



## NEPAL REINSURANCE COMPANY LTD.

Central Business Park, Thapathali, Kathmandu

### Non-Life Reinsurance Claim Operating Procedures

#### Inward Reinsurance Claim processing and controls

Claim Department will be responsible for processing the claim arising from Treaty and Facultative business acceptances. The record of claims intimated or settled will be maintained by the Claims Department. The Department would update Underwriting, Reinsurance and Finance & Accounts Department quarterly for their record.

#### 1.1 General Procedure (for Proportional, Non-Proportional and Facultative)- As per Annex 1

Ensure that:

- 1) Whether the Preliminary Loss Advice and OSLR have been provided by the Cedant/Broker.
- 2) The treaty's share of incurred claims is exceeding the Claim Cooperation/Control clause Limit. Ultimate Net Loss (UNL) or from-ground-up [FGU] loss is exceeding the underlying limit/deductible as per the non-proportional treaty slip.
- 3) The date of loss is within the Pro-rata treaty period for underwriting year basis. In case of on accounting year basis, confirm for portfolio transfer has been done for the current treaty. For Non-Proportional treaties, the Loss has occurred, or claims made are within the treaty period.
- 4) All the particulars such as signed line, territorial scope, retention, cession to treaty and currency are as per the slip.
- 5) If Event Limit is applicable, then check whether the claim is within the same, in case of CAT/Event Claims.
- 6) The Company's share of claim is calculated correctly as per the slip.
- 7) Account settlement position to enable or decide either adjustment or remittance of NEPAL RE's share of the claim.
- 8) The Retro reinsurers are intimated if the Company's share of loss exceeds the underlying/deductible limit stated in the Retro Excess of Loss Treaty.
- 9) In Case of any repeated claim / Suspicious claim communication must be properly given to Underwriting Department for their controls.

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- 10) Surveyor can be appointed / Paper Survey can be carried by Nepal Re if deemed necessary where Nepal Re has substantial exposure (On Treaty or on Facultative). Such appointment has to be notified to the claim committee/ Reinsurance Committee.
  - 11) Claim Approval Authority will be as per Board decision.
  - 12) Disputable Cases to be referred to the respective Sub Committee/Board.
  - 13) Claim department should share the claim data to underwriting, reinsurance accounts, general accounts and retrocession department on a regular basis for necessary action.

## 1.2 Proportional Treaty Claims

Ensure that:

- 1) Whether the Preliminary Loss Advice and OSLR has been provided by the Cedant/Broker.
- 2) Whether the gross loss settled matches with the assessed loss recommended by the surveyor and ensures that the gross loss is within the original sum insured. Ask for further clarifications on the survey report if required.
- 3) If the treaty's share of loss is in proportionate to the Sum Insured ceded to the treaty/underwriting break-up done by the Cedant and confirm that the company's share of claim is correct.
- 4) The cause of loss and coverage does not fall under the exclusions of the treaty.
- 5) If the treaty is on accounting year/clean-cut basis, then confirm whether portfolio entry has been received.
- 6) In case of on-account payment/advance payment, check whether the balance of reserve after making the on-account payment has been advised by the Cedant/Broker.
- 7) The status of settlement of accounts for the preceding quarters.
- 8) Claim Approval Memo is generated/prepared, and the claim is recommended for approval, and approved by the Management Level.
- 9) The approved cash call is forwarded to the Finance & Accounts Department for settlement.
- 10) Any deviations to the above guidelines need to be referred to the Reinsurance Underwriting Committee (RUC)/Claim Committee for their advice and approval.
- 11) Premium Payment Warranty if applicable to be checked.

### Cash loss request on treaties

On receipt of a cash loss advice under proportional treaty, the Claim Department will confirm on the following:

In addition to all the above points, the following points are also to be checked:

- 1) If underwriting of the risk is according to the retention and treaty limits.
- 2) If the treaty share of claim exceeds cash loss limit of the treaty.
- 3) NEPAL RE's share on the treaty and cash call claim worked out.
- 4) Treaty Leader's agreement for cash loss settlement (wheresoever applicable).
- 5) After payment of a cash loss request, it must be followed up for cash loss credit by the ceding company later.

