Non-Health Underwriting Policy
Liberty General Insurance Limited

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LIBERTY GENERAL INSURANCE LIMITED- NON-HEALTH UNDERWRITING POLICY

PREAMBLE / REGULATORY REFERENCE

The Underwriting policy of the Company aims to enable sustainable growth of business through offering of suitable insurance solutions to diverse needs of all customer segments and thereby achieving the Company's objectives of Scale & Profitability. This shall be achieved through –

a. Creation of a comprehensive bouquet of Products
b. Efficient risk-based pricing &
c. Risk management

SCOPE & PURPOSE / OBJECTIVE

The prime objective of our Underwriting policy is to guide the management of the Company in designing and filing of Products, implementing and maintaining prudent underwriting standards including pricing of the risks to ensure achievement of the Company's overall financial goals in the General Insurance business.

In order to achieve this objective, the Company shall maintain Formalized and Documented guidelines for Product design and approval, underwriting guidelines, pricing standards, Product performance review and controls.

This Underwriting Policy Statement of the company covers the following aspects –
a) Underwriting Philosophy
b) Product Design approach
c) Underwriting Management
d) Pricing Philosophy
e) Reinsurance Strategy and Risk Transfer
f) Audit and controls
g) IT system
h) Reporting to Board

APPLICABILITY

This Underwriting Policy is applicable to all the General Insurance Products of the Company (hereinafter referred as 'product') and includes all the Products that are in the market and noted by the Authority (excluding insurance Products governed by Health Insurance Regulations)

KEY DEFINITIONS

"Retail product" is an insurance product designed for individuals or households as also for micro or small businesses.

"Commercial product" is a general insurance product that is designed for other than individuals or households.

"Preferred Risks" are low in volatility and selected based on the past favorable experience of the industry, the inherent nature of risk and the improvements happening over a period of time. The underwriting of preferred risks to a large extent will be done by the Branch Underwriters up to stipulated sum insured limits in case of commercial line Products.

"Referred risks" are volatile / high risk in nature requiring more detailed and specialist expertise. Such risks will be underwritten as per the underwriting authority matrix.

"Cautioned / Declined" Segment has been arrived at based on adverse loss history experienced by the Industry and our Risk Appetite. Risks falling under this category will be accepted only on exceptional basis at Corporate Office.

"Large risk" is a single exposure (Single risk or Known accumulation) that exceeds the Underwriting capacity of the insurer

"Underwriting capacity" means the largest monetary amount of a single risk that an insurer can assume with the support of Treaty Reinsurance protection.

DESCRIPTION OF POLICY

a) Underwriting Philosophy

Company strongly believes in having effective underwriting controls in place and would like to conduct business by reinforcing prudent underwriting procedures and guidelines. This would enable us to write quality risks with high underwriting standards and generate satisfactory and expected results.

Combined Operating Ratio (COR) would be the key criterion for deciding the profitability of each line of business.. The Company will expect underwriting profit net of reinsurance in each Product line over the medium to long term.

The philosophy of the Company is to write profitable business and develop objectivity in decision making by building good experience database and by working on actuarial models to the maximum possible extent. The Company will not approve of cross subsidy over different Products or classes. However, in exceptional circumstances, where the Company is providing insurance cover for an individual client across Products, the corporate underwriting team may optimize the business opportunities by altering the profit margin at a product level but by ensuring an adequate profit is achieved across the overall client portfolio.

The Company will strive to achieve the targeted profitable growth without disturbing the orderliness in the marketplace. During initial stages of newly launched Products, the underwriting results may vary from the plan due to absence of credible sized book. In such scenarios, appropriate actions shall be initiated for achieving the desired performance over the longer run.

b) Product Design approach

The Company endeavors to have multi-channel distribution offering insurances across all Product lines. In line with the Company's philosophy for sustainable growth, we shall constantly work towards designing innovative Product solutions, catering to the emerging market needs of both Retail and Commercial customers.

Towards achieving the above, we shall be guided by Insurance Product Regulations, 2024 and Master Circular (Guidelines) on products and procedures in general insurance business, as specified by the authority, issued from time to time, and any amendments being issued thereafter.

Product design, premium rating, terms and conditions of cover and underwriting activity shall be consistent with the provisions of the above circular and amendments if any issued by the Authority from time to time.

The Company hereby ensures strict adherence to the provisions of the above guidelines. The various aspects of our approach shall be -

i. New product Development

There will be in place a structured approach to the Product Development function. The product offerings shall be designed to provide us with leverage in the market & to strengthen our presence whilst keeping in mind our overall business strategy and budgeted plans.

