

REINSURANCE

We give below a summary of guidelines to be followed in the above matter for ready reference as per C.O. circular Ref: 1743/4 dt. 02.03.2001

The work relating reinsurance arrangement will continue to be looked after and controlled by divisional office though basic policy records/policy master data maintain at the branch offices.

(1) RETENTION LIMIT :

As per C.O. circular under Ref:Actl/valn/1708/4 dated 31st January, 2000, our Retention Limits and also the minimum amounts to be ceded under a cession are mentioned below, A policy will require reinsurance only if the total sum at risk under all the policies including the fresh policy exceeds the amount shown in the following table.

STANDARD LIVES :

	Retention Limit (Rs.)	Minimum Amounts of first cession (Rs.)	Reinsurance not required if total sum at risk is less than or equal to (Rs.)
Individual Assurance Except Term Assurance	40,00,000	5,00,000	45,00,000
Convertible Term Assurance, other Term Assurance and one year Renewable Term Assurance	30,00,000	5,00,000	35,00,000

SUB-STANDARD LIVES :

	Retention Limit (Rs.)	Minimum Amounts of first cession (Rs.)	Reinsurance not required if total sum at risk is less than or equal to (Rs.)
Individual Assurance Except Term Assurance	20,00,000	2,50,000	22,50,000
Convertible Term Assurance, other Term Assurance and one year Renewable Term Assurance	15,00,000	2,00,000	17,00,000

		Retention Limit (Rs.)	Minimum Amount of First cession (Rs.)
High Risk Plans Table Nos. 43,52,58, 88,89,91,104, 105,106,107,108,111,121,133,143 for EMR cl-IV to cl-VI		30% of initial sum at risk subject to maximum of Rs 3,00,000	2,00,000
Nav Prabhat plan-T.No.137		5,00,000	

The sum at risk of all the policies is to be calculated as on the commencement date of the latest policy of the life assured using the charts supplied by actuarial Department, central offices. The above limits are applicable from 1st April, 1999 and onwards.

(2) REINSURANCE ARRANGEMENTS :

All the work related to reinsurance arrangement will be done at and controlled by the Divisional offices in decentralised set up the corporation. The Divisional office should arrange for getting all the information in Annexures 'c' and 'D' completed by the branch office except the column of sum at risk. The sum at risk calculation are to be done at the Divisional office and manager (NB) at divisional office should decide whether a case requires to be reinsured or not depending on the total sum at risk under all the policies as on the commencement date of the latest policy. For the purpose of calculation of sum at risk of the policies in Annexure 'c' Ready Reckoner supplied by Actuarial Department, Central office should be used.

For the cases which requires to be reinsured, Annexures 'C' and 'D' are to be forward to central office and for those which do not requires to be reinsured, the Annexures are to be returned to the concerned Branch offices informing them that the particular case does not requires to be reinsured.

In order to avoid delay, standing instruction may be issued to the Branch Offices by the divisional offices for preparing and sending Annexure 'C' and 'D' along with proposal whenever the total rated up sum assured under a life including the sum assured under a fresh proposal exceed the effective retention limits mentioned in paragraph I above to enable the Divisional office to examine whether reinsurance is necessary.

The Divisional office has to ensure that all the information in Annexure 'C' and 'D' is furnished before submitting them to central office for reinsuring the policies because without competed information in these Annexure, it is not possible to check the sum at risk calculation and make reinsurance arrangements.

(3) REGISTER OF PROPOSALS :

The Divisional offices should maintain a register of the proposals underwritten at Divisional offices which are likely to be reinsured to enable them the concerned Branch office submits to them Annexure 'C' and 'D' after the proposal resulted into a policy. The following columns any be provided in the Register of proposals likely to be reinsured

- (1) Serial Number
- (2) Name of the proposer
- (3) Proposer Number
- (4) Sum Proposed
- (5) Date of commencement
- (6) Plan and term
- (7) Branch office
- (8) Date of Underwriting Decision
- (9) Underwriting Decision
- (10) Date of receipt of case with Annexures 'C' and 'D' from Branch Office
- (11) Policy Number
- (12) Date of sending to central office
- (13) Cession Number
- (14) Sum Reinsured
- (15) Remarks

The Divisional Office Should Follow up with Branch Office for submission of Annexure 'C' and "D' in case the Branch Office fails to comply with reinsurance requirement. Instalment premium and mode for Nav Prabhat Plan should be recorded in the remark column as well as in the Annexure 'D' statement.

