) Adjustment of the commission

Calculation of Sliding Scale Commission

Munich RE

TREATY CONDITIONS:

Maximum loss ratio	50 %	Minimum commission rate	30 %
Minimum loss ratio	30 %	Maximum commission rate	40 %
		Provisional commission rate	35 %

Loss carried forward

Commission in%	at a loss ratio of
30	over 48% up to and including 50%
31	over 46% up to and including 48%
32	over 44% up to and including 46%
33	over 42% up to and including 44%
34	over 40% up to and including 42%
35	over 38% up to and including 40%
36	over 36% up to and including 38%
37	over 34% up to and including 36%
38	over 32% up to and including 34%
39	over 30% up to and including 32%
40	under 30% up to and including 30%

Sliding-Scale

Profit carried forward

Sliding Scale Commission Calculation, Calendar Year

Munich RE

Solution:

Treaty Stipulations — YEAR 2010

Maximum Loss Ratio in %: 50
Minimum Loss Ratio in %: 30

Minimum Commission in %: 30
Maximum Commission in %: 40
Provisional Commission in %: 35

Currency: EURO

Premiums written Unearned premium income Unearned premium outgo	340 000 96 000 -120 000
Earned premiums	316 000
Claims paid Outstanding losses income Outstanding losses outgo	-107 000 +150 000 -170 000
Incurred losses	127 000
Loss Ratio Commission acc. to sliding scale in %	40,19% 34%
Commission	115 600
Commission provisionally charged in %	35%
Commission already charged	119 000
Adjustment due	3 400

Calculation of Profit Commission – Calendar Year

Munich RE

Definition:

The profit commission calculation is a system of calculation designed to determine the profit share that the reinsurer pays to the cedent in addition to its reinsurance commission.

The profit commission is a kind of "reward" granted by the reinsurer to the cedent for bringing profitable business.

Calculation of Profit Commission – Calendar Year

Munich RE

Contents of the profit commission statement

Income:

- Premiums written
- Unearned premiums previous year (portfolio entry)
- Outstanding losses previous year (portfolio entry)

Outgo:

- Commission
- Losses paid (cash losses)
- Unearned premiums current year (portfolio withdrawal)
- Outstanding losses current year (portfolio withdrawal)
- Management expenses (% of premium written)

Chain of Reinsurance Accounting for prop. treaty

Munich RE

Preparation of Premium & Claims statements of Accounts → Submission and settlement of A/C Quarterly or H/Y → Loss Notifications (For any Large losses)

↓

Cash Claim Advice → Advise of O/S loss at the end of the treaty → If S/S comm. applicable, adjustment at the end of the year

↓

Submission of P/C statement. → Submission of P/F withdrawal and entry for clean cut treaties.

Questions?

