IMPACT OF REINSURANCE ON LIABILITY INSURANCE IN LATVIA*

Natālija Cera
BA School of Business and Finance
MBA
e-mail: natalija.cera@gmail.com

Toms Liepiņš
BA School of Business and Finance
PhD candidate
e-mail: toms.liepins@gmail.com

Abstract

Liability insurance demands careful underwriting due to its specific exposure. Meanwhile, the total Latvian liability insurance market is relatively small. Consequently substantial reinsurance assistance is required to underwrite and handle risks. Inadequate and constant reinsurance programme can reduce the liability insurer's portfolio profitability and competitiveness. This paper aims to determine factors having the largest impact on reinsurer choice among the Latvian liability insurers and suggest optimal reinsurance scenarios under different market conditions. In order to achieve this, the analysis of theoretical literature, statistical data and scenarios is performed, as well as results of the survey conducted among local and foreign liability (re)insurance professionals are summarised. It is concluded that reinsurance has a direct impact on liability insurance in Latvia, reinsurance treaties have to be reviewed on a regular basis and reinsurance programme has to enhance profitability and competitiveness of primary insurer's liability insurance portfolio.

Keywords: reinsurance, proportional/non-proportional, liability insurance, profitability, competitiveness.

1. Introduction

Liability insurance demands extremely careful underwriting due to its exposure in terms of both long-tail nature and legacy business. At the same time, it is hardly the most popular insurance product and almost never a prior one (by liability insurance in this paper general liability insurance is meant - as a separate class of business). Therefore, it is obvious that insurers have to be able to provide *highly competitive* liability insurance proposals in order to attract new and retain existing business. Bearing this in mind, market and its capacity should be considered. Liability insurance market in Latvia constitutes on average (during last ten years - period of research: 2000 – 2009, inclusive) 6.4% of the whole local insurance market (6.19% when 2010 is taken into account, although the full data is still not available for this particular year). Meanwhile, the insurance companies undertake obligations, when the insuring liability exceeds the total amount of gross written premiums for this product almost 90 times. Thus, it becomes unequivocal that reinsurance is like a bloodstream to liability insurance in Latvia. However, taking advantage of capacity and protection provided by reinsurance means that insurance companies in Latvia have to share the premiums received for liability insurance policies with reinsurers. This has a direct effect on profitability of the insurance product, net earned premium amount, and technical result. Furthermore, considering the fact that at the moment insurance market in Latvia can be characterised as a soft market (supply exceeds demand thus applying pressure on premium levels), it is crucial to cooperate with reinsurers having a similar strategic approach to risk pricing as the primary insurers. Otherwise, competitiveness of insurance company can suffer leading to further decline of gross written premiums (GWP) amount and even deterioration of reputation. Hence, the choice of an *adequate and commensurate* reinsurance programme for a liability insurance portfolio is of an utmost importance to insurance companies in Latvia.

2. The aim

This paper analyses interrelation of reinsurance and liability insurance in the Latvian insurance companies. It also considers the impact of various reinsurance programmes on the local liability insurer's portfolio profitability and product competitiveness in different market conditions.

* Corresponding author: Natālija Cera. Phone: +371 26424242.

The following assumption is made: liability insurers in Latvia can enhance their product competitiveness and profitability in any market conditions by choosing an appropriate reinsurance programme offered by a reinsurer with similar underwriting strategy and reassessing this programme on a regular basis.

Consequently, this paper aims to determine factors having the largest impact on the reinsurer's choice among local liability insurers and to suggest optimal reinsurance scenarios for the Latvian liability insurers under different market conditions.

