

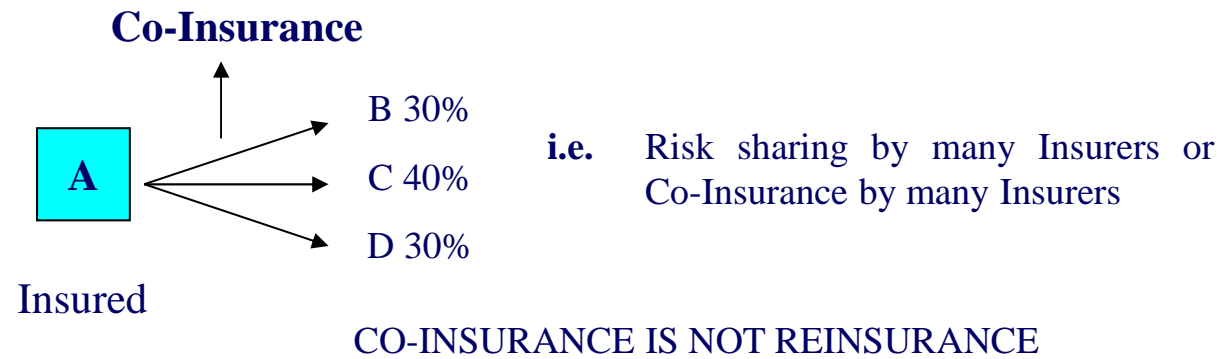
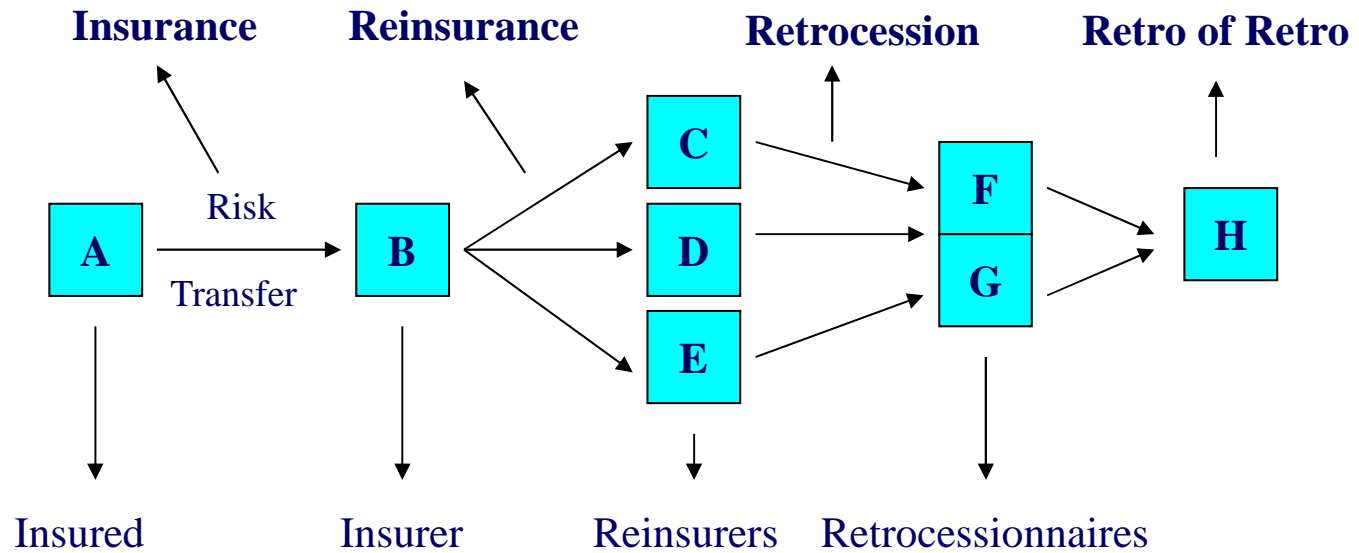
# **100 Points Reinsurance Manual**

**By**

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## FUNDAMENTALS



1. **Insurance** is Risk Management technique of Risk Transfer from Insured to Insurer.
2. **Co-Insurance** is Risk Transfer from one Insured to many Insurers.
3. **Reinsurance** is extension of Risk Transfer process from Insurer to Reinsurer after some retention.
4. **Retrocession** is Risk Transfer by one Reinsurer to many Retrocessionnaires.
5. **Reinsurance** is like a shock-absorbing device in a delux car. It is like layers of Tyre with air tube on the metallic wheels of a car.
6. **Reinsurance** is a relationship between Reinsured who writes risks beyond his capacity and Reinsurers who provide capacity.
7. **Capacity Providing Reinsurers** extend their financial strength to the Reinsured who writes risks beyond their own financial strength.
8. **Reinsurance** is international in character. Local Risks must be reinsured internationally.