NOT IF, BUT HOW


Image: Munich Re

Facultative Accounting

September 2023

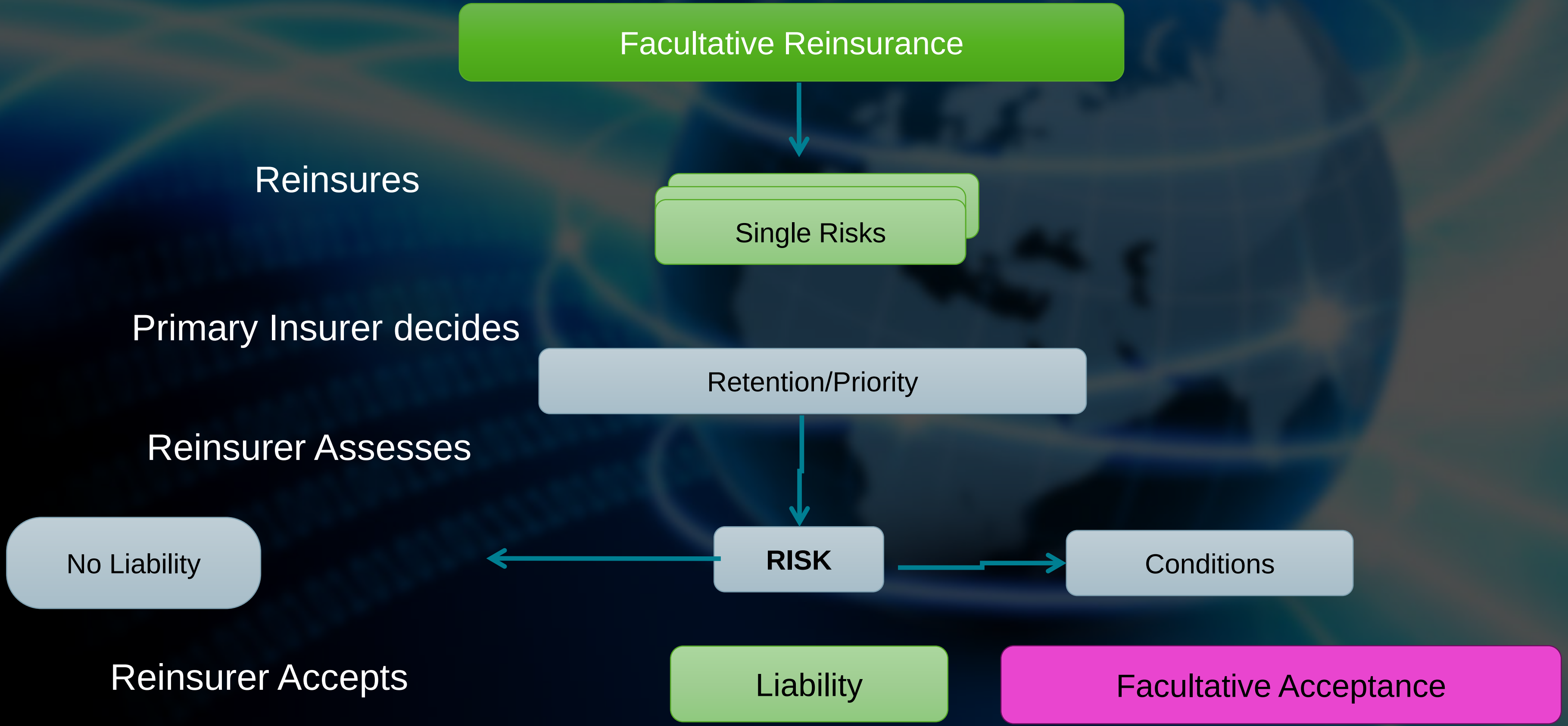
Priesh Valabh

Agenda

Munich RE

01	02	03	04	05
Facultative Definition	Placement of Facultative	Procedures for Facultative	Premium Payment Clause	Facultative Chasing Process by RIA

Facultative Definition



Reinsurance Methods

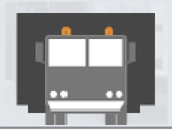
Munich RE

Obligatory Reinsurance (Treaty Business)

- Insurer and reinsurer enter into an agreement for an entire portfolio of risks
- The insurer has to cede
- The reinsurer has to cover

