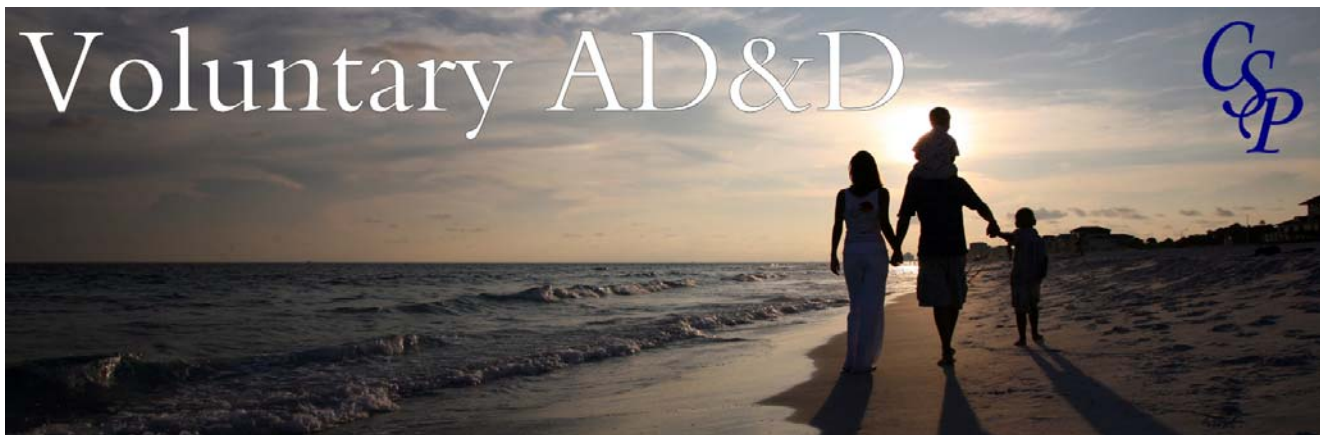


Voluntary AD&D



PRODUCT NEED AND USE:

Cedants may require reinsurance when the Voluntary coverage alone or in combination with other coverages (eg. Basic and Business Travel) exceeds their maximum retention per person. Also, when high limits/low rates are involved, cedants may simply want to lay off a share of the risk. Cedants may also require underwriting assistance or 100% support on a benefit that they do not write.

SUBJECT INSURANCE:

Voluntary AD&D provides coverage for an employee and his/her dependents on a 24 hour basis, world-wide. The plan may be set-up to equal the Optional Life plan.

REINSURANCE DESIGN/OPTIONS/STANDARDS:

Typically, reinsurance is purchased on:

- A quota share or excess per life basis.
- An excess per occurrence basis.
- Underwriting service and quotation usually within a 24 hour standard.

INFORMATION REQUIREMENTS:

1. Standard Industry Classification (SIC) Code
2. Number eligible for insurance
3. Occupational mix i.e. number of lives by category: Office/White-collar or Non-Office/Blue-collar
4. Principal Sums and limits for eligible dependents
5. Census summary giving sex and marital composition
6. Aggregate Limit
7. Loss Schedule
8. Optional Benefits
9. Special Hazards
10. Premiums/Claims experience

UNDERWRITING NOTES:

SIC Code: SIC codes are assigned to every business activity by the Federal government. A company may have as many as 6 codes, which are listed by type of business activity in the order of their importance to the company. SIC codes may often be obtained from Dun & Bradstreet, otherwise they are assigned by inspection.

Eligibility: Eligibility should also have an age limitation, usually age 70, but older ages may be considered.

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Occupational mix: The Office category includes executives, management and administrative type positions, including professionals whose duties do not require much travelling. Salespersons may be included in this category, depending on the nature of their product and the extent to which they use their automobiles for business travel. Also included would be telephone operators, clerical staff, tellers, nursing supervisors etc. The Non-Office category is for all employees that do not meet the requirements of office staff, and who are more along the lines of manual labour including light manual work. Examples of Non-Office would be tradesmen, repairmen, mechanics, bartenders, warehouse employees and security guards.

Principal Sum: The minimum benefit is usually \$10,000 with a maximum benefit of \$500,000. The employee may select an amount within the limits applicable to their policy, usually in increments equal to the minimum benefit. If, for example, the Insured has a Basic and Travel policy, it is important to know the maximum available in combination of all three policies. Coverage may also be extended to cover the spouse (under age 70) and unmarried children of the employee who are totally dependent on the employee, and under the age of 21, or 25 if in attendance at a school for higher learning or if physically or mentally handicapped and totally dependent on the employee for support. Limits for eligible dependents are expressed as a % of the employee's Principal Sum. Standard percentages are:

- 50% Spouse (no children)
- 40% Spouse (with children)
- 10% Child (with Spouse)
- 15% Child (no Spouse)

The spouse should not be insured for more than the employee, and children are not usually insured for more than \$100,000.

Aggregate Limit: A stated reinsurance aggregate must be used.

Loss Schedule & Optional Benefits: It is important to know what type of Loss Schedule and optional benefits are required to rate accordingly. Examples of optional benefits available:

- Permanent Total Disability (PTD) – available to the employee only.
- Seat Belt Benefit
- Waiver of Premium
- Repatriation
- Rehabilitation
- Conversion Privilege
- Continuation of Coverage
- Occupational Training
- Educational Benefit
- Common Disaster
- Children's Enhancement Benefit
- Family Transportation

Special Hazards: War Risk and Extended Aviation are two examples of coverage that are excluded from the standard Voluntary plan. Coverage may be included with additional charges.

Experience: Although Voluntary AD&D is rated on a fully pooled basis, we need to be aware of the Loss Ratio. If a large account has an abnormally high/low frequency of claims, a rate adjustment may be considered.

SPECIMEN WORDING:

Voluntary 24-Hour Accidental Death and Dismemberment, Business and Pleasure, including Paralysis, Loss of Speech and/or Hearing and Loss of Use.