As required under the Regulations, the Product Management Committee (PMC) is to be constituted and shall be responsible to ensure proper due diligence of product design and protection of the policy holders interests. The PMC of the Company shall include high level officials who are primarily responsible in product design, from departments like Underwriting, Marketing, Actuary, Claims etc.

All products as may be mandated by the Authority will be offered within such periods, as may be prescribed by the Authority.

We propose the composition of PMC and their role and responsibilities as per enclosed **Annexure 'A'.**

As part of product design and development cycle, the Company shall ensure that:

a. evolving risk coverage needs of the customer are taken into account while developing new products and revising existing products;
b. product covers an insurable risk with an underlying risk transfer;

c. the products offered are simple to understand and not complex;
d. there is transparency and clarity in wordings, terms, coverage, exclusions and conditions;
e. policyholder's interests are protected;
f. the basic principles of insurance like insurable interest, indemnity, utmost good faith, proximate
g. cause, contribution clause, salvage and subrogation etc. are adhered to;
h. all the risks relevant to the products are appropriately considered in the pricing;
i. the premium rates are fair and not excessive, inadequate, unfairly discriminatory and provide value for money;
j. all relevant factors such as risk appetite, capital availability, claim experience, reinsurance costs, guarantees, options are considered;
k. products are viable and self-sustainable;
l. market conduct practices are appropriate and fair;
m. appropriate systems, procedures relevant to the product, such as underwriting, pricing, reinsurance, claims management are in place.

ii. Product Management

The Company may voluntarily withdraw or revise any Product after being noted under these Regulations or earlier guidelines, subject to prior information to the Authority. The decision to withdraw/revise terms and condition/re-price the product shall be taken by the Product Management Committee based on the feedback on performance of the product by the Appointed Actuary.

iii. Product classification

All the Products filed with the regulator would be classified under the categories mentioned below namely Retail and Commercial. All mandatory products, as may be prescribed by Authority shall be classified as per the relevant circular issued by the Authority.

c) Underwriting Management

i. Underwriting Guidelines

The Company will have Underwriting guidelines for each Line of Business (LOB) and within each LOB for each of the Products. Guidelines shall apply for both categories of Products - Retail and Commercial and will be issued to all the operating offices to enable prudent underwriting. Risk engineering guidelines with standardized reporting forms and templates will be introduced to gather all risk relevant information especially in case of Commercial Risks and will be forming part of the guidelines.

Underwriting guidelines will provide for, amongst other things -

- Risk category details (Preferred Risks / Referred Risks / Cautioned / Declined Risks), which are based on customer segmentation, risk exposure, complexity of the risk, geographical location, industry claims history etc. Our focus will be to write predominantly Target risk segments.

- Risk evaluation process through collection of mandatory risk information in the proposal form as well as through risk engineering & inspections

- Reinsurance treaty limits and the capacity

- Underwriting authority and limits of acceptance for the underwriters

- Pricing mechanism

- Large Risk - Exposure exceeding the automatic capacity of the treaty reinsurance, necessitates the placement of facultative reinsurance (FAC).

Short Period policies are allowed on specific valid reasons provided by the Insured for issuance of the policy. For Example, short period policies are required as per seasonality of business or coinciding with the financial year or the date of renewal of other policies of the insured or any other valid reason.

ii. Delegation of Underwriting Authority

Delegation of authority for each product shall be based on the technical competence & experience of the underwriter concerned. Each Underwriter will be issued a document clearly setting forth the prescribed levels of underwriting authority via an underwriting license, which is appropriate based on a detailed competency assessment.

For each product, delegated Underwriting authorities will relate to the following factors –

- The risk category – very high scaled through to very low hazard

- The size of the risk – generally within sum insured bands.

The delegation of Underwriting Authority at various levels will be in line with the Board approved delegation of Authority. The delegation of Authority shall be reviewed periodically, at least once a year.

iii. Portfolio Management

As mentioned under Underwriting Guidelines, risks under all lines of business will be categorized as:

- Preferred

- Referred
- Cautioned/ Declined

We shall have monitoring and reporting mechanisms to help early detection of trends enabling quick adjustments to pricing, terms and conditions.

We will monitor and periodically analyze underwriting results of the overall portfolio and each product using various risk-attributes.

iv. Risk Engineering

Risk engineering guidelines will specify the survey criteria depending on the complexity and size of the risk especially in Commercial Lines. There will be an in-house risk engineering team comprising qualified and experienced engineers with industrial background. The basic objective of Risk Engineering is to facilitate better understanding of complex risks and provide risk inspection inputs to underwriters to ensure prudent underwriting and appropriate pricing.

Pre-acceptance risk survey will be carried out mostly by the Company employed risk engineers using defined risk inspection report templates. However, where required, we will also outsource this function to experts in the field.