9. **Local Reinsurance** means Market Retention of Risks with spiral impact of losses.
10. **Insurance Markets are cyclical** in nature. Reinsurers abroad are not directly affected by Bad Cycles of a local market and they remain stronger to meet their obligations to Reinsureds who are directly affected by the Bad Cycles of their own markets.
11. **Reinsurance is a long term relationship** so that in period of CALM they share profitability of Reinsureds and in period of CATASTROPHE they support Reinsureds stand by them and neutralise the damaging impact of large losses.
12. **Conventional Reinsurance has its own limitations** as there is an end to the road of Retrocessions of a Single Current Risk.
13. **Alternative Risk Transfer Technology** as an alternative to Conventional Reinsurances is called ART. It deals with financial aspects of long term arrangements for protecting an entire Portfolio of Risk of a class which remains outside the Conventional Reinsurances.
14. **ART** is based on Financial Reinsurance concepts of Risk Transfer with Fund Transfer and ultimately either side shares the final results.
15. **Risk Financing Technique** is applied in Securitisation of a Portfolio of Risks of a Reinsured after fully utilising Conventional Reinsurances.

## **B. MEANING & DEFINITIONS**

- 16. Reinsurance by Fac Re Method** is Reinsurance of a Single Insured Risk which is current.
- 17. Reinsurance by Treaty Method** is Reinsurance of a Portfolio of Risks to be underwritten by Future.
- 18. Reinsurance by Proportional Treaty Method** is a Pre-arranged Reinsurance for Creation of Capacity for the Reinsured.
- 19. Reinsurance by Non-Proportional Treaty Method** is to protect Net Account against Single Risk Large losses as well as Catastrophic Events of losses with enormous accumulation of many risks in one event of loss.

20. **Reinsurance by Treaty Method** means Reinsurers participating in the Treaties provide Capacity of their own financial Networth and Ceding Insurance Company writes Risks beyond their own Networth with support of Reinsurers' financial strength.
21. **Reinsurance by Fac Re Method** is optional for both Ceding Company as well as Reinsurers with options open to Reinsure or not for the Cedant and options open to Reinsurers to accept or reject a risk.
22. **Reinsurance by Treaty Method** is obligatory i.e. Ceding Companies are obliged to cede after retentions of risks and Reinsurers are obliged to accept all cessions made by the Cedant.
23. **Reinsurance Treaty Period** is a fixed period of reinsurance protection of Risks which have varying period of Policies of Risks covered.
24. **Reinsurance Treaties** in which Reinsurers accept shares in **advance** are really speaking **BLIND Acceptances** by the Reinsurers according to terms and conditions of Treaty slips.

25. **Insurers need CAPACITY** (i.e. coverage of all Perils + Confidence in Security of Reinsurers + Continuity after a Loss) **Reinsurers provide CAPACITY**. Hence Reinsurance by Treaty is for the **Creation of Capacity**.
26. Facultative Reinsurance is 'OF' a RISK. Treaty Reinsurance is 'FOR' a RISK.
27. Reinsurance is a Contract between Reinsured as the First Party, Reinsurer as the Second Party and the Original Insured is not a party to the Contract of Reinsurance.
28. Reinsurance is a Separate Contract from the Contract of Direct Insurance between Insurer and Reinsurer.
29. Reinsurers have to assume the liability to the original Insured in event of the Insurer (the Reinsured) going into liquidation according to the CUT THROUGH PROVISION. CUT THROUGH Clause is therefore called Loss Assumption Clause. This is because the clause does not provide for recovery from the Insured of outstanding premiums due to the Reinsurer after the liquidation of the Insurer.

30. A Proportional Reinsurance is so called because Reinsurance cessions of Premiums, Liability and Losses from a Risk are made in the same Proportion.

**Risk**



Pro rata Cessions	Premium	Liability	Loss
	1,000,000	100,000,000	50,000,000
10% Net Account	100,000	10,000,000	5,000,000
70% Treaty	700,000	70,000,000	35,000,000
20% Fac Re	200,000	20,000,000	10,000,000

31. A Non-Proportional Reinsurance is so called for Excess of Loss Treaties because cessions of XL Premiums are in different proportions and cessions Loss are only after Loss Retention which is indifferent proportion.

## C. FUNCTIONS OF REINSURANCE

32. Reinsurance function as **shock absorbing device in a delux car**. Its function is to make journey comfortable on bad roads.
33. Reinsurance **functions to neutralise the damaging impact of losses by fragmentation of unbearable losses into bearable units.**
34. Loss of Insurer ONE  
When shared by Reinsurers MANY  
All survive – **it breaks not ANY**
35. Reinsurance **Insures Insurers**  
Retrocession **Reinsures Reinsurers**
36. Reinsurers **underwrite direct insurance underwriter** who writes and underwrites a RISK.

37. Reinsurers have technical expertise and global experience. They have knowledge to identify faults as well as wisdom to remedy them which makes them **best advisers to insurers.**
38. The **wrongs** of SOFT market trends are rectified by restrictions of HARD market e.g. Post WTC Attack Loss scenario.
39. Reinsurers have a **self-corrective tendency** in the HARD market conditions.
40. SOFT market conditions are HARD for Reinsurers  
HARD market conditions are SOFT for Reinsurers.
41. Reinsurance is a technique of Global Transfer of Local Risk to achieve Global Spread of Risk.
42. **Reinsurers Follow the Legal and Technical Fortune** of Reinsureds in handling claims but in Liability Risks, there are provisions for Claims Control and Claims Co-operation by Reinsurers.
43. Reinsurers are not bound to follow Ex-gratia payments of losses by the Reinsureds as these are outside the terms and conditions of contracts.