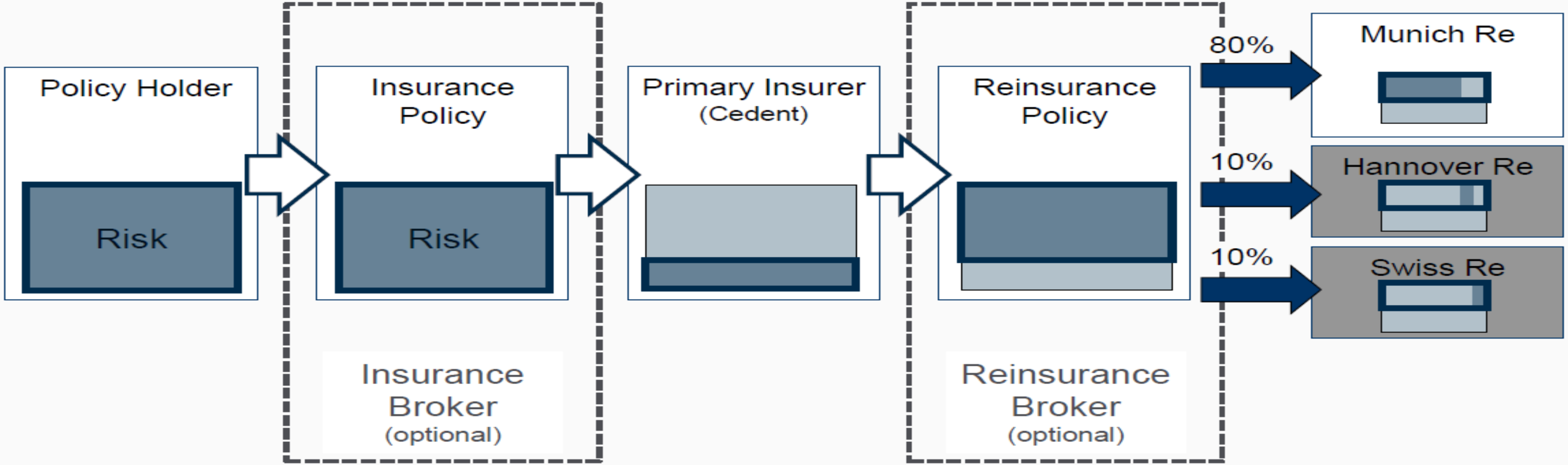
Facultative Reinsurance (Single Risk Business)

- Insurer has the option of ceding a risk
- Reinsurer has the option to accept or to decline
- Terms and conditions have to be negotiated individually

