A Study of General Insurance Activation Plan

There are experience rate, reference rate, and rate from reinsurance in general Insurance. Characteristically commercial insurance is mainly using rates from reinsurance due to huge risk and difficulty to calculate the rates based on statistics.

Supervision system allows exemption of notification for rates from reinsurance. Insurance companies are willing to use rates from reinsurance due to the advantages of exemption of notification. In addition, the current provision asks company using experience rates, the reference rates, and rates from reinsurance in order. And when you use the experience rate other rates can not used later again. All these caused the companies neglected to risk assessment and pricing skills.

General insurance business requires a pricing capability with the ability to calculate rates by the risk assessment. However all companies do not need to cultivate the ability to calculate rates and pricing capabilities.

Small/midium-sized companies may have to raise the pricing capability rather since there is no ability to calculate the rate. Large size companies need to raise pricing capability and ability to calculate rates together. In order to achieve purposes four improvements are suggested as follows:

First, the company should assess the risks themselves, Second, the company freely calculates the rates, Third, the used rates will be linked to financial soundness, Fourth, the internal control capabilities should be strengthened

The revision of the regulations is required for these purposes,