3. Materials and methods of the work

In order to achieve the aim of this paper, several tasks were performed, characterising the stages and scope of the research conducted: theoretical literature is analysed to identify peculiarities of liability insurance as a product (insurance line of business) and to determine functioning of conventional reinsurance types that are being considered appropriate for liability insurance portfolio; Latvian liability insurance market and its development during the last ten years (2000 – 2009, inclusive, with a view at preliminary 2010 data) is analysed, as well as the liability insurance portfolio positions most affected by reinsurance are determined (taking into account survey results); currently most widespread reinsurance types for liability insurance portfolio are established by summarising survey results, as well as comparative scenario analyses applying each of them to a fictitious liability insurance portfolio (non-technical or investment activities are not considered) are performed; general perception and comprehension of reinsurance in the Latvian liability insurance market is evaluated by summarising survey results. The survey conducted as part of the research was based on a specifically prepared questionnaire, which consists of 18 questions and it was distributed to liability (re)insurance professionals in Latvia and abroad (total 153 respondents) to compare the trends and practice applied in the Latvian and foreign insurance industries. All respondents are liability insurance industry experts working in either Latvia or Western Europe and Scandinavia and representing the target group. In Latvia the questionnaire was distributed to the target group via Latvian Insurers Association (LIA) and insurance brokers. Apart from the insurance companies in Latvia, the questionnaire was distributed to several European insurance/reinsurance companies, among them: ACE Europe, Chubb Insurance Company of Europe SE, DEVK, Fennia, Gen Re, Gothaer, HDI-Gerling Industrie Versicherung AG, HDI-Gerling Industrial Insurance Company - UK Branch, Munich Re, Tapiola General Mutual Insurance Company, Topdanmark, Travelers, and XL Insurance Company Limited.

4. Results

The function of liability insurance follows that of a civil liability itself – indemnify the losses sustained by a third party or, in other words, compensate for the actual damage caused. Civil liability is a form of legal liability and it is the only one that can be insured. Further in this paper, the terms liability and liability insurance refer to civil liability and civil liability insurance. There are also other forms of legal liability – criminal, administrative, and disciplinary liability – however, these forms cannot be insured. Moreover, the law "On Insurance Contracts" of the Republic of Latvia stipulates that liability insurance indemnity does not cover pecuniary penalties and other similar charges.

Liability insurance in Latvia is based on civil liability resulting from the civil law; therefore, in liability insurance an insured risk is the risk that an insured person becomes liable. It means that under a liability insurance policy, an insured event is a situation when the insured person is liable for losses sustained by a third party. Whether this event is covered by the respective policy depends on terms and conditions of an insurance contract. Liability insurance is very different from any other non-life insurance line of business, because the insured – the client, who buys the insurance policy – is not the beneficiary of insurance indemnity. In fact, the client buys the insurance protection against the losses that he/she might cause others to incur – losses sustained by third parties. This paper deals only with what is commonly regarded as a separate line of business – general liability insurance in its broader meaning, therefore, when referring to a liability insurance portfolio the following is understood: a liability portfolio consisting of two big subgroups – general liability (GL) and professional indemnity (PI) insurance, each of these consisting of several smaller types of products, for example, professional indemnity insurance for accountants or landlord liability insurance under a general liability insurance group.

