NLI Assignment 1

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1. a) True
2. Reinsurance is a form of insurance purchased by insurance companies in order to mitigate risk. With reinsurance, the company passes on some part of its own insurance liabilities to the other insurance company.
   There are two types of reinsurance-
   - Proportional reinsurance- Under a proportional reinsurance arrangement, the direct writer and the reinsurer share the cost of all claims for each risk. It operates in two forms – with quota share reinsurance and with surplus reinsurance.
   - Non – proportional reinsurance - Under a non-proportional reinsurance arrangement, the direct writer pays a fixed premium to the reinsurer. It operates in two forms – with individual excess of loss reinsurance and with stop less reinsurance.
3. The ratios used in profit analysis of reinsurance are –
   - Net loss ratio – The percentage of losses (claims) incurred to premium earned during the period. It is the indicator of an insurer's underwriting discipline and skill at mitigating risk.
     Net claims incurred / Net Earned Premiums
   - Net expense ratio – It is calculated as underwriting expenses divided by net written premiums; the expense ratio measures an insurer's efficiency.
     Expenses / Net Written Premium
   - Net commission ratio – Represent the cost of obtaining the insurance business. It includes the intermediaries commission net of reinsurance commission other related expenses which related to acquisition of business.
     Commission / Net Written Premium
   - Net combined ratio – is the sum of loss ratio, expense ratio and commission ratio.
   - Incurred loss ratio – the percentage of losses incurred o premiums earned.

4. The general exclusions under motor insurance are –
   - Damage caused to the vehicle by a person driving without a valid license
   - Damage caused due to drunken driving
   - Damage caused due to driving under the influence of drugs
   - Wear and tear of the vehicle
   - Electrical or mechanical breakdown.
5.

- The history of general insurance dates back to the Industrial Revolution in the west and the consequent growth of sea-faring trade and commerce in the 17^{th} century.
- It came to India as a legacy of British occupation.
- General Insurance in India has its roots in the establishment of Triton Insurance Company Ltd., in the year 1850 in Calcutta by the British.
- In 1907, the Indian Mercantile Insurance Ltd, was set up. This was the first company to transact all classes of general insurance business.
- 1957 saw the formation of the General Insurance Council, a wing of the Insurance Association of India. The General Insurance Council framed a code of conduct for ensuring fair conduct and sound business practices.
- In 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April, 2000. The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.
- The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders' interests.
- Today there are 34 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 24 life insurance companies operating in the country.

6. Net combined ratio = net loss ratio + net expense ratio + net commission ratio
   Expenses = 8500
   Commission = 5700
   Net claims incurred = 150000
   Net written premium = 50000
   Net premium earned = 75000

   Net loss ratio = **Net claims incurred / Net Earned Premiums**
   = 150000/75000 = 2:1

   Net expense Ratio = **Expenses / Net Written Premium**
   = 8500/50000
   = 17:100

   Commission Ratio = **Commission / Net Written Premium**
   = 5700/50000
   = 57:500

   Net Combined Ratio = 2 + (17/100) + (57/500)
   = 571:250

7. The various add-ons available on a motor insurance policy are –
   - No Claim Bonus - No claim bonus (NCB) is a discount, given by an insurer to a policyholder for making no claims during the policy term. NCB can be accumulated over the years and the

discount ranges from 20% to 50% on the own damage premium. This is simply a general insurance company's way to reward customer's good driving behavior.

- Nil Depreciation - This cover pays the amount of depreciation deducted on the value of parts replaced under own damage claim. The cover operates for maximum of 2 claims during the policy period.
- Total Cover - This cover pays for the amount spent on the registration fee, Octroi and/ or any other charges levied by the government authority towards the insured vehicle. Also, the insurance premium shall be paid. This cover will trigger in the event of theft or total loss.
- Engine protection cover - offers financial protection for damages caused to the engine of the vehicle. Any damage caused, from water entering the engine to leakage of the lubricating oil, is covered under the policy.
- Consumables cover - pays for the cost of consumables, like engine oil, gear oil, nuts and bolts, lubricants and similar items except for fuel, required to be refilled or replaced because of the accident.
- Return to invoice -In case of theft or damages beyond repair, return to invoice add-on gives you the benefit of getting back the complete amount of your car/bike invoice value, including the cost of registering a new vehicle and its road tax respectively.
- Roadside Assistance – In case of breaking down of vehicles on a lonely dacoit-infested road, they'll come to the spot and repair your vehicle. If not possible then they'll tow it to the nearest service station and towing charges will be paid by the insurer. A ride for you might be arranged as well.

8. The documents required to claim health insurance are –
    - Health card
    - Duly filled claim form
    - Medical Certificate/ Form which is signed by the treating doctor.
    - Discharge summary or card (original), availed from the hospital.
    - All bills and receipts (original)
    - Prescription and cash memos from pharmacies/ the hospital.
    - Investigation report
    - If it is an accident case, then the FIR or Medico Legal Certificate (MLC) is required.

9. Third Party Insurance Cover –
    - Third-party liability coverage is the portion of an insurance policy that protects you if you're sued (or threatened to be sued) for a physical injury or damage to someone else's property.
    - When the policyholder collides with the car of a third party leading to death or bodily injury to the third party, your liability to the third party is covered by the insurer. It also covers damage to property of third party caused by policyholder's car.
    - In case of absence of personal cover, damage to self can be also be added as an add-on in the third party cover.
    - There are two types of automobile third-party liability coverage, namely, Bodily injury liability and Property damage liability.

- Bodily injury liability covers costs resulting from injuries to a person. These injuries' costs could include expenses like hospital care, lost wages, and pain and suffering due to the accident.
- Property damage liability covers costs resulting from damages to or loss of property. Examples of property damage include the payment to replace landscaping and mailboxes, as well as compensation for loss of use of a structure.
- Third party liability insurance covers death or bodily injury to any person including occupants carried in the vehicle. And damage to property other than property belonging to the insured or held in trust or in the custody or control of the insured.

10. The different types of health insurance products are -
    - Individual Health Insurance - An Individual Health Insurance plan is meant for a single person. The individual who gets himself insured with this plan is compensated for the expenses incurred for illness and medical expenses.
    - Family Health Insurance - Family Health Insurance Policy secures your entire family under a single cover including your spouse, kids, and elders.
    - Critical Illness Insurance - The Critical Illness Insurance plan insures the person by offering a lump sum amount of money for life-threatening diseases. At the time of buying the insurance, the chosen health problems are included, and if you get affected by any of the pre-selected conditions, you can claim your insurance.
    - Senior Citizen Health Insurance - This policy provides coverage to people who are 65 years and above. The Senior Citizen Health Insurance will offer you coverage for the cost of hospitalization and medicines, whether it arises from a health issue or any accident.
    - Top Up Health Insurance - An individual can buy the Top Up Health Insurance plan if he seeks coverage for higher amounts. But there is a “Deductible Clause” added to this policy.
    - Personal Accident Insurance - This policy provides a lump sum amount to the victim or his/her family as support. It can be used in case of any loss or damage to the owner or driver.