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### 1.3 Non-Proportional Treaty Claims

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Under the Non-Proportional Contracts, the claim will arise either from the Risk Loss or CAT/Event Loss depending on the treaty type. The claims are normally settled as a Claim Recovery Advice (CRA). In case if the ultimate net loss of the ceding company exceeds the underlying limit/deductible specified under the treaty, then such loss will be payable.

On receipt of a cash loss advice under non-proportional treaty, the Claim Department will confirm on the following:

#### Procedure for Claim Settlement

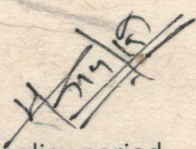
Ensure that:

- 1) The Preliminary Loss Advice and OSLR have been provided by the Cedant/Broker.
- 2) The gross loss settled matches with the assessed loss recommended by the surveyor and ensure that the gross loss is within the original sum insured. Ask for further clarifications on the survey report if required.
- 3) The Contract's share of loss (ultimate net loss or from-ground-up [FGU] loss) is exceeding the underlying limit/deductible.
- 4) The Contract's share of loss is within the layer wise cover limit.
- 5) The cause of loss and coverage does not fall under the exclusions of the treaty.
- 6) The instalments of minimum & deposit premium have been received.
- 7) In case of on-account payment/advance payment, check whether the balance of reserve after making the on-account payment has been advised by the Cedant/Broker.
- 8) There have been earlier recoveries from other losses under the same treaty. If so, check whether the number of reinstatements/amount to be reinstated has been fully utilized or not.
- 9) In case the XL premium has been adjusted for the treaty then confirm whether the reinstatement premium has been calculated on the adjusted premium.
- 10) Claim Approval Memo is generated/prepared, and the claim is recommended for approval, and approved by the Management Level.
- 11) The approved cash call is forwarded to the Finance & Accounts Department for settlement.
- 12) Any deviations to the above guidelines including Non Standard Claim / Exgratia Claim need to be referred to the Reinsurance Underwriting Committee (RUC)/Claim Committee for their advice and approval.

### 1.4 Facultative Reinsurance Claims

Claims under facultative reinsurance are Cash claims which require immediate settlement supported by the necessary documentation. The claims are normally raised by issuing a separate claim settlement advice or debit note for each risk loss which is already settled by the Cedant/reinsured. The process to settle the claim would be in accordance with the underwriting guidelines and as per the terms of the Contract. On receipt of a claim intimation/settlement advice under facultative, the Claim Department would confirm:

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- 1) If the risk loss occurred during the policy period,
  - 2) Cause of loss falls within policy coverage.
  - 3) The location and proximate cause of loss is covered and is not excluded in the slip.
  - 4) Surveyor's comments about the cause, policy liability etc.

### Procedure for Claim Settlement

#### Ensure that:

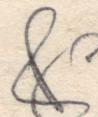
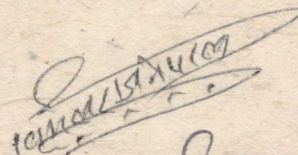
- 1) The Preliminary Loss Advice and OSLR have been provided by the Cedant/Broker. Check for updates on the claim/estimates if not provided on the intimation.
- 2) The gross loss settled matches with the assessed loss recommended by the surveyor and ensure that the gross loss is within the original sum insured. Ask for further clarifications on the survey report if required.
- 3) The Company's share of loss is as per the signed line.
- 4) In case of on-account payment/advance payment, check whether the balance of reserve after making the on-account payment has been advised by the Cedant/Broker.
- 5) The receipt of the premium within Premium Payment Warranty (PPW) period. If there is violation of PPW then it can be condoned only by the Reinsurance Committee/Claim Committee or Management Level. In that case, the premium amount will be adjusted against the claims payable.
- 6) If the survey fees/legal fees/any other expenses form a part of the settlement, the settlement of such fees is agreed only if the settlement of claim is accompanied and not in isolation, unless the claim is closed as NIL claim.
- 7) Claim Approval Memo sheet is generated/ prepared, and the claim is recommended for approval, and approved by the Management Level.
- 8) The approved cash call is forwarded to the Finance & Accounts Department for settlement.
- 9) Any deviations to the above guidelines including Non Standard Claim / Exgratia Claim need to be referred to the Reinsurance Underwriting Committee (RUC)/Claim Committee for their advice and approval.

