

Financial Condition Assessment Report

Adequacy of Premium Retail perspective

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Presentation Flow

- FCAR Context
- FCAR Tables
- Appointed Actuary Discussion points

FCAR Context

- Target Audience
 - Who?
 - Technical/Actuarial Comprehension
 - Perspective
- Materiality
- Granularity Vs Credibility
- Regulatory Expectations

PREMIUM ADEQUACY

Tables

PDR Tables

- LOB wise PDR
 - Reserve or technical actuarial estimate?
 - Need for reconciliation with financials!!
 - Can it be allocated? After allocation, what about reconciliation?
- Special Discussion
 - Motor TP (Declined Pool)
 - Motor TP (TP Pool)
- How to arrive at PDR?
- ***Comments on the data analysis***

Discounted Policies Tables

LOB	Classification			0-30% / 30-50% / 50-75% / >75%		
	Details of Policies where Base Premium (as per F&U approval) is Discounted as per classification			Underwriting Profit/ (Loss)	Total No. of Policies	Total GWP
	No. of Policies	Gross Written Premium	Incurred Loss Ratio			
Fire						
Health						
.....						

- What is Base premium as per F&U approval for products with a range of rates?
- What about many products within an LOB...many price segments?
- What about loading on base rates?
- Incurred LR...Net/Gross?
- ***Comments on data analysis***

Business Profitability Tables

Within/Outside India

Line of Business	Earned Premium		Incurred Claims		Operating Expenses	Commission		U/W profit
	Gross	Net	Gross	Net		Gross	Net	
Fire								
.....								

- What is meant by Within India/Outside India?
- ***Comments on data analysis***

Loss Ratio Tables

Line of Business	Financial Year ending 31-March- X				Within/Outside India				Gross / Net			
	Paid Loss Ratio (%)	Incurred Loss ratio (%)	Expense Ratio	Combined ratio (%)	FY ending 31-March- X-1				FY ending 31-March- X-2			
Fire												
Health												
.....												

- Is Expense ratio only Operating Exp Ratio? Then ICR plus Exp ratio will not add up to COR?
- ***Comments on the data analysis***

Cash-flow Statement

<u>Cash Inflow:</u>
Gross written premium
Reinsurance premium accepted
Income from investments
Commission received-reinsurance
Profit commission from reinsurance
Recoveries from reinsurers
Recoveries from coinsurers
Other inflow (Pl. specify)

<u>Cash Outflow:</u>
Reinsurance Premium paid
Loss from investments
Claim outgo including claim handling expenses-for direct business
Claim outgo including claim handling expenses-for reinsurance business
Commission paid-direct business
Commission paid-reinsurance business
Recoveries to coinsurers
Increase in reserves
Tax
Cost of Solvency margin
Other outflows (Pl. specify)

Are the numbers on accrual basis or cash flow basis?

PREMIUM ADEQUACY

Appointed Actuary Discussion Points

Discussion Points

- Pricing strategy/methodology adopted
- Effect of large & cat claims on pricing strategy
- Profit testing procedure adopted
- Effect of inflation on pricing
- Effect of various major risks on pricing
 - CAT, cross subsidies, discounting, claims practices, risky riders etc

Discussion Points...

- Effect of reinsurance arrangements on pricing
- Effect of court awards on pricing
- How pricing addressed PDRs?
- Impact of high discounts on company's financial condition?
- Reasons for UW losses (if any)
- Impact of UW losses (if any) on company's financial condition
- Steps initiated to minimize UW loss (if any)

Discussion Points...

- Impact of loss ratios (if any) on pricing
- Effect of any other relevant factor on pricing
- Details of any rating analysis performed ... reasons and plans if not performed

Questions?

Thank You