44. Reinsurers act as Friends, Philosophers and Guides of the Direct Insurance Underwriters.
45. Reinsurers may be difficult in negotiations but remain supportive thereafter.
46. Reinsurers keep Utmost Blind Faith in a Good Underwriter when they accept a share in Treaty arranged for Future Risks.
47. Reinsureds can write risks much beyond their capacity because through Reinsurance, they get backing of Reinsurer's Financial Strength.
48. Reinsurance abroad involves Foreign Exchange Spending by payments to Reinsurers as Reinsurance Premiums outgo.
49. Reinsurance abroad involves Foreign Exchange Earning by payments received from Reinsurers through Loss Recoveries.
50. Reinsurance makes TRUST a longer lasting TRADITION.

## D. PRINCIPLES – N - NORMS

51.
  - i) No reinsurance cessions without Retention i.e. 100% Retention is OK – Not 100% Reinsurance.
  - ii) Indemnity Limits of Reinsurers fluctuate as a result of PML Errors – N – Exchange Rates of Currencies.
  - iii) Utmost Good Faith in Fac Re is full disclosure of facts. But UGF in Treaty Re is Utmost Blind Faith in Good Underwriters.
  - iv) Insurance is Risk Transfer from Insured to Insurers. Reinsurance is Risk Transfer from Local Insurers to International Reinsurers. Retrocession is Risk Transfer from International Reinsurers to Global Reinsurers.
  
52. RISKS are never Good are Bad  
Only RATES are Good are Bad
  
53. Rating mean pricing risks before burning cost is known !
  
54. Rating of Ceding Company generates EPI of Proportional Treaties. XL Treaties are quoted by Reinsurer who lead the treaties.
  
55. Fac Re's Reinsurers quote rates of Reinsured Risks.

## E. METHODS

56. Broadly speaking Methods of Reinsurance are threefold : FACULTATIVE – FACULTATIVE OBLIGATORY and OBLIGATORY.
57. FACULTATIVE method is for Single Current Risk's Reinsurance where option is open for the Insurer to reinsure or not and option is open for Reinsurers to accept or reject.
58. FAC – OBLIG method is a bridge between FACULTATIVE and TREATY methods.
59. FAC – OBLIG is so called because it is a Pre-arranged Treaty for a particular class of Risks which are declared by the Ceding Company. Ceding Company enjoys option to declare a risk or not but once the declarations are made, the Reinsurers are **obliged** to accept as they cannot reject any declaration.
60. Fac Oblig Open Covers are with a FIAT LIMIT without line limitation.
61. Fac Oblig Surplus Treaty is with a line limitation with Maximum Amount of Liability.
62. A Treaty is pre-arranged to protect a Portfolio of any class of risks written by the Ceding Company. After retention a Cedant is obliged to make all cessions as per Treaty terms. Treaties may be Proportional and Non-Proportional.

63. Treaties are for Future Risks and are obligatory for both the Reinsureds and the Reinsurers.
64. Facultative Reinsurance is for Single Current Risks and is very much like LOVE MAKING where options are open. BUT Treaty Reinsurance is for a Portfolio of Risks to be underwritten in future with no option for either side.
65. Pro rata Treaty of Quota Share type has :

A fixed percentage or Quota for Retention as well as Reinsurance.

- ❖ Each and every risk is retained and reinsured with no 100% Retention on Any One Risk.
- ❖ It has higher Premium base, higher exposure base and it is well balanced on both bases.
- ❖ It gives maximum premium with higher commission and profit commission terms.
- ❖ It is good for Ceding Company in its formative stage of first 3 to 5 years of operations.

66. 20% obligatory cessions by each insurance company to National Reinsurer is 20% Quota Share treaty.
67. With increase in financial strength a Ceding Company can arrange a Surplus Treaty with following characteristics :
- Some Risks below the line of retentions are retained for 100%.
  - Surplus limits of Risks to the line of retentions are ceded to the Surplus Treaty.
  - Surplus Treaties have lesser premium base with higher liability base as compared to Quota Share treaties.
  - There may be First and Second Surplus Treaties one after and above the other.
  - Reinsurance cessions after Net Line of Retention must first exhaust First Surplus Treaty limits before making cessions to the Second Surplus as per “Operative Clause” of Treaties.