### Credit for Salvage / subrogation recoveries

Any claim on facultative or treaty acceptances must be followed up for credit for recoveries due to salvage disposal, recovery from third parties or refund of claims due to tracing the stolen items (in case of Burglary, larceny, FG Claims etc.). This is more important in Excess of Loss claim settlements made by NEPAL RE against which the Cedants / reassured would have recovered some portion of the original claim from third parties or by disposal of salvage etc. Such recoveries will accrue to the benefit of Excess of Loss reinsurers first. Salvage record to be maintained separately and to be reviewed periodically.



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### Review of Provisions for Outstanding Claims

- 1) Based on Preliminary Loss Advice, provision would be made in NEPAL RE'S books for the potential claim to be paid.
- 2) A quarterly review of all outstanding claims and possible recoveries must be made. However, in case of major claims a closer review is made at a shorter duration or as and when further information is made available.

In case of claim on Non-Proportional Covers, the following points are to be verified:

- If the date of Loss falls within cover period.
- Computation of net loss and recovery under the XOL layers.
- Reinstatement Premium to be recovered and Brokerage payable thereon, if any, based on agreement.

### Review of IBNR provisions:

It is important to provide IBNR (Incurred but not reported) claims for all acceptances based on final loss ratios expected in each business. IBNR claims so provided would be reviewed at the end of each quarter along with the review of outstanding claims provisions.

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## 1.5 Large Losses

- 1) Open a claim file for every large loss. These are losses on which NEPAL RE's share exceeds Cash Call / Claims Cooperation Clause limit or the amount of as specified by Sub Committee or Board. The actual mechanism involved in handling such loss is as follows:
- 2) Acknowledge claim to cedant/broker and advise them of NEPAL RE's Reference No.
- 3) Request Cedants for investigation/assessor's report and other supporting documents.
- 4) Prepare credit/debit notes if cash call/loss requested.
- 5) Debit notes for recoveries sent out to retrocessionaires/brokers must be supported by claim documents.
- 6) In case of Proportional Treaties, vetting of claims submitted by Cedant-on receipt of Preliminary loss/cash loss advises from the reinsured broker is mandatory.
- 7) Check correctness of underwriting year including whether there was a portfolio transfer applicable.
- 8) Check and verify cover and MDPs (Minimum Deposit Premiums) to be in order. If not, notify Cedant/Broker.
- 9) Check whether preliminary loss advice/ cash call limit has been exceeded.
- 10) Check whether cedant has furnished all relevant details relating to this claim.
- 11) Verify the calculations. If not correct, advise the cedant giving corrected figures/calculation.
- 12) If loss is likely to affect NEPAL RE'S retrocessionaires, advise them immediately. Keep monitoring further developments from the Cedant and update retrocessionaires/brokers accordingly.
- 13) Before settlement is made, approval must be obtained. Where there is no outstanding balance due to the Company, a settlement would be expected.
- 14) Where the ceding company owes the Company and where such a company does not have a satisfactory settlement record, an offset can be made with approvals from the Reinsurance Committee/Claims Committee.
- 15) Surveyor can be appointed / Paper Survey can be carried by Nepal Re if deemed necessary where Nepal Re has substantial exposure (On Treaty or on Facultative). Such appointment has to be notified to the claim committee/ Reinsurance Committee.

## 1.6 Other checks

- 1) Have claims repudiations or possible repudiations been referred to the Claim Committee-analyse reasons for repudiation, is it justified?
- 2) How has the company reached to this conclusion?
- 3) Have there been any offers of compromise/ ex-gratia/ Non Standard Settlements?
- 4) Have Outstanding Provisions been recorded properly?

