Reinsurance

Reinsurance, also known as insurance for insurers or stop-loss insurance, is the practice of insurers transferring portions of risk portfolios to other parties by some form of agreement to reduce the likelihood of paying a large obligation resulting from an insurance claim. The party that diversifies its insurance portfolio is known as the ceding party. The party that accepts a portion of the potential obligation in exchange for a share of the insurance premium is known as the reinsurer.

Reinsurance allows insurers to remain solvent by recovering some or all of amounts paid to claimants. Reinsurance reduces net liability on individual risks and catastrophe protection from large or multiple losses. It also provides ceding companies the capacity to increase their underwriting capabilities in terms of the number and size of risks.

By covering the insurer against accumulated individual commitments, reinsurance gives the insurer more security for its equity and solvency and more stable results when unusual and major events occur. Insurers may underwrite policies covering a larger quantity or volume of risks without excessively raising administrative costs to cover their solvency margins. In addition, reinsurance makes substantial liquid assets available for insurers in case of exceptional losses.

Risk and premium flows between consumers, insurers and reinsurers

Gliffy Macro Error

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Other InsuTech Business Cases

- Automotive
- Employee Benefits Platforms
- Enterprise/Commercial
- Health Insurance
- Life, Home, P&C
- P2P Insurance
- Reinsurance
- Travel Insurance