Various authors offer different definitions of the term *reinsurance*, yet the main idea remains – the task of reinsurance is to protect the insurer from accumulation of many relatively small homogenous losses or from catastrophic consequences of one large loss. Reinsurance is an insurance for insurance companies (Sūniņa-Markēviča, 2003). Definition of reinsurance in the "Reinsurance Law" (came into effect on 16 July 2008) of the Republic of Latvia is as follows: "reinsurance – acceptance of the ceded risks from insurance company, reinsurance company, or private pension fund". Reinsurance allows an insurance company to diversify its risks, resulting from underwritten policies, by means of spreading it among other institutions (reinsurers). Such diversification decreases probability of incurring large losses for the insurer. Hence, reinsurer receives parts of the risk (undertakes part of the initial obligations) in exchange for part of the premium that the insurance company received for underwriting the risk. In a long-term, reinsurance helps insurance companies to avoid excessive profit/loss fluctuations by means of undertaking part of the obligations and therefore ensuring a more solid balance sheet structure. As a result – reinsurance supports general financial stability of insurance companies. Hence, insurers need reinsurance not only to be able to underwrite some new particular risks obtaining the required additional capital and insurance experience, but also to protect their portfolios and themselves from sudden adverse fluctuations. Benefits that a primary insurer receives from a reinsurer (Patrik, 2001) can be summarised as follows: **capacity** – reinsurance provides additional capacity, therefore, allowing the insurer to underwrite policies with higher limits and yet maintaining the risk on a manageable level. This grants a competitive advantage to smaller insurers and enhances competitiveness of the primary insurer in general; hence, well-considered choice of reinsurance is of an utmost importance; **stabilisation** – reinsurance allows the primary insurer to retain only the smaller, well-known and homogenous risks, while ceding the atypical, rare and hard to forecast risks that can cause an adverse effect on the insurer's portfolio. Thus, the underwriting and financial effects of large losses/accumulation of losses are mitigated, thereby decreasing probability of the primary insurer's financial ruin; **financial results management** – reinsurance can enhance profitability of primary insurer's portfolio, it can alter various financial ratios, by which the insurer is measured and evaluated (for example, loss ratio); **advice** – professional reinsurers usually have a wide range of experiences and knowledge in the related risk evaluation, underwriting, pricing, etc. They often arrange workshops and seminars for their clients – primary insurers. They also can provide a general overview of different trends on similar markets due to their contact with other primary insurers.

This paper considers conventional reinsurance types: proportional (*surplus, quota share*) and non-proportional (*XL* – excess of loss, *stop loss*). Furthermore, treaty reinsurance is applied, when performing scenario analyses, while facultative reinsurance is mentioned with regard to the survey results. It is worth mentioning here that based on the reinsurance related theory regarding traditional reinsurance covers, it is considered that normally from non-proportional reinsurance types XL is used for liability insurance, while from proportional reinsurance types – quota share.

Liability insurance market in Latvia (along with the whole insurance) decreased substantially in 2009 – a 31.1% drop compared with 2008. Illustration is provided in Table 1.

Table 1[17]

Latvian liability insurance market development (EUR and %), 2000-2009

Year	***2009***	***2008***	***2007***	***2006***	***2005***	***2004***	***2003***	***2002***	***2001***	***2000***
Total GWP ('000)	278,127	432,105	384,305	257,231	198,633	173,605	159,848	135,265	127,893	129,816
Liability GWP ('000)	8,167	11,851	10,906	8,096	9,229	11,527	16,770	12,129	12,077	16,278
Liability proportion	2.94%	2.74%	2.84%	3.15%	4.65%	6.64%	10.49%	8.97%	9.44%	12.54%
Gross losses paid ('000)	1,574	2,408	2,053	1,199	810	618	605	598	552	634
Policies written	45,890	53,972	47,350	37,170	24,603	13,445	12,347	11,133	9,412	8,404
Re* share in premiums	26.70%	28.40%	25.10%	31.90%	58.30%	78.30%	79.30%	82.80%	81.60%	84.44%
Re share in losses	21.40%	11.20%	25.60%	27.10%	36.20%	36.60%	28.00%	27.20%	39.10%	34.00%

*"Re" sands for "reinsurers"

[17]Created and calculated using FCMC data on Latvian insurance industry, available at: http://www.fktk.lv/en/statistics/insurance/quarterly_reports/; Latvian Insurers Association data on Latvian insurance industry, available at: http://www.laa.lv/pub/?cmd=stat (viewed: 17.04.2011).