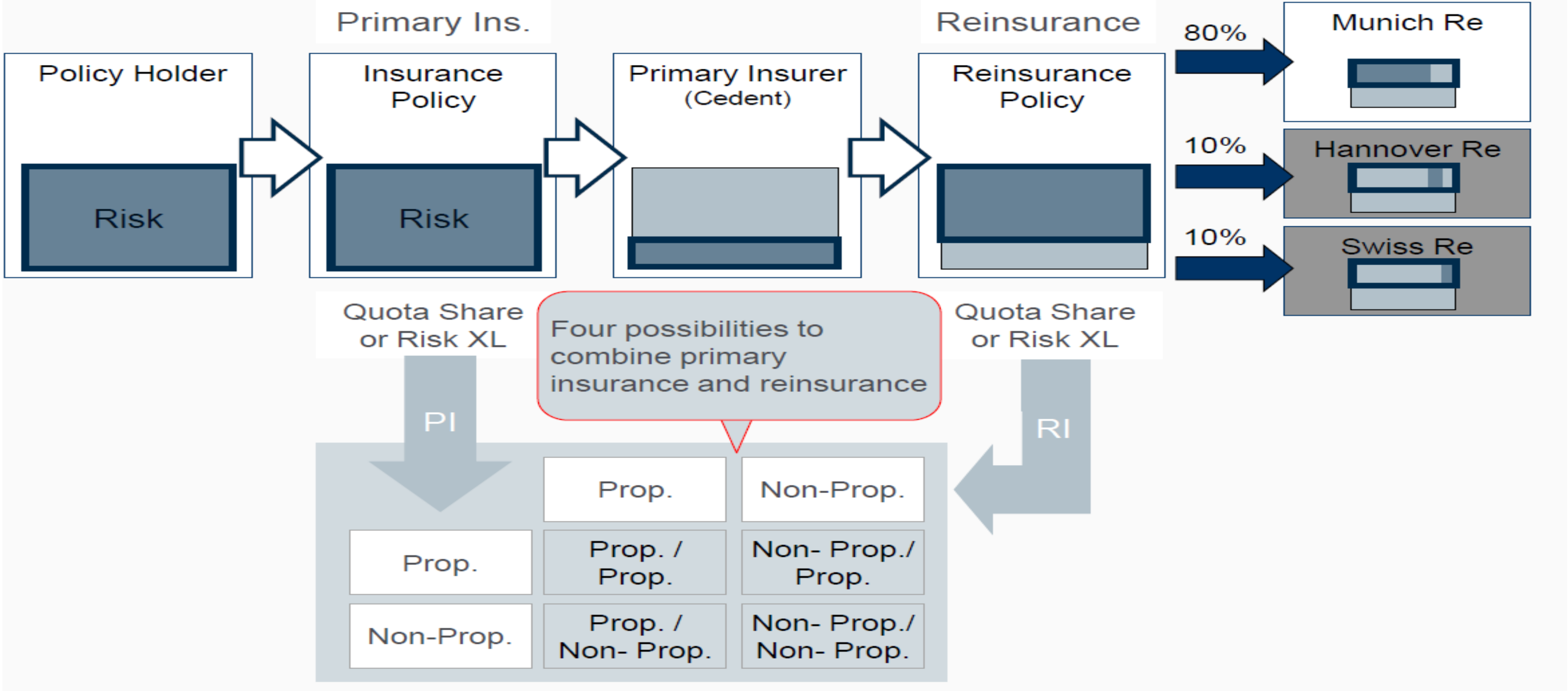


Submission Original & Reinsurance Structure I

Munich RE



Submission & Reinsurance Structure II



Placement of Facultative Casualty or Property Reinsurance

Munich RE

- The Ceding Company provides the reinsurer with their risk information. The reinsurer analyses the information, which becomes part of the reinsurer's permanent file.
- If the reinsurer is willing to write the risk, it gives a quote and sends the ceding company a written confirmation.
- If the quote is accepted, the reinsurer sends a confirmation of binder.
- The ceding Company sends the reinsurer a copy of its policy from which the reinsurer prepares a certificate of reinsurance.
- If a broker is used by the ceding company, all transactions including exchanging risk information, quotes and binders occur through the broker.

Procedures for the Transaction of All Classes of Facultative Reinsurance

Munich RE

3. Confirmation Of Cover

3.1 Inception Date

Each offer of facultative cover which is accepted by the Reinsurer shall be confirmed by the Reinsured by way of a Reinsurance Slip which shall be submitted to the Reinsurer within 30 (thirty) days from the Inception Date, unless otherwise agreed in writing, failing which cover shall cease with effect from the Inception Date. Telefax or electronic mail is acceptable for purposes of this procedure.

3.2 Quotations

Quotations issued by Reinsurers both in respect of new business and amendments to existing business shall be valid for 30 (thirty) days from the date of the quotation. If not accepted within 30 (thirty) days in writing, the quotation shall be treated as “not taken up”.

4. Reinsurance Slips

4.1 The Reinsurance Slip, when initialled by the Reinsurer will constitute proof of the Reinsurance Agreement between the Reinsured and the Reinsurer.

4.2 Reinsurance Slips shall contain all the material underwriting terms and conditions of the Reinsurance Agreement. The minimum essential terms and conditions that shall be contained in the Reinsurance Slip shall be recorded on the Schedule which is attached hereto marked Annexure “A”.

Procedures for the Transaction of All Classes of Facultative Reinsurance

Munich RE

9. Premium Bordereaux

9.1 Subsequent to submission of the Reinsurance Slip as provided for in clause 3.1 above, the Reinsured shall forward to the Reinsurer a Premium Bordereau within 60 (sixty) days of the Inception Date which shall contain the following:

- Insured's name
- Bordereau Number
- Month of the Account
- Reinsured's Reference
- Period of Reinsurance
- Reinsured's Sum Insured
- Reinsured's Gross Premiums allocated to Class of Business
- Reinsurer's Proportion
- Reinsurer's Amount
- Reinsurer's Gross Premium
- Reinsurance Commission

9.2 Similar Bordereaux numbered consecutively will be sent to the Reinsurer in respect of all premium related endorsements to the underlying insurance policy which shall include details of any additional and refund premiums, within 60 (sixty) days of the effective date of such endorsement.

