

National Insurance Company Limited
3, Middleton Street, Kolkata-700071



To All Regional In- Charges/ IA & ID/ HO Vigilance	Our Ref: HO/Tech/F & E/2018-19 Date: 21/02/2019 HO Master Circular No.: Date:
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**Re: Changes in Fire/IAR underwriting consequent to Mid Terms Treaty
endorsements by GIC; Effective 01/03/2019**

GIC has issued Mid Term endorsements dt 12/02/2019 to our Reinsurance Surplus & XL Treaties in their capacity as the Lead Reinsurer, which in effect will introduce following wide ranging changes in our Fire underwriting **effective 1st March 2019**.

1. Revision in in FLEXA Rates & Rating Logic:

- a) FLEXA Rates in following 8 occupancies (and their associated Risk codes) shall be the Loss Cost Rates published by IIB vide Circular dated 24/03/2017 *and any future revisions* and shall be **without any discount**. The Schedule of these notified occupancies/Risk codes is attached. **However, current practices will continue in the rest of the Occupancies.**
- b) NATCAT rates *without any discount* and Add On Rates shall be further added to the IIB rate to arrive at the Final Rate.
- c) *In case of IAR Policies FLOP, MBD, MLOP shall also be added to the above rate.*
- d) The Total Rate so arrived i.e., (a+b+c) must be further loaded to factor in Company's Procurement/management expenses or any other relevant cost to arrive at Final Rate.
 - i. Textiles (15 Risk/Rate Codes)
 - ii. Plastics (3 Risk/Rate Codes)
 - iii. Rubber Goods manufacturing (4 Risk/Rate Codes)
 - iv. Chemical manufacturing with < 32C material (8 Risk/Rate Codes)
 - v. Storage of cat III Goods (1 Risk/Rate Code)
 - vi. Transporters Godown (1 Risk/Rate Code)
 - vii. Steel Plants (2 Risk/Rate Codes)
 - viii. Power Plants (2 Risk/Rate Codes)

2. **Revision in Minimum PML:** New PML structure would be as under in different SI bands for MD, BI.

100% Sum Insured (MD + BI)	Minimum PML (MD + BI)
Upto 500 crores	100% Sum Insured Basis
500 crores to 1500 crores	60% on MD +100% on BI on Top location
1500 crores to 2500 crores	40% on MD +100% on BI on Top location
Above 2500 crores	30% on MD +100% on BI on Top location

NB: In case of MD also, per risk underwriting would be on Top location basis.

However In respect of following occupancies above structure does not apply and the PML shall be taken as 100% of SI

- i. Textiles (15 Risk/Rate Codes)
- ii. Plastics (3 Risk/Rate Codes)
- iii. Rubber Goods manufacturing (4 Risk/Rate Codes)
- iv. Chemical manufacturing with < 32C material (8 Risk/Rate Codes)
- v. Storage of cat III Goods (1 Risk/Rate Code)
- vi. Transporters Godown (1 Risk/Rate Code)

3. **Revision in Minimum Deductibles in select Occupancies:**

- a) All Power Plants **excluding** Wind & Solar *with Risk Codes: 70/04, 70/05* (Above 500 Cr top location SI)
- b) Steel Plants *with Risk Codes: 08/05, 75/04* (Above 500 Cr top location SI)

Deductibles (Each and every loss):

FLOP	30 days of Gross Profit
MLOP	45 days of Gross Profit
MD	5% of Claim Amount subject to Minimum Rs. 1.25 Crores

NB: Steel manufacturing/Production (*either integrated or standalone*) shall be rated under risk code 08/05. For all other Steel plants *with process other than manufacturing* Rate Code 75/04 shall apply. Both the Risk Codes attract above Deductibles.

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4. Multiple Occupancies:

- a) In case of Pharma Mfg plant housing both Bulk drug (API) and Formulation units, the former Rate (43/11) shall apply.
- b) For Multi occupancy involving any 2 of the 8 occupancies (Manufacturing or storage) listed at Point#1 of this circular, the higher rate of the 2 applies.


5. Large/Mega Risks of 8 Occupancies:

- a) Flexa Rates shall be as per IIB rates without any Discount.
- b) NATCAT Rates will be uniform for all Risks whether Large/Mega or otherwise.

6. General Provisions:

- a) These regulations will be equally applicable to all general insurers in India as GIC has notified all of them in their capacity of either Treaty leader or participant. There will be a level playing field for all.
- b) Foreclosure of policies due on or after 01/03/2019 either by cancellation or by double insurance is not allowed.

These changes shall be brought to the notice of all the Operating Offices immediately, for their implementation & Compliance.


S Pradhan
(Director & General Manager)

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