Table 1 shows that general tendency changed in 2005 – in terms of almost all indicators: liability insurance GWP (-20%), number of policies written (+83%), reinsurers share in GWP (-20%p). In part, this can be explained by a turning point in the history of Latvia – on 1 May 2004 Latvia became a member of the European Union. In 2010, which is not included in the table due to the lack of complete market data, total GWP amount was 224,000,000.00 EUR (-19.5% to 2009) and total liability insurance GWP was 8,221,000.00 EUR (+0.7% to 2009), with proportion increasing to 3.7%, while gross losses paid decreased by 8.7% compared to 2009[18]. Table 1 demonstrates that the total amount of gross losses paid was increasing steadily until 2009 when there was a 34.63% decline. It can be explained by the growing number of policies written, which implies that insurers underwrite more risks in quantitative terms, and by general development of national economy, which implies that there is a growing demand for insurance, thus leading to more frequent/larger losses (in qualitative terms). Nevertheless, it should be taken into consideration that sometimes a single or few claims constitute a significant part of the total gross losses paid. For example, in 2009 the largest liability claim in Latvia amounted to 1 million EUR while in 2010 it was 200 000 EUR. Certainly, these are amounts of claims, not the actual gross losses paid, yet they play a significant role in the Latvian liability insurance market loss statistics. It is important to emphasise that reinsurers share in GWP is constantly bigger than their participation in the total amount of paid losses (with exception of 2007, when both ratios were almost equal). This gives an idea of the general claims mentality in Latvia. If the reinsurers' share in premiums is larger than their share in losses, it implies that the sum of each individual loss paid by the primary insurer often does not exceed its retention (or the insurer's share is big enough to cover substantial part of the loss in case of quota share reinsurance). It means that most of the claims made by third parties under liability insurance policies in Latvia does not exceed the insurer's retention or is slightly above (in monetary means).

When choosing reinsurance for a liability insurance portfolio, it is important to reflect, which reinsurance company would be most suitable for the respective primary insurer. Each reinsurer is most likely to provide different reinsurance offers for the same portfolio simply because each company has its own approach and strategic goals. One of the first considerations should be the reinsurer's financial strength. It is crucial for the primary insurer to receive large claims payments from reinsurer in due course. Furthermore, the insurer has to be certain that the reinsurer will participate in claims reported several months/years from termination of the subject policy. It should be the matter of a great concern for liability insurers in Latvia because liability insurance is a long tail business and statutory limitation for claims is currently 10 years, which can only sometimes be limited to 3 years. Therefore, the insurer's solvency can be severely affected by poor financial condition of its reinsurer.

As part of the survey conducted, respondents of the questionnaire were asked to evaluate significance of seven factors characterising reinsurer and assuming a reinsurer is financially stable, if they had to choose a company, where to place the liability portfolio reinsurance. The seven factors provided are as follows: **adjusts -** reinsurer adjusts itself to the needs of insurer, when developing reinsurance programme conditions and, if necessary, provides facultative reinsurance for particular risks / includes particular risks in the treaty through special acceptances; **partner -** reinsurer offering the programme is already a well-known partner, with whom the insurer has established good business relations in other lines; **strategy -** reinsurer offering the programme has a similar business strategy and „risk appetite" as the insurer itself; **price -** reinsurance programme is offered for a competitive price; **experience** – the reinsurer has substantial experience and specialisation/knowledge of liability reinsurance; **rating** – the reinsurer has a high rating, for example S&P AAA etc.; **related** – the reinsurer offering a programme is a related/mother company etc. In addition to evaluation of the factors described above, the respondents were asked to share their opinion on what is the determinant criterion / what should be the determinant criterion, when choosing the reinsurance programme for the liability insurance portfolio. Results are summarised in Table 2.

Table 2

Reinsurance choice priority table – Latvian liability insurers[19]

Priority Level / ***Factor***	**High**	**Medium**	**Low**
Adjusts	⍰		
Partner		⍰	

[18] FCMC data on Latvian insurance industry, 4 quarters of 2010, viewed: April 17.04.2011. Available at: http://www.fktk.lv/en/statistics/insurance/quarterly_reports/.

[19] Created based on survey results

Strategy	✓		
Price	✓		
Related			✓
Experience	✓		
Rating		✓	

It is clear that the Latvian liability insurers expect from the reinsurer their portfolio protection, indirect assistance in market position improvement as well as experienced and useful advice – service. Respondents were also asked to choose the reinsurance programme, which is the most appropriate for the liability insurance portfolio, in their opinion (in general). Besides showing the most popular reinsurance types among local and foreign liability professionals, the results also highlighted an alerting feature among the local liability insurance professionals: a third of respondents stated that they lack knowledge / experience to answer this question. The results are summarised in Figure 1.

