



**Nepal Reinsurance Co. Ltd.**

**Thapathali, Kathmandu, Nepal**

## **Life Reinsurance Claims Operating Procedure**

### **1. Claims Assessment**

For **individual life business**, the assessment includes parameters like cause of death, policy age at the time of death, coverage status, reinstatement history, to ascertain early death claim/contestability, sum insured, etc.

Treatment of Early Claims or Claims on reinstated/revival policies will imply intense scrutiny on the underwriting done at the time of application or reinstatement/revival stage, correlation between the cause of death and existence of impairments before the commencement of the policy, evaluating if there is non-disclosure/misrepresentation and so on. Not all Early Claims may be investigated especially where the Sum Insured is small and often within the approved treaty limit of the Insurer. Even though Claim department can recommend for investigation if circumstance require based on valid reasons.

Large value early Claims/facultative claims will be investigated and findings thereof shared with Reinsurer with a recommendation to pay or repudiate the Claim. It will help if the Reinsurer (**Nepal Re** herein after called **Reinsurer**) also seeks data from the Cedant on Early Claims of the Cedant for the preceding three years to analyse trends.

In **Group life business**, the portfolio comprises of large policies and claims within the **Free Cover Limit (FCL)**, and insurance cover offered against micro loans are settled promptly with basic documents including proof of death. In these instances, the Claims experience is studied at a portfolio level and pricing adjustments done accordingly.

**Claims Check list:** The check list (Annex 1) assist the Reinsurer to evaluate the claims about its validity, compliance to policy terms and treaty terms. This information is essential to approve claim and its liability.

As such, Claim department is required to collect maximum information from the Cedant/intermediaries before processing the claim. These check lists can be shared with

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prospective Cedant/intermediaries so that full information can be submitted along with their Reinsurance claim.

## 2. Proportional Treaty/Facultative Reinsurance Claims

Proportional treaty claims are normally settled through Statement of Accounts (SOA).

Only claims exceeding of claim settlement authority or a facultative acceptance are to be sent to the Reinsurer for approval.

On receipt of claim, claims department will check the following:

- a) If Reinsurer is a follower, the leader's decision is to be followed with the required documents as specified in the treaty
- b) If Reinsurer is a leader, following procedures should be followed:
  1. Checklist of Claims documents as per **Annex 1** along with other documents on the basis of requirement, Reinsurer may ask for other documents depending on the case.
  2. Check for completeness of documents listed above and call for documents if there is any discrepancy,
  3. Check for policy cession in Premium bordereaux.
  4. Check if the Premium (core insurance policy and rider policy) is received since policy inception.
  5. Medical Doctor opinion for more than Claim Authority limit as mentioned in the treaty should be received.
  6. Further procedure:
    - (i) Ask for additional documents from Cedants if deemed reasonable.
    - (ii) Based on any observation and circumstances may suggest further investigation.
    - (iii) Prepare decision Memo approval for payment or
    - (iv) Repudiation on grounds of non-disclosure/material misrepresentation of health or any other details of the insured like age, occupation or financial status, for early claims or large claims.
  7. On receipt of additional requirements and further investigation of the Claim – the claim decision memo would again be prepared/ revised to seek an approval/declinature
  8. Enter data into system/register

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- 9. Communication to Cedant/intermediary
- 10. Disputable Cases to be referred to the respective Sub Committee/Board.
- 11. Claim Approval Authority will be as per Board decision.
- 12. Claim department should share the claim data to underwriting, reinsurance accounts, general accounts and retrocession department on a regular basis for necessary action.

**3. Non-Proportional Treaty Claims**

Non-proportional treaty claims are normally settled as a Claims Recovery Advice (CRA) received from the Cedant/intermediary, if the ultimate net loss to the Cedant's share exceeds the underlying limit/ deductible under the excess of loss cover.

On receipt of claim recovery advice, claims team will ascertain the following -

Details to be checked	Y/N
1. If Reinsurer is a follower, the leader's decision is to be followed with the required documents as specified in the treaty	
2. If Reinsurer is a leader, following procedures should be followed	
2.1 Validate Preliminary Loss Advice (PLA) received earlier.  The treaty's share of incurred claim (ultimate net loss or from-ground-up [FGU] loss) is exceeding the underlying limit/deductible under the excess of loss or stop loss reinsurance programme.	
2.2 The Minimum life warranty is complied with in case of CAT claims	
2.3 The date of loss falls within the treaty period.	
2.4 All particulars such as signed line, territorial scope, treaty period, treaty limit, reinstatements and currency are compliant as per underwriting information given in the signed slip.	
2.5 Share of claim is correctly calculated.	
2.6 Treaty has an event limit, check if claims referred are within the cap of event limit in case of Catastrophe Event Claims.	
2.7 Loss limit or annual aggregate limit or any special features of the treaty.	
2.8 To check statement for the Gross loss settled by the Cedant to the	

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original insured matches with the net assessed loss.	
2.9 The cause of loss and coverage provided should not fall under the exclusions of the treaty.	
2.10 To check if the instalments of minimum & deposit premium for the treaty has been received.	
2.11 To check for the loss that had been previously advised by the Cedant/Intermediary (PLA) and whether OSLR provision for the loss has been made.	
2.12 To check if the payment is on-account/partial payment or full & final settlement. If it is an on-account/partial payment, check the balance of reserve after the on-account payment has been advised by the Cedant/Intermediary. If the claim recovery is a further on-account payment, check for earlier settlements.	
2.13 To check if there have been recoveries for other losses previously under the same treaty and whether the number of reinstatements has been fully utilized or not.	
2.14 To check if the XL premium has been adjusted for the treaty, and if yes, the reinstatement premium has been calculated on Actual sum at risk.	
2.15 To prepare the Claim decision Memo for the competent authority for its approval.	
2.16 To ensure approved claim recovery is entered in the register and information sent to account department for settlement.	