68. Pro rata Treaties are pre-arranged for a fixed period of 12 months with a provision for PNOC (Provisional Notice of Cancellation) to be tendered by either side to Preview – Review – N – Renew the Treaties for next treaty period.
68. Pro rata Treaties give EPI (Estimated Premium Income out of cessions of all risks to be made during the Treaty year) and a Maximum Liability on Sums Insured and/or PML of Any One Risk basis.
69. Volume of Any One Event of loss affecting Risks Ceded to the Proportional Treaties is never known. But in National Catastrophe Events there may be enormous Loss as accumulations are Unknown – Unlimited – Uncontrolled.
70. After WTC Attack losses of 11.9.2001, Reinsurers keep a Limit of National Catastrophe Event loss by Capping of Event Loss in the Slip. Thus it is Unknown – N – Uncontrolled but no unlimited.

72. Proportional Treaties Create Automatic Capacity for the Ceding Company.

e.g. Net line of Retention Capacity	...	...	5,000,000
20 lines First Surplus Treaty	...	...	100,000,000
20 lines Second Surplus Treaty	...	...	100,000,000
			-----
		Automatic Capacity	205,000,000
			=====

Treaties create a Capacity for 200,000,000.

73. Reinsurers of Proportional Treaties accept risks BLINDLY with Utmost Blind Faith in a Good Underwriter of the Ceding Company.

74. In a Surplus Treaty, if retention is reduced capacity, capacity is reduced.

e.g. Risk	<u>Max. Retention</u>	<u>20 lines Surplus Treaty</u>	<u>Total Capacity</u>
A	5,000,000	100,000,000	105,000,000
B	2,500,000	50,000,000	52,500,000
C	1,000,000	20,000,000	21,000,000

75. In a Quota Share Treaty, if retention quota percentage is reduced , reinsurance quota percentage is increased and vis-a-visa.

<u>Risk</u>	<u>100% QS Limit</u>	<u>% Retention</u>	<u>% Reinsurance</u>
A	100 mln	30% 30 mln	70% 70 mln
Or	100 mln	50% 50 mln	50% 50 mln
Or	100 mln	20% 20 mln	80% 80 mln

76. A Quota Share-cum-Surplus Treaty can be arranged by combining the two methods :

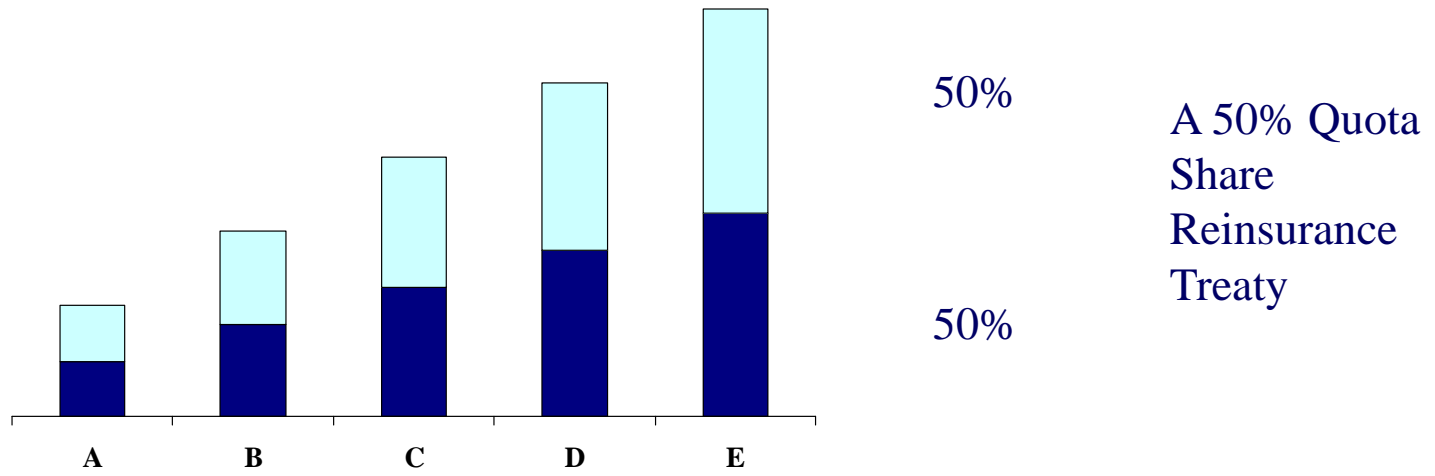
e.g. Gross line : 100 mln  
 Net A/c Q.S. 30% : 30 mln