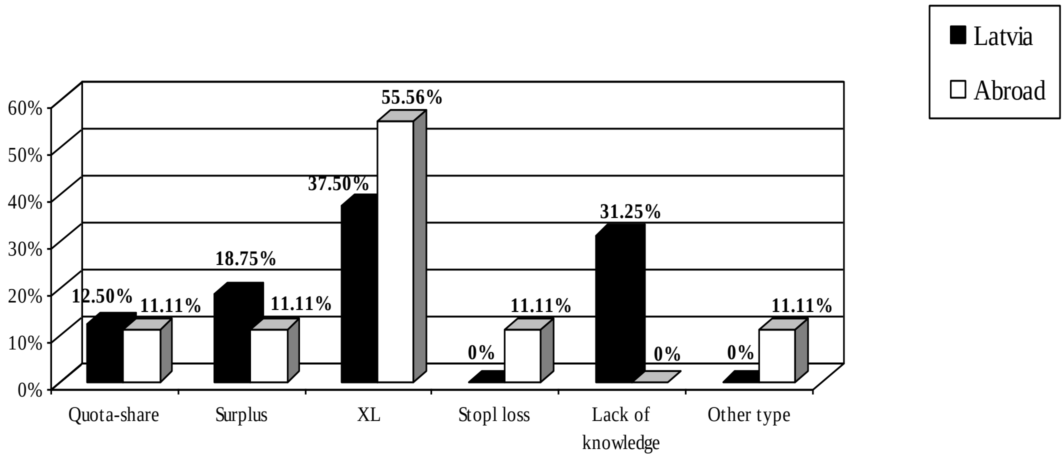

Figure 1. Most popular reinsurance types in Latvian liability insurance market and abroad[20]

Figure 1 shows that the most popular reinsurance type for the liability portfolio is non-proportional reinsurance, namely XL – both in Latvia and abroad. Stop loss has not gained any popularity among Latvian liability insurers, while it is equally popular among foreign colleagues as the proportional reinsurance types. Quota share and surplus are more often considered appropriate for the liability portfolio reinsurance in the Latvian market than abroad. None of the foreign respondents chose to answer "lack of knowledge", while this answer was the second most popular among the Latvian liability insurers. Some foreign liability insurers chose "other type" as an answer, yet without specifying, which type exactly. Although the local liability insurers admit they lack knowledge/experience to properly answer this question, other two most popular reinsurance types for liability portfolio in Latvia are surplus and quota share.

A fictitious liability insurance portfolio was created and several scenario analyses were conducted (with surplus, quota share and XL treaties). The portfolio was structured to be in line with the current Latvian liability insurance market regarding it as a soft market scenario. The same portfolio was adjusted to be in line with the local liability insurance market of 2008 regarding it as a hard market scenario – total amount of GWP was increased by 50%, total amount of claims by 40% and RBNS reserves by 25% comparing with the respective amount in a soft market. Several other assumptions were made (maximum capacity of 2 000 000 EUR during a soft market and 3 000 000 EUR during a hard market, the insurer's retention is 200 000 EUR during a soft market and 350 000 EUR during a hard market etc.). A simplified model of the liability insurer's portfolio technical summary was developed for illustrative purposes.

Illustration of the soft market scenario (with all positions) is provided in Table 3.

Table 3 shows that the largest net incurred claims and operating expenses are under XL treaty. However, the total amount of net earned premiums is substantially bigger under XL than under proportional reinsurance treaties, therefore demonstrating that the given portfolio is able to generate best technical result without sharing a portion of premiums and claims. A technical result under XL exceeds those under proportional reinsurance by 31% (quota share) and 16% (surplus). If an insurer manages to negotiate reinsurance premium rate lower than 12% (XL premium chosen in this example corresponds to 70 497.19

[20] Based on survey results.