Under those cases where reinsurance is not required on the basis of the Annexures 'C' and 'D' then, suitable remarks should be taken in the above register.

The Reinsurance section of central office will be advising the NB Department of Divisional Office the Cession Number and the sum reinsurance under each case. The cession Number is an identification Number for the Reinsurance section similar to the policy number. On receipt of the cession number and sum Reinsured, the NB Department of Divisional office should Advise the same to the concerned Branches and the Branches should affix the following endorsement in the copy policy of the reinsured policies preferably by a rubber stamp-

"This policy is reinsured under Cession No....."

Simultaneously, the NB Department of divisional Office should also note the cession number against the corresponding entry in the "Register of proposal likely to be reinsured." A periodical review of this register will enable Divisional office to take follow up

action with Branches and / or reinsurance section, central office in case communication is received from either of them.

(4) STATUS OF REINSURED POLICY :

It is necessary for the central office to have the status of all the reinsured policies once in a year as on the 1st of April, to enable us to calculate correctly the total amount of reinsurance premium payable and to make the exact payment to our Reinsurers. For this purpose, the Reinsurance section, central office, will send to the p. s. Department of Divisional office a list duplicate of reinsured policies existing for the Divisional office as per the records of central office. The p. s. Department at Divisional office should obtain the status of all policies, if necessary, from the concerned Branches or from the data processing Department and return one copy of the list after marking the latest status.

The D. P. Department at Divisional office should also arrange all their corresponding masters with the reinsurance indication in the specific field for Reinsurance with code 'R' [please refer ordinary policy Master Record, field code 'R' is for Reinsurance so that it will be possible to correctly identify all reinsurance policies in the Master at any time.]

The Divisional office should ensure that the list giving status of Reinsured policies is automatically generated as on every 31st March and send to Reinsurance section, central office in the format given in Annexure 'A'

(5) DEATH CLAIM :

As soon as the death claim intimation is received under reinsured policy, the claims Department should immediately inform the same to reinsurance section, central office. On settlement of the death claim, two certified true copies in English of the following should be forwarded to Reinsurance section, central office :

- i) Death Certificate
- ii) Claimant's statement
- iii) Discharge form
- iv) Payment voucher

This is essential to enable the Reinsurance section to claim the reinsured sum assured at risk from the Reinsurers.

(6) DECLINED POLICIES:

It so happens that when a proposal is declined by the corporation, at the request of the proposer, a declined proposal is referred to our reinsurer- swiss Re who accept the proposal with appropriate extra premium. Such declined proposals, which result

into policies, are always to be reinsured and the Divisional office should arrange for sending the Annexure 'C' and 'D' for all such cases without exception.

(7) SUB - STANDARD CASES :

All the cases where the cash extra on physical / health ground charged, the same is to be treated as a sub-standard cases for determining the retention limit. It is practice of the corporation not to charge extra premium if the same works out to be less than Rs.1.50 per Rs. 1000 sum assured. Even for such cases, where the extra premium was not charged because it was less than Rs.1.50%0, the appropriate retention limit applicable to sub-standard lives must be taken.

In all sub-standard cases to be reinsured. The Divisional office should furnish in Annexure 'D' both the extra premium charged and the extra mortality class of the life to enable the Reinsurance section to calculate the appropriate extra premium payable to the Reinsurer.

(8) UNDERWRITING OF CASES REQUIRING FACULTATIVE REINSURANCE :

Our offices would be aware about the reinsurance arrangements with our foreign insurers, more especially about reinsurance under Automatic Treaty Arrangements and reinsurance on facultative Basis.