9.3 A renewal Bordereaux will be sent to the Reinsurer within 60 (sixty) days of the Renewal Date.

Procedures for the Transaction of All Classes of Facultative Reinsurance

Munich RE

10. Premium Payments

10.1 All premiums due to the Reinsurer shall be paid within 90 (ninety) days from the Inception Date or the Renewal Date of the Reinsurance Agreement or within such other period as may be agreed upon by the parties. Simultaneously, Reinsurers undertake to pay the Reinsured any reinsurance commission that has been agreed.

10.2 Failure to pay premiums within the prescribed period shall automatically result in cancellation of the Reinsurance Agreement from the Inception Date or the Renewal Date.

10.3 Clauses 11.1 and 11.2 shall not apply to monthly premium business and business where premium is paid monthly, but special arrangements will be negotiated between the parties.

10.4 If the Reinsurer has assumed liability under a Reinsurance Agreement, it is entitled to its share of the reinsurance premium even if the Reinsured has not received the premium owing to it. However, in the event that no liability attaches between the Insured and the Reinsured, the aforesaid-receipted premium will be refunded.

Procedures for the Transaction of All Classes of Facultative Reinsurance

Munich RE

11. Claim Notification

The Reinsurer shall be advised of all claims or potential claims together with relevant details, where the Reinsurer is likely to be affected, within 30 (thirty) days of the Reinsured becoming aware of such claim or potential claim. The Reinsured will keep the Reinsurer informed of all developments affecting liability or estimated probable costs. Failure to adhere to these requirements leading to prejudice of the Reinsurer will entitle the Reinsurer to avoid liability in respect of the claim.
Should the parties be unable to agree on whether the Reinsurer has in fact suffered prejudice and hence whether the Reinsurer is entitled to avoid liability for the claim, the dispute shall be referred to Arbitration for resolution.

12. Claims

12.1 In respect of proportional reinsurance all claims and expenses, excluding salaries and the office expenses of the Reinsured, incurred by the Reinsured within the conditions of the underlying Policy, excluding ex-gratia payments, will be binding on the Reinsurer. The Reinsured may request settlement of the amounts due from the Reinsurer on Loss Bordereaux.

NO Offsetting of Claims in Fac Statements !!!!!!!

12.2 In respect of non-proportional reinsurance, the Reinsurer reserves the right to participate in the negotiations and settlement of any claim exceeding the priority point.

12.3 No costs, save for costs incurred in connection with the investigating, adjusting, settling, compromising or contesting the validity of any claims which affect the liability of Reinsurers shall be incurred without the prior written consent of the Reinsurer, in each instance.

12.4 Notwithstanding anything to the contrary contained in this Reinsurance Agreement, it is a condition precedent to the Reinsurer's liability that, upon the Reinsurer's request, the Reinsured shall co-operate with the Reinsurer or any person designated by the Reinsurer.

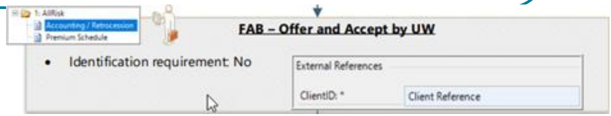
Non-Special Condition

Munich RE

No special agreement was made for cases where the premium is not paid or is not paid on time.

UW

- **Offer and Accept by UW**
- A fixed due date was agreed - Entry of this due date, e.g. 30.04.2020
- Calculation and entry of the due date in accordance
- with the following calculation rule: inception date + 60 days (in this example 02.04.2020).
- Identification requirement: No



RIA

- **First reminder to cedant/broker from RIA**
- Where the payment term is exceeded, Accounting sends first reminder to client within the next 30-60 days

RIA

- **Second reminder to cedant/broker from RIA**
- Accounting sends second reminder 30 days after sending the first one

Premium Payment Clause: Non-Special Condition

Munich RE

No special agreement was made for cases where the premium is not paid or is not paid on time.

UW

- **Third reminder to cedant/broker from UW**
- Accounting informs UW of the status of the outstanding payment every 30 days.
- UW requesting written reminder to client.
- UW/CM sends third reminder to client.