## NEPAL REINSURANCE COMPANY LIMITED

### CLAIM CHECKLIST

#### ANNEX 1: NON LIFE CLAIM CHECKLIST

##### **Inward Reinsurance Claim processing and controls**

Claim Department will be responsible for processing the claim arising from Treaty and Facultative business acceptances. The record of claims intimated or settled will be maintained by the Claims Department. The Department would update Finance & Accounts Department quarterly for the record and also receive the following documents exceeding the authorized limit (as per BOD decision)

##### **1.1 Proportional Treaty Claims (including direct cession)**

The proportional treaty claims are usually adjusted through quarterly statement of accounts. However, the Claim Department will review, evaluate, and settle those claims which exceed claim cooperation clause limit specified in the respective years slip.

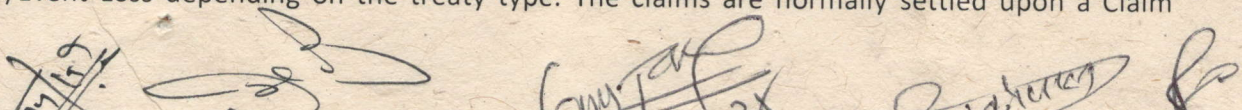
##### **Documentation for the settlement of claims**

The documents required for processing the claims in excess of cash loss limit/Claim Cooperation limit are:

- 1) Claim intimation from the Cedant/Broker.
- 2) Insurance Policy ( If deemed necessary)
- 3) Surveyor's/Loss Adjuster's Report and/or Self Survey or Investigation Report, if any
- 4) Company decision on settlement of claims.
- 5) Leader's agreement/settlement (wheresoever obtained in the original treaty. Original treaty claim limit slip to be shared if not obtained)
- 6) Cedants Debit Note
- 7) Surveyor's Fee Invoice
- 8) Other documents (if required)

##### **1.2 Non-Proportional Treaty Claims**

Under the Non-Proportional Contracts, the claim will arise either from the each Risk Loss or CAT/Event Loss depending on the treaty type. The claims are normally settled upon a Claim



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Recovery Advice (CRA). In case if the ultimate net loss of the ceding company exceeds the underlying limit/deductible specified under the treaty, then such loss will be payable.

On receipt upon advice under non-proportional treaty, the Claim Department will confirm on the following:

**Documentation for settlement of claim**

The documents required for processing the claims are:

- 1) Claim intimation from the Cedant/Broker.
- 2) Insurance Policy ( If deemed necessary)
- 3) Surveyor's/Loss Adjuster's Report and/or Self Survey or Investigation Report, if any
- 4) Company decision on settlement of claims.
- 5) Leader's agreement/settlement (wheresoever obtained in the original treaty. Original treaty claim limit slip to be shared if not obtained)
- 6) Cedants Debit Note
- 7) Surveyor's Fee Invoice
- 8) Other documents (if required)

**1.3 Facultative Reinsurance Claims**

Claims under facultative reinsurance are Cash claims which require immediate settlement supported by the necessary documentation. The claims are normally raised by issuing a separate claim settlement advice or debit note for each risk loss which is already settled by the Cedant/reinsured. The process to settle the claim would be in accordance with the underwriting guidelines and as per the terms of the Contract. On receipt of a claim intimation/settlement advice under facultative reinsurance, the Claim Department would require following documents for processing the claims are:

- 1) Claim intimation from the Cedant/Broker.
- 2) Cedant 's Claim Settlement Advice/Debit Note
- 3) Surveyor's/Loss Adjuster's Report and/or Self Survey or Investigation Report, if any
- 4) Discharge Voucher/Proof of claim settled to the insured.
- 5) Surveyor's Fee Invoice
- 6) Leader's agreement/settlement advice (if available )
- 7) Other documents : Insurance Policy, Police report/investigation report and Local authority Report (if deemed necessary)

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