A) 70% Q. S. Reins Section : 70 mln

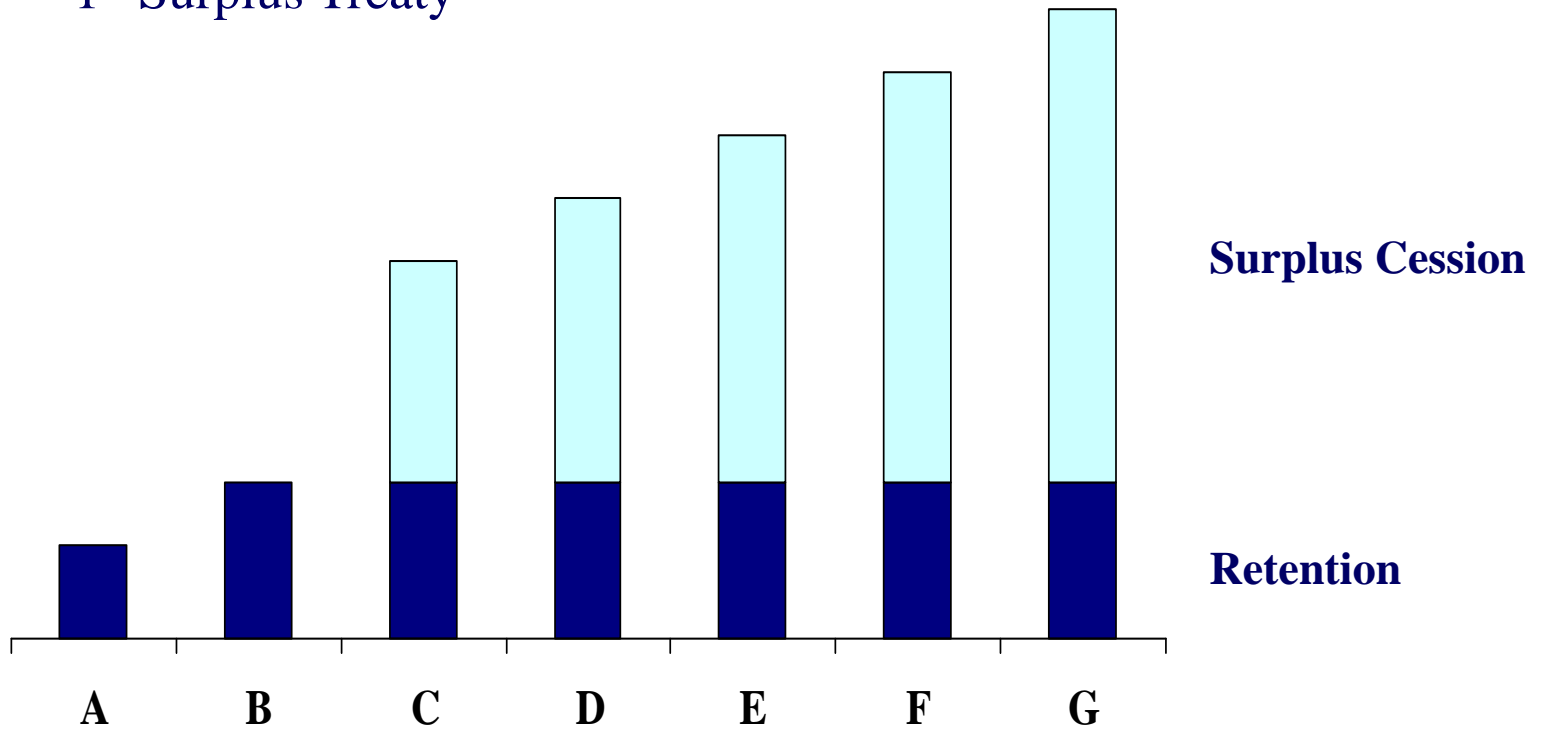
B) 5 Gross lines Surplus Section : 500 mln

Quota Share cum Surplus Treaty Limits A + B Sections = 570 mln.

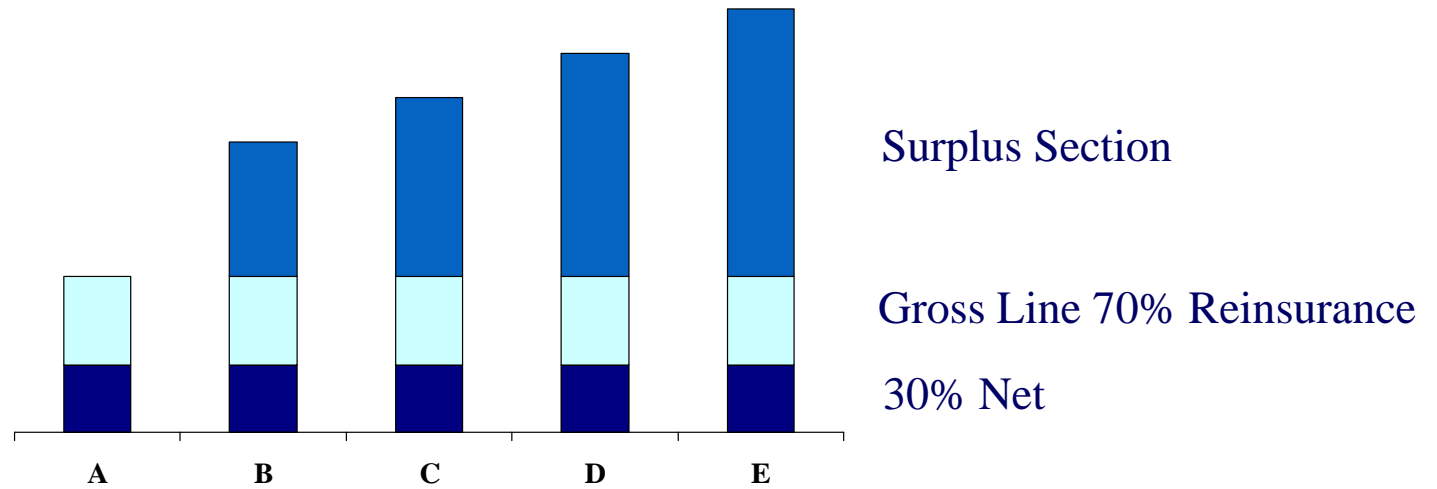
77.