UW

- **Cancellation or Legal dunning procedure?**
- UW decides on how to proceed.

UW

- **Precursor to cancellation**
- Accounting informs UW of the status of the outstanding payment every 30 days.
- UW/ML3 requesting cancellation

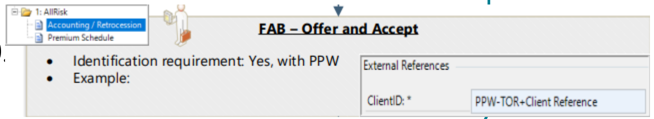
Premium Payment Clause: TOR (Time on Risk) 4/86-PPW

Munich RE

Contains the payment term for the premium due and gives the reinsurer the right to cancel the risk and demand the pro-rata premium if premium is not made within the payment term

UW

- **Offer and Accept by UW**
- A fixed due date was agreed - Entry of this due date, e.g. 30.04.2020.
- Identification requirement: Yes, with PPW.



UW

- **Reminder or Cancellation?**
- Accounting contacts UW and asks for instructions on how to proceed.

RIA

- **First reminder to cedant/broker from RIA**
- Where the payment term is exceeded, Accounting sends first reminder within the next 30-60 days.
- .
- Note: a reminder can be legally interpreted to mean that a contract has been concluded. Cancellation due to payment not having been made on time can therefore be challenged in court.

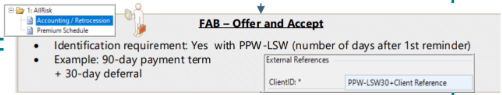
Premium Payment Clause: LSW (London Standard Wording 3000 or 3001 or 3002, etc.) (e.g. 90/30)

Munich RE

Gives the reinsurer the right to cancel the risk and demand the pro-rata premium if payment is not made within the payment term contains the payment term of the premium due (e.g. 90 days from inception of the policy) grants the client a payment deferral up to the final cancellation (e.g. 30 days)

UW

- **Offer and Accept by UW**
- Field: Due Date
- Example: 90day payment term from inception of the risk (2.12.2019)=Due Date 2.3.2020
- Explanation: the agreed payment deferral is not taken into account when calculating the due date Identification requirement: Yes with PPW-LSW (number of days after 1st reminder). Example: 90-day payment term + 30-day deferral.



RIA

- **First reminder to cedant/broker from RIA**
- Where the payment term is exceeded, Accounting sends first reminder within the next 30-60 days.
- System: Accounting enters date of 1st reminder in our system.
- Accounting contacts UW and asks for instructions on how to proceed.

RIA

- **Second reminder to cedant/broker from RIA**
- Accounting sends second reminder 30 days after sending the first one UW is copied in
- UW and copies in RIA.
- System : Accounting enters date of 2nd reminder

Cancellation by UW

Munich RE

UW sends client notice of cancellation with 14-day payment term and copies in TAU Pool.
Depending on PPC, UW draws attention to pro-rata premium due

UW

- **System-supported handling by UW**
- Accounting informs UW of the status of the outstanding payment every 30 days

UW

- **CASE 1: CANCELLATION**
- Depending on the PPC, underwriter cancels the risk via Part- or Full Cancellation in system.
- Underwriter informs accountant of cancellation.

UW

- **CASE 2: LEGAL DUNNING PROCEDURE**
- Underwriter informs about the legal dunning procedure and keeps the accountant in the picture.

Facultative Chasing Process

Munich RE

Facultative Chasing process is done by RIA using the Facultative Chasing Report

RIA

- **Report for Analysis**
- Accounting uses this report for chasing brokers and cedents every 30 days, informing clients when Premium Due.

RIA

- **1st Reminder**
- . Where the payment term is exceeded, Accounting sends first reminder to client within the next 30-60 days

RIA

- **2nd Reminder**
- Accounting sends second reminder 30 days after sending the first one
- •UW and RIA copied in.
- .

