

# Newsletter 2021

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# CICL CONNECTIONS

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# Re-Insurance

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Insurance is a contract (policy) in which an insurer indemnifies another against losses from specific contingencies or perils.

Businesses require specialized insurance plans that protect them against specific dangers. A fast-food restaurant, for example, requires coverage for damage or injury resulting from deep-frying operations. Although an auto dealer is not exposed to this risk, he or she must have coverage for any damage or injury that may occur during test drives.

**Reinsurance refers to an insurer who insures a risk that has already been insured.**

W.A. Dinsdale, author of "*Elements of Insurance*", refers to the application of reinsurance as when the amount of any risk or risks from one hazard is such that it is beyond the limits, which it is prudent for one insurer to carry, it is necessary to effect reinsurance.

Every insurer has a limit on the amount of risk he can accommodate. When a profitable endeavor presents itself, the insurer may insure it even if the risk is greater than his capacity,

which is his retention limit. In such instances, he may, in order to protect his interests, reinsure the same risk with other insurers for an amount greater than his retention limit, spreading the risk-related loss among multiple insurers.

Reinsurance is, therefore, a contract between two insurers and the original contract or the insured is not at all affected by it. The assured has no recourse against the re-insurer. This is due to the lack of a private arrangement between them. The re-insurance is subject to the original policy clauses and conditions, as well as any privileges that the original policy is entitled to. The reinsurance scheme or policy is a continuation of the original policy.

If the original policy expires or is avoided for whatever reason, the reinsurance policy expires as well.



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The re-insurers are subrogated to all of the original insurer's privileges, including the rights of the assured of which the original insurer is subrogated, upon payment of a loss under a re-insurance scheme.

Since the insurer has one insurable interest in the subject-matter insured to the degree of the amount insured, re-insurance can be included in any type of insurance.

Corp-EFF Insurance enjoys an established relationship with a reputable re-insurer Lloyd's Syndicate, who enjoys a "A+ rating from Standard & Poor's, AA- from Fitch and A, from A.M. Best" to cover risks associated with any catastrophe.

Visit our website at [www.corpeffinsurance.com](http://www.corpeffinsurance.com) to learn more.

*"We Take Away the Risk, You are Insured"*

#### References

<https://accountlearning.com/reinsurance-meaning-definition-terms-characteristics-objectives-methods/>  
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