# 1<sup>st</sup> Surplus Treaty



## Quota Share cum Surplus Treaty



78. Non-Proportional Treaties are so called because Reinsurance Premiums bear variable percentage on EGNPI or NPI for each layer and loss retention recoveries are Non-Proportional for each layer.
79. Non-Proportional Treaties are also called Excess of Loss Treaties as Limit of Loss recovery for each layer is in excess of Loss Retention for each layer.

80. In an Excess of Loss Treaty constituent elements as under have specific characteristics :



**EGNPI** Pro rata Premium Cessions as per lines of retention i.e. Net Retained Lines Pro rata Premiums. They are Gross Premium Net of Returns and Cancellation.

**NPI** EGNPI less Acquisition Cost (25% to 30% in Direct business but Net of Reinsurance Commission, Profit Commission and Brokerage in respect of Retro A/c. Actual GNPI and/or NPI are ascertained at the year end.

**Limit** It is Limit of Loss Recovery.  
It is a constant Factor.  
In Risk XLs it is Per Risk Limit of Loss Recovery.  
In Cat. XLs it is Per Event Limit of Loss Recovery.  
In Stop Loss XLs it is Annual Aggregate Limit of Loss Recovery.

Any Recovery for Risk and Cat. XLs reduces the Limit partly or fully. Hence Reinstatement provision applies automatically to Reinstatement exhausted Limit so that with another Risk or Event Loss full limit is available.

There is no need for reinstatement provision for Stop Loss XLs as the Limit is Annual Aggregate Loss Recovery Limit.

## Underlying Limit of

### Loss Retention

It is per Risk Loss Retention Limit for Risk XLs.

It is per Event Loss Retention Limit for Cat. XLs.

It is Annual Aggregate Loss Retention Limit in a Stop Loss XL.

Underlying Limit of Loss Retention is fixed for 1st layer with a Limit in excess of Retention. Thereafter, it is a total of both as Loss Retention for 2nd layer and so on.

e.g.	1st layer :	20 mln xs 5 mln
	2nd layer :	25 mln xs 25 mln
	3rd layer :	50 mln xs 50 mln
		-----
	Total Range	95 mln xs 5 mln
		=====

## **FGU Loss**

Loss from Ground Up is FGU Loss

It is also Ultimate Net Loss

It is called UNL as it is Net of all other reinsurance recoveries but ultimately recoverable from XL Treaties.

$FGU\ Loss - Risk\ XL\ Recoveries = FGU\ Loss\ for\ Cat.\ XLs.$

FGI Loss is constant figure for all layers of one XL Programme.

FGU Loss may be Paid + O/S losses but Recovery is made only on Paid Loss basis and therefore, Reinstatement of exhausted limit is also done on Paid Loss Recovery basis.

If Reinstatement Provision is exhausted before year end, the XL Cover dies before its natural Expiry.

**e.g.** Cover : 1,500,000 xs 500,000 with one Reinstatement at 100% A.P.

Period : 12 months from 1st January 2004

If there are three FGU Loss as under :

<u>D.O.L.</u>	<u>FGU Loss</u>	<u>Loss Retention</u>	<u>XL Loss Recovery</u>
1.3.2004	2,000,000	500,000	1,500,000
1.9.2004	2,000,000	500,000	1,500,000
1.10.2004	1,000,000		XL cover is dead on 2.9.2004

**An Event of Loss  
On the last day of  
XL Treaty**

Cover : 2,000,000 xs 500,000  
Period: 12 months from 1.1.04 on LOD basis.

Floods on 31.12.04 in the event of 7.00 p.m. The event of Flood will be over on 6.01.05. Therefore, expiry of XL cover on 31.12.04 is extended upto 6.01.05 to complete the Event of Flood for 168 Consecutive Hours.

**R.O.L. %**

XL Premium as a percentage of the Limit of the Cover  
e.g. Cover 1,500,000 xs 500,000

Rate on Line : 40%.

Therefore, XL Premium is 600,000 (40% of 1,500,000)

**Rate on EGNPI**

XL Premium as a percentage on EGNPI. In the above example, EGNPI is 6,000,000 and Rate on EGNPI is 10%.

**M&D Premium** Minimum Premium to be paid as Deposit to XL Reinsurers.

It is 90% or 100% of XL premium.

When payable Quarterly in Advance, it is 1st day of each Quarter.

When payable in Arrear, it is last day of each Quarter.

