

9th Capacity building seminar on General Insurance

11th January 2019 at Hotel Sea Princess

RI programme design and assessment

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Agenda



- Objectives of RI programmes
- Key issues in design and implementation of RI programmes
- Placement of RI

RI objectives

- Reduction in volatility of results
- Enhanced capacity
- Protection against catastrophes
- Flexibility
- Cost efficiency
- Broaden the spread of portfolio
- Technical assistance from reinsurers

RI programme design -1



- Company / Management
 - Attitude towards risk
 - Growth plans

- Legislative/Economic Factors
 - Compulsory Cessions
 - Placement in Overseas markets

RI programme design-2



- Portfolio Analysis
 - Financial strength
 - Risk exposure (LOBs/Sub LOBs) – SI bands, premium, claims
 - Accumulation and potential catastrophe exposures

RI programme design-3



- Retentions
 - Portion of own business kept on insurer's own account
 - Can be different depending on line of business
 - Graded retention depending on risk category and quality of business

RI programme design-3



- Retentions – Fire
 - Analysis of risk factors – Location, Occupancy, loss protection/mitigation factors
 - Cover granted
 - PML calculations

RI programme design-3



- Retentions – Engineering
 - Challenges in terms of long tenure policies – EAR/CAR
 - Nature of cover granted – ALOP/DSU
 - Relatively low premiums for operational covers

RI programme design-3



- Retentions – Accident / Liability
 - Retention would depend on portfolio in motor.
 - Personal Accident – possible catastrophic exposure
 - Liability (financial lines) – Retentions tend to be low
 - Liability (casualty lines) – Accumulation issues in eg; Workmens Compensation

RI programme design-3



- Retentions – Marine Cargo
 - Cover – All Risks/ Limited
 - Risk appetite – nature of cargo insured
 - Exposure per vessel

RI programme design-4

- PML (Probable Maximum Loss)
 - The anticipated maximum loss in a property claim assuming normal functioning of protective features

| Advantages | Disadvantages |
|--------------------------|---|
| UW of larger risks | No industry standard definition |
| Higher premium retention | Loss larger than PML can lead to serious consequences |
| Balanced portfolio | |

RI placement considerations-1



- Commission Terms
- Treaty terms – run off or clean cut
- Minimum Deposit Premium
- Reinstatement Terms
- Exclusions and Other Clauses (eg; loss corridor)
- On Account payments

RI placement considerations-2



- Direct or Intermediaries ?

| Direct | Intermediary |
|--------------------|---|
| Cost Savings | Greater knowledge of overseas markets |
| Direct Interaction | Capable of obtaining better terms in some cases |

Thank You