Swiss Re

Recoveries – Policy Interpretation

Swiss Re International SE, UK Branch

We have provided the following examples to help brokers and clients understand how they are applied in practice under our new policies and compare them to treatment under our 'old' policies. When it comes to recoveries, we follow market practice and the following applies under our new policies:

Crystallisation date is calculated from the notifiable event date rather than the claimable event date.

Swiss Re is entitled to 100% of any recovery up to the amount of the first loss. Thereafter recoveries will be apportioned on a pro rata basis

Where a claim is split over two policy periods, the first loss of only the previous policy period applies.

This next section deals with the treatment of recoveries post claims payment.

Minimum retention salvage calculation

Gross debt	£6,000
Claim payment	£5,000
Minimum retention	£1,000
Recovery	£500
Current policy	£500 (Recovery) x £5,000 (Claim Payment)
Pro rata calculation	£6,000 (Gross Debt)
Swiss Re proportion	£416.67
Insured proportion	£83.33

New policy

The policy requires that the Insured must always retain for their account the amount of the first loss, in this case the Minimum Retention. Swiss Re is therefore entitled to receive 100% of any recovery up to the amount of the Minimum Retention figure.

Recovery	£1,500
Less minimum retention	£1,000
Recovery less minimum retention	£500
Current policy	£500 (Recovery) x £5,000 (Claim Payment) = £416.67 £6,000 (Gross Debt)
Swiss Re proportion	£1,416.67
Insured proportion	£83.33

Each & Every salvage calculation

Gross debt	£6,000
Claim payment	£4,500
Each & Every	£1,000
Recovery	£500

Current policy	£500 (Recovery) x £4,500 (Claim Payment)
Pro rata calculation	£6,000 (Gross Debt)
Swiss Re proportion	£375
Insured proportion	£125

New policy

The policy requires that the Insured must always retain for their account the amount of the first loss, in this case the Each & Every.
Swiss Re is therefore entitled to receive 100% of any recovery up to the amount of the Each & Every figure.
In this instance, Swiss Re is entitled to 100% of the full recovery - £500

Gross debt	£6,000
Claim payment	£5,000
Each & Every	£1,000
Recovery	£1,500
Current policy	£1,500 (Recovery) x £4,500 (Claim Payment)
Pro rata calculation	£6,000 (Gross Debt)
Swiss Re proportion	**£1,250**
Insured propor-	£375

New policy

The policy requires that the Insured must always retain for their account the amount of the first loss, in this case the Each & Every.
Swiss Re is therefore entitled to receive 100% of any recovery up to the amount of the Each & Every figure.

Recovery	£1,500
Less Each & Every	£1,000
Recovery less Each & Every	£500
Current policy	£500 (Recovery less E&E) x £4,500 (Claim Payment) = £375 £6,000 (Gross Debt)
Swiss Re proportion	**£1,375**
Insured proportion	£125