**PPW** Premium Payment Warranty of 60 or 90 days from the due date of payment.

**Cover** Range of Limit excess of Loss Retention for each layer.

**Burning Cost (BC)** Limit of Cover is Burning with Loss Recoveries.

**Pure B.C.** Premium equal to Loss Recoveries in a year.

**Loaded B.C.** Pure B.C. x  $\frac{100}{70}$  or  $\frac{100}{75}$  or  $\frac{100}{80}$

81. After WTC Attack losses of 11.09.2001, Reinsurers prefer Non-Proportional Treaties when there is Limit of Loss and Limit of Retention. They tend to avoid Proportional Treaties as Volume of Loss is Unknown and Very heavy even after Capping of Limits for natural Catastrophe Perils.
- 82. Reinsurance Accounting** is related to accounting terms of Treaty Slips.
83. Reinsurance Accounting Systems are different for Proportional Treaties of various classes.
84. For Fire, Misc. Accident and some Engineering Treaties clean-cut system is followed. For other Classes, Underwriting yearwise system is followed.
85. In clean-cut system, Reinsurers are relieved of their Liabilities at the end of the Treaty year by Portfolio Withdrawals of Unexpired Risk Liabilities and Outstanding Loss Liabilities.
86. In the beginning of the Treaty year on its inception date, Reinsurers of Treaty are Credited with Portfolio Entries for Unexpired Risks and Outstanding Loss Liabilities to make them liable for Treaty period.

87. Portfolio Premiums = Unexpired Risk Liability i.e. Losses Occurring in Treaty Year on policies of previous year as policy year continues in the New Treaty Year.
88. Portfolio Loss = Outstanding Loss Liability i.e. Known O/S losses of all previous years + Incurred But Not Reported Losses. It may be 100% or 90% of O/S losses.
89. Portfolio Premiums and/or Loss can be run-off if treaty is terminated. In that case reinsurers' liability of Unexpired Risks and/or O/S losses is run-off till natural expiry of all liabilities.
90. Reinsurers' shares for two Treaty Years become basis of P/F Withdrawals and Entries.

e.g.	<u>Reinsurers</u>	<u>2004</u>	<u>2005</u>
		%	%
	A	1.00	2.00
	B	2.00	1.00
	C	1.00	Cancelled
	D	...	1.00
		-----	-----
	Total	4.00	4.00
		=====	=====

91. Statistics : Clean-cut Systemwise

P/F Premium Entry + Written Premium – P/F Premium Withdrawal

= (A) Earned Premium

(B) Commission

P/F Loss Withdrawal

+ Paid Losses

- P/F Loss Entries

(C) = Inc. Loss.

Result = A – B – C

Less (D) Profit Commission

Net Result = A – B - C - D

**92. Format for U/wtg yearwise Account Statistics (Triangulation Statistics) as at 31.12.04**

	<b>12 Months</b>	<b>24 Months</b>	<b>36 Months</b>	<b>48 Months</b>	<b>60 Months</b>
<b>2000</b>					
Net Premium					
Incurred Loss %					
<b>2001</b>					
Net Premium					
Incurred Loss %					
<b>2002</b>					
Net Premium					
Incurred Loss %					
<b>2003</b>					
Net Premium					
Incurred Loss %					
<b>2004</b>					
Net Premium					
Incurred Loss %					



## 94. Cash Loss Accounting

In Proportional Treaty Accounts, Monthly Premiums and Loss Bordereaux are prepared. Quarterly Accounts are prepared with Premiums, Commission, Losses paid for each month, say January, February and March figures are totalled for 1st Quarter which can be ready by 10th of April.

If there is a large claim (equal to a more than Cash Loss Limit), Ceding Company can make Cash Loss Calls from Reinsurers who have to settle the same within 15 days.

These Reinsurers who settle Cash Loss are to be given Cash Loss Credit in Quarterly Statement of Accounts.

## 95. Treaty Slip Terms

- Slip is so called as it can be easily slipped into the hands of an Underwriter.
- Slips are Summaries of Main Terms and conditions agreed by the Leader.
- Reinsurers mention about acceptance on most Preferred Terms i.e. Terms given to Reinsurers must be most favoured Terms. Leader's terms and other reinsurers terms should not be different.
- Slips are to be signed by Reinsurers showing their signed lines.

96. Proportional Treaty Slips

- Name of the Ceding Company
- Type of Treaty
- Period of Treaty
- Class of Risks Covered
- Exclusions of Perils
- Inclusion of Specific Perils
- Estimated Premium Income, OGR or ONR or Both basis
- Line of Retention Sum Insured / PML Any One Risk basis
- Maximum Liability SI/PML AOR basis.
- Commission %
- Profit Commission % (Formula of P.C.)
- P/F Premium %
- P/F Loss %
- Reserves
- Cash Loss Limit
- Accounts

## 97. XL Treaty Slip

- Ceding Company
- Type of Treaty
- Treaty Period
- Class of Business Covered
- EGNPI

Cover Limits XS Loss Retention

M&D Premium. How payable

Layer I

Layer II

Layer III

Reinstatements :

## 98. Fac Re Policy

Treaty Terms are given in SLIPS. Fac Re Terms are given in POLICY. It contains

Ceding Company :  
Risks Covered :  
Maximum Liability :

### Fac. Re Requirements

Premiums :  
Commission including Brokerage :  
Fac Re Liability :  
General Conditions :  
Underwriting Information :

It is to be signed and returned by each reinsurer. Terms are not necessarily same for all reinsurers.