EUR or 12% of GWP, which is a rather considerable rate and thus can be regarded as a maximum amount), this difference will increase in favour of XL. The portfolio generates the lowest technical result under the quota share. This is explained by the lowest amount of net earned premiums due to the biggest sum of ceded written premiums. The quota share allows decreasing the insurer's net operating expenses to the smallest level mainly owing to the highest reinsurance commission income. Surplus is in the middle allowing the portfolio to generate the lowest net incurred claims mostly due to the highest level of ceded paid claims. The illustration of portfolio net ratios (after allowing for reinsurance) under the soft market scenario is provided in Table 4.

Table 3

Liability insurance portfolio technical summary – soft market scenario (EUR)[21]

Position	Position Code	Liability Insurance Portfolio - Soft Market		
		Surplus	Quota Share	XL
Earned premiums, net (101-102-103+104)	**100**	**490,016**	**472,919**	**675,598**
Gross written premiums	101	587,477	587,477	587,477
Ceded written premiums	102	161,376	176,243	0.00
Change in gross unearned premium reserves (+/–)	103	-88,122	-88,122	-88,122
Change in ceded unearned premium reserves (+/–)	104	-24,206	-26,436	0.00
Incurred claims, net (210+220)	**200**	**126,889**	**137,775**	**173,142**
Paid claims, net (211-216)	210	30,988	43,686	60,342
Paid claims, gross (212+213+214-215)	211	60,342	60,342	60,342
Claims	212	55,519	55,519	55,519
Loss adjustment expenses	213	1,388	1,388	1,388
Loss adjustment expenses - allocated	214	3,435	3,435	3,435
Recovered losses	215	0.00	0.00	0.00
Paid claims, ceded	216	29,355	16,656	0.00
Change in claim technical reserves, net (221-222+223)	220	95,902	94,088	112,800
Change in RBNS, gross (+/–)	221	62,372	62,372	62,372
Change in RBNS, ceded (+/–)	222	16,898	18,712	0.00
Change in IBNR, gross (+/–)	223	50,428	50,428	50,428
Operating expenses, net (301+302+303+304-305-306)	**300**	**146,063**	**142,904**	**250,853**
Client acquisition costs - direct	301	49,936	49,936	49,936
Client acquisition costs - allocated	302	92,234	92,234	92,234
Change in deferred client acquisition costs (+/–)	303	8,812	8,812	8,812
Administrative expenses	304	29,374	29,374	99,871
Reinsurance commission income	305	40,344	44,061	0.00
Change in unearned reinsurance commission (+/–)	306	-6,052	-6,609	0.00
TECHNICAL RESULT (100–200–300)	**400**	**217,064**	**192,240**	**251,603**

Table 4

Liability insurance portfolio net ratios – soft market scenario (%)[22]

Position	Surplus	Quota Share	XL
Loss ratio	25.9%	29.1%	25.6%
Cost ratio	29.8%	30.2%	37.1%
Combined ratio (net)	**55.7%**	**59.4%**	**62.8%**

[21] Calculated using standardised technical result form applicable to the Latvian insurance industry.
[22] Calculated using standardised technical result form applicable in Latvian insurance industry.

Table 4 shows that both surplus and XL allow the portfolio to generate almost equal loss ratios with one under XL treaty being slightly lower (better), which implies that the insurer is capable to enhance its profitability without sharing its premiums with a reinsurer. However, there is a considerable difference in cost ratio in favour of surplus treaty. Explanation for this is a reinsurance premium payable under XL treaty that increases administrative expenses of the insurer. Similar analysis was performed after applying a large claim of 1 000 000 EUR and it was concluded that the quota share generates the worst result due to the lowest net earned premiums amount, the surplus generates a moderate profit (positive technical result), while XL generates small losses and its profitability can be improved substantially subject to the reinsurance premium rate.

The hard market scenario illustration (with main positions) is provided in Table 5.