The risk engineering study will involve risk rating /scoring, risk aggregation & mapping natural catastrophe zones. The reports would provide the risk details, risk exposures & risk improvement measures. The underwriters will utilize the risk engineering reports in understanding the risk features and decide on the acceptance of risk and rating.

As per IRDAI (Insurance Products) Regulations, 2024 any large risk shall be underwritten only with the prior approval of the Risk Management Committee (RMC) effective from April 1, 2024

RMC has accorded its in-principle approval for underwriting Large Risk subject to the following parameters:

1. The Large risk policies shall adhere to the Board approved Non-health Underwriting Policy
2. Reinsurance protection shall be as per the Board approved Reinsurance Policy
3. Rating of reinsurers shall be as per the Board approved Reinsurance Policy
4. Such risks shall be written with the prior approval of Head of Product & Underwriting – Commercial lines / CEO as per the DOA

5. The following shall be considered as Large Risks:

Large Risk Data Underwriting Year 2025-26		
LOB	**Total Sum Insured per Policy (All figures in INR Crores)**	**Remarks**
Property and Miscellaneous	2,500	excluding Bharat Griha Raksha (BGR), Bharat Laghu Udyam Suraksha (BLU) & Bharat Sookshma Udyam Suraksha (BSU)
Marine Cargo/ Engineering/ Aviation	2,500	
Liability & Specialty and Surety	250	

All Policies where Liberty General Insurance is the Leader

6. Quarterly reporting to RMC on all large risks underwritten during the quarter

d) Pricing Philosophy

The company shall follow risk-based pricing approach to meet its objective of profitable growth. The Underwriting function will consider below mentioned factors while determining the terms and conditions to be imposed and prices to be charged for acceptance of various risks:

I. Risk Factors

a. Risk Category, prior loss experience
b. Forecasted Frequency and Severity of expected Losses
c. Company's Risk Appetite
d. Inputs from Risk Engineering in respect of commercial lines

II. Capital /Expense and Market Competition

a. Cost of management, marketing expenses and acquisition cost
b. Profit margins, Capital allocation to risk, Reinsurance Cost
c. Market Conditions & Competitive Pressures
d. Renewal operating expense savings, investment income in respect of long-term motor policies

Underwriting and Actuarial steam will work closely in order to create risk-based pricing and in evaluating the results for various lines of businesses as against the predefined performance benchmarks. It would help in building higher degree of objectivity in our decision making.

In order to ensure minimum deviation from the performance benchmarks we would:

i. Create superior portfolio wise reporting capabilities to identify, analyze and correct the problem areas. It would also enable us to forecast and understand trends of the results reported.

ii. Continuous improvement in product and pricing sophistication by engaging statistical tools and implementing the global technical best practices.

Adequate cushions shall be built into the rates to cover acquisition costs, promotional expenses, expenses of management, catastrophe reserve, profit margin and the credit that will be taken for investment income in the design of rates, terms and conditions of cover. Any product pricing revision would be filed in consultation with the Appointed Actuary.

e) Reinsurance Strategy and Risk Transfer

Reinsurance programme will be designed considering the risk retention strategy of the company. We aim to increase our retention in a phased manner. The objective of the Reinsurance is to ensure optimum retention with maximum protection. Our focus and strategy is to get the maximum capacity at attractive terms.

Reinsurance Programme shall be broadly guided by the following factors:

- Maximize retention within the country;
- Develop adequate capacity;
- Secure best possible protection for reinsurance costs incurred;
- Simplify the administration of business.

Details of specific Reinsurance agreements every year will be placed before the Board for approval.

f) IT Systems

The Company's IT systems shall endeavor better management of underwriting risks and facilitate high level of analytics. The systems shall be capable of enabling –

i. pricing support in all lines of business
ii. statistical & granular data base for analysis
iii. review of underwriting decisions
iv. support for conduct of inspections and internal audit.

The business benefits to be derived from the Company's IT architecture shall be as below –

- Tracking analysis
- To stay competitive
- Distribution expansion
- Cost containment
- Service excellence
- Productivity increase
- Strategic Alignment
- Enhanced self service capabilities
- Lower cost Support models
- Replication / Reuse across business
- Enable sales / service by partners
- Cost savings
- Industry best practices
- Speed to market
- Cost benefit
- Scalability and flexibility

The IT application landscape shall include

i. Front end applications viz Portals, CRM, Business Intelligence/analytics etc.
ii. Business process- Work flow Management, Document Management System and Quotation Management System
iii. Core Systems for Policy Administration, Claims, Reinsurance and Underwriting

g) Reporting to Board

The underwriting results of the company reflecting the Gross Written Premium, Net Written Premium, Retention ratio, Net Earned Premium, Incurred claims, Expense of Management, Acquisition costs, underwriting profit/loss, Combined operating ratio will be presented to the Board Actual vs Plan on a periodical basis.