Risk Assessment

Munich RE

Risk Assessment Topics for Single Risks:

Primary Insurance

- Who is the Policy Holder of Single Risk (Reputation)
- Which risks are covered in the Original Policy? With which amount?
- What type of Single Risk is it?

Reinsurance

- Which coverage does the Primary Insurer cede?
- What will be our Participation?
- Which Guidelines apply?

Data & Risk Assessment

Munich RE

On the following slides you find one slip each for the Lines of Business Property (Fire), Property (Engineering), Casualty and Marine.
Choose one appropriate slip and analyze it.

Policy Holder	
Covered Risks and their TSI	
Type of Single Risk	
Reinsurance coverage	
Applicable Guidelines	
MR share	

TSI: Total Sum Insured

Example Property Fire – Analyse Slip I

Munich RE

Nassau verzekeringen

TYPE:	Facultative Proportional Reinsurance
PERILS:	Fire, Lightning, Explosion, Aircraft Impact
REINSURED:	Nassau Verzekering Maatschappij N.V.
BROKER:	THB European Division, Netherlands
INSURED:	Unicorn Power B.V.
SITUATION:	Buurtje 1, 2802 BE, Gouda, The Netherlands
PERIOD:	1st January 2011 until 1st January 2012, 12 h rule. Subject to notice of cancellation at anniversary date which given hereon.
INTEREST:	All real and personal property of every kind and description of the Insured or for which the Insured has assumed responsibility, extra expenses, costs of reconstruction, costs of debris removal etc. All as per original policy

SUM INSURED:			
	EUR	4 000 000	Buildings, cooling tower and tanks (appraised)
	EUR	15 000 000	Inventory/equipment including machinery and installations of the WKC
	EUR	1 000 000	Buildings, inventory/equipment, machinery, installations etc. (not appraised)
	EUR	20 000 000	Total Sum Insured

CONDITIONS: THB Facultative General Conditions 2011.
It has been noted and agreed that the Reinsured Perils are limited to Fire, Lightning, Explosion and Aircraft impact as per the description of the original Marsh co-insurance policy.
Original policy details, conditions and settlements include:
Deductible: EUR 100,000 per occurrence
Various sub-limits as per original policy
NHT Terrorism exclusion clause

Example Property Fire – Analyse Slip I

Munich RE

Nassau verzekeringen

CEDED PREMIUM RATE: 0.95 ‰ estimated premium income EUR 19 000 (100% RI) per annum

BROKERAGE: 5 %

COMMISSION: 20.00 %

INFORMATION:
Unicorn Power B.V. is a daughter company of E.ON, a German company.
This is a remotely controlled combined cycle power plant located in Gouda town.
The plant is built at the premises of Uniqema chemical factory, the client of Unicorn B.V. Operations started in 1998 through a 15 year contract. Uniqema is supplied by Unicorn with electricity steam (HP,LP), compressed air, demineralized water and cooling water.
The plant consists of a gas turbine rated a 5.5 MW, a heat recovery steam generator and two backup steam generators. The plant is operated in function of the steam demand. Electricity in excess is sold to the grid.
A maximum of 60 tons per hour of steam is delivered to the chemical factory.
Cooling water is circulated through two forced circulation towers.

Loss history: 2011: Nil reported losses as at 14th October 2011

MR Share: 50% Client Reference ID: P000142

Premium Schedule: One time premium, due 90 days after inception date

Example Property Engineering – Analyse Slip

Munich RE

HDI GERLING

Policy Holder:	EIFEL-House Luxembourg S.A. Route D'Esch, 203 L-1471 Luxembourg
Insured:	Policy Holder, Constructor, Architects and Engineers, Craftsmen and Sub-contractors
Cedent:	HDI N.V.

