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Non-life Insurance PPP

Assignment 1

1) A reinsurance contract is a contract of indemnity.

Ans: True

2) What is reinsurance? Discuss the types of reinsurance with examples.

Ans: The insurance purchased by insurance

companies in order to mitigate risk is called Reinsurance. 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 : The direct writer (original insurance company) & the reinsurer share the cost of all claims .

In these reinsurance we have two sub types:

- Quota share reinsurance – Reinsurer and writer share all premiums and losses according to a fixed percentage.

For example, Bharati AXA enters into a reinsurance contract with Birla with retained proportion of

80%. This means Bharati pays 80% of the claim amount and gets to keep 80% of the premium received.

Birla has to pay 20% of the claim amount and receives 20% of the premium.

Retained Proportion denotes by α. Let X be the gross claim amount, Y be the net claim amount paid by the

insurer and Z be the claim amount paid by the reinsurer. $Y = \alpha X$ and $Z = (1-\alpha) X$

- Surplus share reinsurance : A surplus share treaty is a reinsurance agreement whereby the ceding insurer retains a fixed amount of an insurance policy's liability while the remaining amount is taken on by a reinsurer. When engaging in a reinsurance treaty, the insurer shares its risks and premiums with the reinsurer.

- Non proportional Reinsurance : also known as excess of loss reinsurance. Losses excess of the ceding company's retention limit are paid by the reinsurer, up to a maximum limit. Reinsurance premium is calculated independently of the premium charged to the insured. The reinsurance is frequently placed in layers.

In this Reinsurance we have 3 sub types :

1. Individual Excess Loss

2. Stop Loss Reinsurance

Example : A company will had an agreement in which it says that it will cover all claims under "A".Then if the claims exceed by "A" then the insurance company will not pay but if the claim is under "A" then the insurance company will pay.

3) Discuss the various ratios used in profit analysis of reinsurance.

Ans : The various ratios used in profit analysis of reinsurance are :

1. **Net Combined Ratio** : It is a measure of profitability used by an insurance company to gauge how well it is performing in its daily operations.

Formula : Gross Incurred Claim+Expenses+Commission / Gross Written Premiun

2. **Net Loss Ratio** : The percentage of losses (claims) incurred to premium earned during the period. It is indicator of as insurer's underwriting discipline and skill at mitigating risk

Loss ratio = Incurred losses / Earned premium

3. **Net Commission Ratio** : – It represent the cost of obtaining the insurance business. It includes the intermediaries' commission net of reinsurance commission other related expenses which relates to acquisition of business

Net commission ratio = (Acquisition cost – RI commission) / Net Written Premium

4. **Net Expense Ratio** : – It is calculated as underwriting expenses divided by net written premiums, the expense ratio measures an insurer's efficiency

Net Expense Ratio = Operating expenses / Net Written Premium

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4)

List the general exclusions under a motor insurance policy.

Ans : The following contingencies are usually excluded under the Motor Insurance Policy:

- Consequential loss, depreciation, wear and tear
- Not having a valid Driving License
- Accident taking place beyond Geographical limits
- While Vehicle is used for unlawful purposes
- Damage to tyres and tubes unless the vehicle is damages at the same time
- Under Influence of intoxicating liquor/drugs

• Electrical/Mechanical Breakdowns

5) Write about the history of general insurance in India.

Ans : Triton Insurance company Ltd., established in Calcutta in 1850 AD

• Indian Mercantile Insurance company Ltd. started in Bombay in 1906-07 107 insurers were

amalgamated and grouped into four companies, namely

• National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance

Company Ltd and the United India Insurance Company Ltd.

• The General Insurance Corporation of India was incorporated as a company in 1971 and it commence

business on January 1st 1973.

6) Calculate combined ratio using the following information: expenses amount to $8500,commission is $5700, net claims incurred in the period amount to $150000. The net written premium is $50000 and net premium earned is $75000.

Ans : Given that ,

Expense amount = $8500

Commision = $5700

Net claims incurred in the period amount = $1,50,000

Net written premium = $50,000

Net premium earned = $75,000

$$\text{Net loss ratio} = \left(\text{Net incurred claim/Net earned premium}\right)$$

= $1,50,000/$75,000

= 2

Expense Ratio = (Expenses / Net Written Premium)

= $85,00/$75,000

= 0.17

Commission Ratio= (Commission/Net Written Premium)

= $5700/$50,000

= 0.114

Combined Ratio =(Loss ratio+ Expense Ratio +Commission Ratio)

= 2 + 0.17+0.114

= 2.284

7) List the various add-ons available on a motor insurance policy.

Ans : Various add-ons available on a motor insurance policy:

- No Claim Bonus(NCB)
- Nil Depreciation

- Total Cover
- Engine Protection Cover
- Consumables Cover
- Return to Invoice
- Roadside Assistance
- Tyre Protect Cover
- Loss of Personal belongings
- Key Replacement

8) List the documents required to claim health insurance.

Ans : Documents required to claim health insurance are :

•Duly filled claim form

•Investigation report

•Discharge summary or card (original), availed from the hospital.

•If it is an accident case, then the FIR or Medico Legal Certificate (MLC) is required.

•Medical Certificate/ Form which is signed by the treating doctor.

•Prescription and cash memos from pharmacies/ the hospital.

•Health card

•All bills and receipts (original)

9)Explain in detail Third Party Liability Insurance cover?

Ans : Third Party Liability Insurance cover (TP) TP liability is the mandatory insurance cover for your vehicle to be safe and secured . One has to buy third party liability cover for the mandated purpose under the law of motor vehicle act, 1988 . This cover protects you against the loss and damage that occurred to the third party vehicle or property that causes someone’s death or injury due to your vehicle . In this circumstance, you have to deal with the situation . It would be easier when you already have a third party liability cover. And, if not you have to incur the loss expense from your pocket . One thing that you need to know about third party cover is that it does not cover loss and damage to your own vehicle which is responsible for the damage of third party vehicles . For the compensation of your own vehicle, you have to buy own damage insurance cover. Also, does not process claim for the stolen or vandalized vehicle.

10) List any 7 types of health insurance products.

Ans : 7 types of Health Insurance Products are :

a. Individual Health Insurance

b. Critical Illness Insurance

c. Family Health Insurance

d. Senior Citizen Health Insurance

e. Top up Health Insurance

f. Hospital Daily Cash

g. Personal Accident Insurance

h. Mediclaim

i. Group Health Insurance

j. ULIPs

k. Disease-Specific (M-care,Corona Kavach,etc