GOVERNANCE (FREQUENCY OF REVIEW & APPROVAL BY BOARD/ COMMITTEE

The Policy shall be reviewed at least on annual basis or such other shorter intervals as per the directions of Board.

Annexure A - Product Management Committee (PMC)

Constitution of Product Management Committee (PMC)

The IRDAI (Insurance Products) Regulations, 2024, Master Circular on General Insurance Business and Master Circular on Health Insurance Business places the responsibility for product design on the Product Management Committee (PMC) of the Company. The PMC shall be a Board constituted committee within the Company with functions as specified under these regulations and mentioned herein.

The Product Management Committee shall comprise the following –

1. Appointed Actuary (PMC Chairperson)
2. SVP & Head - Investments & Advisory
3. President & Head - Retail Distribution & Marketing
4. President – Institutional Business
5. President – Finance
6. Head – Product & Underwriting - Motor and Personal Lines
7. Head – Product & Underwriting - Accident and Health
8. President - Product & Underwriting - Commercial Lines & Reinsurance
9. President – Claims
10. Chief Risk Officer
11. Head – Reinsurance
12. SVP & Head – Legal
13. President - Chief Information & Technology Officer
14. President - Compliance - Chief Compliance Officer
15. SVP & Finance Leader
16. SVP & Head-Operations, Customer Experience & Process Excellence

Chairperson may invite other officers as invitees or as may be mandated under any other regulations.

Quorum and frequency for the PMC meetings

Minimum 3 members present in person or audio/video call in addition to Appointed Actuary being mandatory shall constitute quorum for the conduct of Meetings.

The Committee shall hold its Meetings at least once in a quarter.

The roles and responsibilities of PMC

The role of PMC shall be as per the IRDAI (Insurance Products) Regulations, 2024, Master Circular on General Insurance Business and Master Circular on Health Insurance Business, as specified by the authority, and any amendments being issued thereafter.

The Board constituted Product Management Committee (PMC) shall be responsible for implementation of the Board approved policies and ensuring:

a. adherence to principles of design and pricing of insurance products;
b. appropriateness of the product design for the target market;
c. regulatory compliance and recommending products for filing under File and Use procedure, as applicable;
d. products falling under Use and file category are approved;
e. periodical review of product performance, market conduct issues including grievances and taking up corrective actions, as may be necessary;
f. modification or withdrawal of the product, if required;
g. overall management of the insurance products;
h. maintenance of documentation of the decisions taken for each product for inspections of the Competent Authority;
i. that the benefits reflected in sales literature, terms and conditions reflecting in policy document shall be consistent with the design approved;
j. compliance with circulars, guidance, if any, issued / communicated by the Competent Authority.
k. put in place program of annual performance review of every Product and Line of Business that should be approved by the Board of the Insurer;
l. determination criteria for considering a vehicle as Total Loss/ Constructive Total Loss (TL/CTL) including in the context of theft of the vehicle;
m. approving criteria for determining the IDV and any associated scale of value depreciation;
n. approving any new product or Rider or Add-on or modification of an existing Individual product or Rider or Add-on.
o. to form Claim review committee with such members as required from time to time in accordance with applicable regulations;
p. Any other matters as notified from time to time.

The Product Management Committee of the Insurer shall be responsible to ensure that the entire documentation required to maintained under Use & File (U&F) Procedure is complete, correct and in compliance with the extant legal and Regulatory framework. The PMC shall carry out proper due diligence and record its concurrence / sign off on various product related risks (such as risks related to capital requirements, profitability, underwriting, reinsurance, etc.) before approval.

PMC shall recommend the launch of approved insurance products, only after ensuring that all the processes, suitable infrastructure, system requirements and standard operating procedures are in place on an ongoing basis from policy issuance to claim settlement, including determination of reserves & solvency margin and for seamless operations of the insurer including policyholders' servicing on a day-to-day basis.

Product withdrawal/Revision of terms and conditions and re-pricing philosophy

Based on the periodical reviews and reports submitted by the Appointed Actuary, the PMC will decide to withdraw/revise the Product in terms of pricing, based on reasons and circumstances including the business volumes in line with Company's business plan, Product performance, and change in customer needs/market scenarios.

The Company may retain the withdrawn/modified Product and offer to existing customers on renewal with or without changes in premium rates, with information to the Authority. However, once the Product is revised, the old Product shall not be made available to the new prospects/customers.