**99. Cover Notes**

These are SLIP terms with names and shares of reinsurers participating through a broker who prepares Cover Notes and sends to Ceding Company. Cover Notes replace SLIPS.

## 100. Contract Wordings



Treaty Wordings are with Standard Format and Clauses for different types of Treaties.

Treaty Wordings are executed by Ceding Company's executives and Reinsurers Executives.

Every year new Treaty Wordings is not to be prepared but an Addendum covering main changes in terms are attached to the existing wordings.

Wordings have :

Nature of Perils

Operative Clause

Premium Clause

Retention Clause

Maximum Liability Clause

Preliminary Loss Advice Provision

Claims Clauses

P/F Adjustment Clause

Reserve Clause

Cash Loss Clause

Accounts Clause

Cancellation / Termination Clauses etc.





- CEDING COMPANY** : THE ALLIED INSURANCE COMPANY OF THE MALDIVES LTD.  
Male', Maldives
- TYPE OF TREATY** : NON-MARINE SURPLUS
- PERIOD** : Continuous contract from 1<sup>st</sup> January, 2008 subject to 3 months notice of  
cancellation at 31<sup>st</sup> December any year.
- BUSINESS PROTECTED** : Fire and Allied Perils and L.O.P., Misc. Accident CAR/EAR, Machinery  
Breakdown/MBLOP and Liability (including Marine Passengers  
Liability) business written Direct and Facultative in Maldives and  
Maldives' interest abroad. Incidentally, Fac Re of Maldivian Risks are  
accepted through brokers and the same are covered.  
Impact Damage of Vessels on underwater restaurant, spa etc. to be 6.25%  
of the limits i.e. not more than MRF. 50,000,000 S.I. for Any one Risk

TERRITORIAL SCOPE	: The Republic of Maldives only
RETENTION	: MRF 5,000,000 any one risk/any one policy S.I./PML for a few large risks with minimum 50% PML
NO. OF LINES	: 80 lines
MAXIMUM 100% LIMITS:	MRF 400,000,000 S.I./PML for a few large risks with 50% minimum PML i.e not more than equivalent of Sum Insured of MRF.800,000,000 A.O.R. (US\$ 62,257,000)
	<b>Event Limit for Natural Catastrophe Perils :</b> MRF 800,000,000 for any one event.
R/I COMMISSION	: 40%
PROFIT COMMISSION	: 30% (M/E 7.5%, Losses carry forward to extinction)
RESERVES	: Nil
CASH LOSS LIMIT	: MRF 2,000,000 for 100% of treaty
ACCOUNTS	: Quarterly in Maldives Rufiyya (other currencies to be converted at exchange rates on last business day of each quarter)
EXCLUSIONS	: a) Inward Treaties b) War and Civil War exclusion clause. c) Nuclear exclusion clause

: 2 :

- d) Products Liability
- e) Motor business
- f) Workmen's Compensation business
- g) Professional Indemnity

INFORMATION : 1. Estd. Premium Income

Currency: MRF

Class	2004	2005	2006	2007	2008
Fire & A.P.	4,750,000	10,000,000	15,000,000	18,000,000	27,000,000
Misc. Accdt	2,750,000	5,000,000	6,000,000	7,200,000	10,000,000
Liability	1,000,000	1,000,000	2,000,000	2,400,000	3,000,000
CAR/EAR/ MB/MB LOP	750,000	1,000,000	2,000,000	2,400,000	7,000,000
<b>Total</b>	<b>9,250,000</b>	<b>17,000,000</b>	<b>25,000,000</b>	<b>30,000,000</b>	<b>47,000,000</b>

- 2) Perils covered  
in Fire Dept. : Fire, Explosion, Riot & Strikes Malicious  
Damage, Air Craft, Water Damage due to  
overflowing of water tanks, Impact, Windstorm,  
flood, inundation, earthquake, tidal waves, Flop.

3) Portfolio : Underwriting year basis, (but for Fire Dept. final loss reserve clean-cut after 36 months and amount to be agreed with leading underwriter only)

4) Remittance:  
In United States Dollar

Liquid balances to be converted at rate on last business day of quarter.

Liquid balances due from Ceding Company to be remitted on the confirmation of Accounts by the Reinsurers

Liquid balances due from the reinsurer to be remitted at the same time as accounts are confirmed.

Accounts to be sent to reinsurers within 60 days from end of quarter and to be confirmed by the reinsurers within 15 days from receipt. U/Year to be closed after 36 months.

5) Current approximate exchange rate:-US\$. 1 = MRF.12.85

6) Wording to be agreed with leading underwriter only.

7) Terrorism Exclusion Clause NMA 2921

8) IT Hazards Exclusion Clause NMA 2912

LEADER : Tokio Marine Global Re, KL

***Thank You***