Once a proposal irrespective of the sum proposed requires reinsurance on facultative Basis, the same is required to be referred to our Reinsurers for their decision and hence the same cannot be decided by us even if the sum proposed under the new proposal is within the underwriting authority of the BO/DO/ZO/CO.

The facultative reinsurance limits are given below :

	Standard Lives (TRSA)	Sub-standard Lives (TRSA)
Individual Assurance other than Term Assurance	Rs. 2.5 crores	Rs.1.25 crores
Convertible Term Assurance, other Term Assurance & one Year Renewable Term Assurance	Rs.80 Lakhs	Rs. 40 lakhs
High Risk Plans	-----	Rs.10 lakhs
Nav Prabhat Plan	-----	Rs.10 lakhs

Our offices should take care while underwriting cases at their level (within their underwriting authority) to see that cases requiring facultative reinsurance are not underwriting at their level all such cases are referred to central office for necessary action.

SPECIAL TREATY FOR DECLINED LIVES :

The salient features of the special treaty for declined lives are as under:

If any life declined by the corporation is acceptable to the Reinsurers, the sum assured under such policies is reinsured under the special treaty for declined lives. Our retention limit in such cases - is 10% of the initial sum at risk of the proposal under consideration subject to a minimum of Rs. 10,000 and maximum of Rs.25,000.

MODIFIED SUB-STANDARD LIVES TREATY

High risk plans attracting EMR class IV to VI with minimum sum proposed Rs. 2 lacs are accepted under modified sub-standard lives treaty only. In all such cases Annexure C & D should be sent to Reinsurance section, central office.

(9) SUMMARY :

Following statements are required to be send to Reinsurance section, Actuarial Department, Central office, while making reinsurance arrangement for a new business case.

- 1) Policy status of reinsured policies as on 1st of April of every financial year-Annexure 'A'.
- 2) Statement showing the particular of fresh policies of the life assured where Reinsurance is required - Annexure 'D'.
- 3) Statement showing the particular of previous policies of the same life assured whose fresh policy particulars as given in the Annexure 'D' - Annexure 'C'.

Extra care should be taken for insured of policies under High risk plans, as our retention limits are very low under these plans.

On settlement of Death claim certified true copies in English of the following, should be forwarded to Reinsurance section, central office to claim the reinsured sum at risk from the Reinsurers.

- i) Death Certificate
- ii) Claimant's Statement
- iii) Discharge Form

Following Annexure are attached

- (1) Format for status of policy to be submitted by divisional office annually - Annexure 'A'.
- (2) Format for furnishing information relating to the exiting policies -Annexure 'C'.
- (3) Format for furnishing information relating to the fresh policies - Annexure 'D'.

The copies of this circular should be given to P.S. and claims department in the D.O. for their necessary actions.

If any clarification is required, please write to Reinsurance section, Actuarial Department, Central Office.

Life Insurance Corporation Of India

M.D.O.I MUMBAI

ADDENDUM TO REINSURANCE

PLANWISE CHART FOR SUBMISSION OF ANNEXURE 'C' AND 'D' BY BRANCHES.

Sr. No	Group	Plans covered under the group	Minimum total sum assured including sum proposed	
			Std. lives	Sub Std.lives
1.	Individual assurance expect term assurance	2,5,8,14,48,75,76,90, 93,95,103,114,11,131, 136,149,152,154,155, 156,157,162	Rs.45 Lacs	Rs.22.5 Lacs
2.	Term assurance convertible term assurance and one year renewable term assurance	43,52,58,91,94,106,10 7,108,143,150,153,164	Rs.35 Lacs	Rs.17 Lacs
3.	High Risk Plans (form EMR CI IV to CI VI)	43,52,58,88,89,91,94,1 06,107,108,121,133	-	Over Rs.2 Lacs
4.	Jeevan Bharati Plan	160	Over Rs.1Lacs	Over Rs.50,000
5.	Critical illness Rider	-	Over Rs.1 Lacs	-

Note :

1. Based on above chart 'C' And 'D' annexure will be prepared will be the branches including all previous policies (duly rated up) including current proposal. (Previous policy may be accepted at OR or with extra).