Shrunkhala Kambale Roll-89

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NLI- Assignment 1

Q1) A reinsurance contract is a contract of indemnity
→ True

Q2) Reinsurance is the type of insurance which is purchased by insurance companies in order to mitigate risk.
In this, the primary company passes on some part of its own insurance liabilities to another company thus mitigate risk.
There are 2 types of reinsurances:-
1) Proportional:-
- The primary and reinsurer share the cost of claims.

a) Quota share reinsurance:-
- keeping a fixed percentage, all the premiums and losses are shared.
for eg:- company A takes reinsurance with B with retained 80%.
∴ A pays 80% of claim also keeps 80% of premium similarly company B with 20%.

b) Surplus share reinsurance:-
- Ceding insurer has a fixed amount predecided and reinsurer takes the remnants.
for eg:- In the above example, if A decides 100000 as the fixed amt

and coverage needed is of 150000, then B covers remaining 50000.

2) Non-proportional:-
- Primary company pays fixed premium to reinsurers and reinsurers will only pay where part of claim falls in a particular insurance layer.

a) Individual excess loss:-
- Reinsurer makes payments when amt exceed some decided point.

for eg:- A enters into reinsurance with B and layer is fixed from 25L to 50L.

b) Stop Loss Reinsurance:- The reinsurer is liable for the insured's losses incurred over a certain time that exceeds specific amount.

for eg:- over a period of time, B gives A the amount exceeding a certain threshold amount.

Q3) Foll. are the various ratios used in profit analysis of reinsurance:-

→ (1) Expense Ratio $= \frac{\text{Expenses}}{\text{GWP}}$

(2) Commission Ratio $= \frac{\text{Commission}}{\text{GWP}}$

(3) Loss Ratio $= \frac{\text{GIC}}{\text{GWP}}$

(4) Combined Ratio $= \frac{\text{GIC} + \text{expenses} + \text{commission}}{\text{GWP}}$

$=$ Loss Ratio $+$ N.C Ratio $+$ Exp. Ratio

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(5) $\text{Loss Ratio} = \frac{\text{Incurred losses}}{\text{Earned Premium}}$

(6) $\text{Net Commission Ratio} = \frac{\text{Acq. cost} - \text{RI comm.}}{\text{NWP}}$

(7) $\text{Operating Expense Ratio} = \frac{\text{operating expenses}}{\text{NWP}}$

(8) $\text{Combined Ratio} = \text{Loss Ratio} + \text{Net comm. Ratio} + \text{Expenses Ratio}$

Q4) General exclusions under a motor insurance policy:-

1) Not having a driving license.
2) If influenced by liquor/drugs.
3) Taking place beyond geographical limits.
4) when vehicle is used for unlawfull purposes.
5) Electrical / Mechanical Breakdowns
6) Damage to tyres and tubes unless the vehicle is damaged at the same time
7) consequential loss, depreciation, wear and teal.

Q5) (1) Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers' contracts.

(2) It has evolved over time heavily drawing from other countries, partialarly England.

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(3) 1818 saw rise of life insurance in India with Oriental L.I company in Calcutta.

(4) In 1914, the govt of india started publishing returns of Insurance companies in India.

(5) The IRDA opened up the market in August 2000 with the invitation for application for registrations.

(6) Hence, insurance sector is a colossal one and is growing at a speedy rate of 15-20%.

Q6) expenses = 8500
commission = 5700
net claims inc = 150000
net written premium = 50000
net premium earned = 75000

Combined Ratio = $\frac{\text{GIC} + \text{expenses} + \text{commission}}{\text{GWP}}$

$= \frac{150000 + 8500 + 5700}{50000}$

$= \underline{\underline{3.284}}$

Q7) Add-ons available on a motor insurance policy:-

(1) Zero depreciation cover
(2) Engine protect cover
(3) Return to invoice (RTI) cover
(4) Loss of personal belongings cover

(5) No claim Bonus (NCB) protect cover
(6) Personal accident cover for the passengers
(7) Key Replacement Cover.
(8) Roadside Assistance cover
(9) Consumables cover
(10) Daily Allowance Cover.

Q8) Documents required to claim health insurance:-
(1) Health card
(2) Duly filled claim form
(3) Medical certificate/form which is signed by the treating doctor.
(4) Discharge summary or card (original), availed from the hospital.
(5) All bills and receipts (original)
(6) Prescription and cash memos from pharmacies / the hospital.
(7) Investigation report.
(8) If it is an accident case, then the FIR or Medico Legal certificate (MLC) is required.

Q9) Third Party Liability Insurance cover (TP):-
- It is the compulsory insurance cover for a vehicle to be safe and secured.
- It protects you against the loss and damage that occurred to the third party vehicle or property that causes someone's death / injury due to your vehicle.

- It doesn't cover loss and damage to your own vehicle which is responsible for the damage of TP vehicles.
- Does not claim for stolen/vandalized vehicle.

Q10) Any 7 types of Health Insurance Products:-

(1) Individual Health Insurance
(2) Family Health Insurance
(3) Critical Illness Insurance
(4) Senior citizen Health Insurance
(5) Top Up Health Insurance
(6) Hospital Daily Cash
(7) Mediclaim.

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