Section CAR:

Locations and Value of the Works:	Total Sum Insured	€ 72 500 000
Total Construction Period:	34 Months	
Diekirch	€ 40 000 000	Construction Period: 30 Months
Sennberg	€ 8 500 000	Construction Period: 23 Months
Fris	€ 6 000 000	Construction Period: 21 Months
Gasperich	€ 12 000 000	Construction Period: 25 Months
Limpertsberg	€ 6 000 000	Construction Period: 22 Months

Extended Maintenance:	12 Months
Start Date:	1st of January 2011
Debris Removal Costs:	10% of SI
Deductible per Occurrence:	€ 5 000
Extra charges for overtime, night work, express freight, etc.:	20% per Loss
Loss or Damage due to Strike, Riot and Civil Commotion:	€ 250 000 per Loss, Ded.: € 5 000

The PML is 70% of the sum insured.

Section TPL:

Sum Insured: 20% of Section MD, max.: € 2 500 000 each and every loss
Maintenance Period covered, Cross Liability included
Deductible: € 1 250

Premium:

Premium rate for construction work: 0,22%
Provisional Premium: € 159 500
The final premium will be adjusted 12 months after the conclusion of the construction period according to the final construction cost reported by the insured.
Commission: 25%
The premium is paid in a lump sum latest 90 days after the inception date.

Example Casualty– Analyse Slip

Munich RE

Allianz

Facultative Reinsurance – Allianz Policy No.: RD554-337

Policy Holder: Daimler AG, 70546 Stuttgart

Event: Stars & Cars, Saturday, 5th November 2011
Driving Presentation to historic Race Cars, Live-Music, meet&greet

Location: Stuttgart-Untertürkheim (Area around Mercedes-Benz World)

Target Group: Customers of the Mercedes-Benz Dealership Stuttgart,
VIP Guests, Motorsport-Fans, Sponsors, Press

Sum Insured:	Approx. 30,000 Visitors:	Death	€ 99,000.--
		Disability	€ 155,000.--
	thereof 600 VIPs:	Death	€ 166,000.--
		Disability	€ 288,000.--
	20 Race Drivers (no races)	Death	€ 666,000.--
	(representation only)	Disability	€ 1,999,000.--

The original premium was € 29,900.-- (like discussed). Allianz Share 100%.
A flat accumulation limit of 20 Millions € Death/Disability was agreed.

Munich Re offers 100% Reinsurance Protection with the following conditions:

Limit: € 15 M xs € 5 M Death/Disability in case of accumulation

Reinsurance Premium: € 9,940.--

RI Commission: 25 %

Example Marine– Analyse Slip

Munich RE

Policy No:	330/08/37
Risk:	Hull & Machinery
Ceding Company:	ROSSIYA Insurance Company, Moscow, Russia
Broker:	ZARIS Risk Services, Hamburg
Slip Leader:	Swiss Re, Germany
Insured Risk:	Tanker M/V Mahmud Afandi" c/o FGUP "Makhachkalinskij morskoy torgovyy port" Safinat An-Najaat Shipmanagement Company Ltd, Villa Caprice, Swallows Street, Kappara SGN 05, Malta as Operator
Area:	Europe and Internal Russian Territory Waters, mainly Caspian Sea
Insurance and RI Period:	24.10.2011 (Moscow Time) – 23.10.2012 (24:00 hrs Moscow time)
Total SI:	USD 17,600,000.00
Rate:	0.324%
Original Deductibles:	USD 50,000.00 each and every accident USD 20,000.00 each and every accident as additional machinery deductable 25 % of total loss amounts and expenditures on each and every accident as additional ice deductable but not less than USD 50,000.00
Gross Share:	100% of total sum insured
Retention:	5,000,000.00 of total sum insured for each and every accident insured within the Marine Treaty Limit
Limit:	USD 12,600,000.00 xs USD 5,000,000.00 for each and every accident.
RI Premium (100 %):	USD 27,100.00
RI Share:	50% of the limit
Total deductions:	10%
Expected Loss:	USD 12,000.00
Vessel Information:	Tanker (Oil) M/V Mahmud Afandi, 2006, Flag: Russia, ISM, DWT 13,000

Example Casualty – Analyze Slip

Thank you for your attention!

September 2023
Priesh Valabh

NOT IF, BUT HOW

Image: Munich Re

Thank you!

Munich RE