Table 5

Liability insurance portfolio technical summary – hard market scenario (EUR)[23]

Position	Position Code	Liability Insurance Portfolio - Hard Market		
		Surplus	Quota Share	XL
Earned premiums, net (101-102-103+104)	100	700,913	688,844	918,459
Incurred claims, net (210+220)	200	165,310	171,023	210,964
Operating expenses, net (301+302+303+304-305-306)	300	210,593	207,258	367,384
TECHNICAL RESULT (100–200–300)	400	325,011	310,564	340,111

Table 5 shows the similar trends as the under soft market scenario. The best technical result is generated under XL treaty, surplus is the second, and quota share is the last. However, under this scenario, differences between three technical results are not as pronounced as under the soft market conditions. The best technical result exceeds the one under surplus by 15 100 EUR and the one under quota share by 29 547 EUR – the amounts approximately two times smaller than under the soft market scenario. One of explanations is that GWP has increased significantly and the insurer chose to lift its level of retention relative to the maximum capacity, which decreased the reinsurer's share in claims and premiums. Net operating expenses and net incurred claims are at their highest levels under XL. Therefore, even though the total amount of the net earned premiums is the highest under XL reinsurance and technical result is the best of all three options, the insurer should put a considerable effort in obtaining as favourable premium rate as possible – otherwise the surplus is a more favourable option. The summary of net ratios is provided in Table 6.

Table 6

Liability insurance portfolio net ratios – hard market scenario (%)[24]

Position	Surplus	Quota Share	XL
Loss ratio	23,6%	24,8%	23,0%
Cost ratio	30,0%	30,1%	40,0%
Combined ratio (net)	**53,6%**	**54,9%**	**63,0%**

Table 6 demonstrates that the best net loss ratio is under XL treaty, while the best net combined ratio is under the surplus treaty. The quota share treaty provides the worst technical result and net loss ratio due to the lowest amount of net earned premiums. Net cost ratio is almost similar under the surplus and quota share, although net operating expenses are lower under the quota share. This phenomenon is explained by higher net earned premiums amount under the surplus treaty. Due to the same reason, the XL treaty allows the portfolio generating the most profitable net loss ratio. Yet, owing to the reinsurance premium rate of 10% (a rate applied under the hard market scenario due to a larger GWP amount), the net cost ratio is at its highest

[23] Calculated using standardised technical result form applicable in Latvian insurance industry.
[24] Calculated using standardised technical result form applicable in Latvian insurance industry.

level, contributing to the worst net combined ratio. The similar analysis was performed after applying a large claim of 1 000 000 EUR and it was concluded that all treaties generated losses with the smallest losses under surplus. Otherwise, the trend is similar to the soft market scenario with XL profitability being subject to a substantial rate deduction, which is difficult to achieve under the hard market conditions.

5. Conclusions

1. Based on the survey results, the Latvian liability insurers assign the highest priority level to four characteristics of an reinsurer evaluating them as determinative criteria when choosing reinsurance for their portfolios: similar business strategy, adjusts to the insurer's needs, offers reinsurance for competitive price, and has substantial experience / specialisation in liability reinsurance.
2. Results of the survey imply the following: currently, among the local liability insurers there is a lack of thorough comprehension, how reinsurance can be used to improve profitability, competitiveness, and gain additional income by making use of benefits that an insurer can receive from a reinsurer.
3. XL reinsurance can be suggested to the liability insurance portfolio during the soft market period subject to commensurate reinsurance premium and adequate retention level. The alternative: due to low claims mentality, surplus reinsurance with a higher retention level than under XL, yet reasonably chosen to cover larger portion of big claims than under XL.
4. Surplus reinsurance can be suggested to the liability insurance portfolio during the hard market period subject to an adequate retention level in light of the portfolio structure and low claims mentality, so that the larger portion of big claims is covered than under XL. The alternative: XL with a lower retention level subject to low reinsurance premium.
5. Quota share reinsurance can be suggested to the liability insurance portfolio with a substantial share of ceded risk, generating additional income from reinsurance commissions, subject to the main objective being to enter a new market/underwrite a new product, while accumulating sufficient market-related data.

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