#### 4. Outstanding Claims Reserves

The Outstanding Claim Reserve (also known as OSLR) means the reserve made for a claim reported to Insurer/Reinsurer but not yet settled on given date.

##### Outstanding Loss Reserve (OSLR)

On receipt of quarterly bordereaux, the outstanding claims statement needs to be checked. This has to be followed by recording the outstanding claims the same in the system.

OSLR provisions needs to be reviewed periodically and all claims reviewed at least once in a year.

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**Incurred but not reported loss reserve (IBNR)**

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*"Outstanding claim is the total of all claims that have been intimated and taken on record prior to the date at which financial statements are prepared under such recorded claims and any amount is yet to be settled. While IBNR claim represent provision for claims which has already incurred but has not yet been reported. IBNR claim are calculated using chain ladder and Bornhuetter-Ferguson Method. In general estimation of two methods re carried & higher of the estimate is taken for consideration. Care is taken for reserve for liability under claims under dispute and / or obligation and such estimate has to be consistent with prior practice."*<sup>1</sup>

The Policy holder or nominee needs to report/ intimate the death claim to the Insurer after death/disability for the insurer to initiate the Claims process. The death claim may not be intimated immediately for various reasons.

The Nepalese Life Insurers may report these OS Losses on a monthly/quarterly basis. In view of this, the Company must make reserve provisions for delay in reporting as well as losses incurred but not reported to the Company. This provision is called IBNR reserve. The Insurer makes IBNR reserve provision for these late reported claims based on past experience/norms fixed by the Beema Samiti and based on Actuarial assumptions.

IBNR reserve calculation is different for Reinsurers as compared to Insurance Company and there are different actuarial methods to calculate these reserves

Clause 6.7.1 of Beema Samiti Risk Management Guidelines for Insurance Company 2076 specifically requires the Company to study reports with regard to Insurer making claim settlement decisions which are not in accordance with the policy terms and conditions, thereby either incurring liability that is not considered in the pricing.

Beema Samiti Risk Management Guidelines further states that the Company shall put in place measures to identify the risks associated with poor Claims handling and Case Reserving, including the risk of setting inadequate reserves or delay in revising case reserves for reported claims, resulting in under provision of claims liabilities and time lag in adjusting premiums for new policies.

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# NEPAL REINSURANCE CO.LTD.

Thapathali, Kathmandu, Nepal

## Claim Department

### Annex 1: Life Claims Checklist

Ensure that the following criteria have been fulfilled.

S. No.	Criteria	Maker	Reviewer	Approver
<b>A</b>	<b>Basic documents</b>			
1	Policy Number			
2	Name of the Insured			
3	Policy/Coverage Status (In force lapsed/change through endorsement etc)			
4	Cause of death/incident			
5	Coverage amount (sum at risk and/or additional rider)			
6	Policy inception date			
7	Date of Incident			
8	Premium paid to date			
9	Incident occurred within premium paid to date (Y / N)			
10	Contestable (Y / N) - Early Death (within 2 years / reinstated / high amount, etc)			
11.1	Policy reinstated (where relevant)			
11.2	If yes, reinstatement date			
12	Declaration of Multiple Policy, if any			
13	Claim Form completed by the Beneficiary/Nominee/Assignee or any other legal heir			
14	Doctors/ Physician's/Investigator's Statement(if required)			
15	Copy of beneficiary's citizenship certificate/passport			
16	Copy of Insured's citizenship certificate/passport			
17	Copy of birth registration certificate issued from Local authority (if minor)			
18	Copy of death registration certificate of Local authority			
19	Copy of beneficiary's relationship certificate issued from Local authority			
20	Beneficiary's photo if not included in the beneficiary's relationship certificate received			
21	Letter from employer indicating the date of last day deceased report to his office on full time basis(in the case of employee)			
22	Discharge Voucher/payment proof/cheque/bank statement/online payment transfer document copy			
23	Type of claim : Death and/or Rider			
<b>B</b>	<b>Other Documents(if required)</b>			
24	<b>In case of accident or suspicious death</b>			
24.1	Police Report including Spot Survey Report ( <i>Prahari Muchulka</i> )			
24.2	Post mortem or Autopsy Report			
24.3	Photograph of the accident spot			
24.4	Review of Medical doctor			
24.5	Newspaper clipping (if any)			
24.6	Investigation report (if any)			
25	<b>In case of CI/Disability/Reimbursement claims</b>			
25.1	Diagnosis documents for CI or Disability claims( Medical report / Lab test / other reports (ECG/MRI/X-rays etc.)			



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25.2	Review of Medical doctor			
26	<b>For early claim before 2 year of policy inception date and above NPR 1 crore claim amount</b>			
26.1	Claim investigation report , if relevant			
26.2	Review of Medical doctor			
27	Declaration of extended life coverage, if any			

Note :

Required = Any further documents/information found necessary based on the circumstances may be requested to cedant furnish to verify the claims.

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