classmate

Date

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Assignment 1

Ans 1) a) True

Ans 2) Reinsurance is insurance taken by insurance companies to mitigate their risk by shifting certain liabilities and sharing the burden with reinsurance. It is an indemnity contract where both parties are insurers. Types of reinsurance:-

a) Proportional
   i) Quota share
   ii) Surplus

b) Non-Propotional
   i) Individual excess loss
   ii) Stop loss.

a) Propotional reinsurance - The insurance company and the reinsurer share propotion of cost of claims. ~~on~~ ~~in~~ ~~it~~ ~~it~~ It is also known as "pro rata" reinsurance. It is further classified as:-

i) Quota share reinsurance - The ceding company and reinsurer share all premiums and losses according to a certain fixed percentage.

Eg: Bharti AXA enters into a reinsurance contract with GIC Re with retained propotion of 70%. Thus Bharti AXA will retain 70% of the premium & cover 70% of the claim amount, while GIC Re retains remaining 30% of ~~claim~~ premium amount and is liable for the 30% of claim.

ii) ~~&~~ Surplus share reinsurance - In this type of reinsurance the ceding company [insurance company] retains a fixed amount of policy claim liability and reinsurer is responsible for the rest of the amount. Eg: Bharti AXA is in contract with Swiss Re and ~~under~~ covers policy of Rs 40 lacs with retention of Rs 10 lacs. Thus 10 lacs is paid by Bharti AXA and remaining 30 lacs is covered by Swiss Re.

b) Non-propotional reinsurance – Under this ~~type~~ type of reinsurance, the insurance company pays a fixed premium to the reinsurer. The reinsurer is liable to make payments when claim amount falls in a particular reinsurance ~~layer~~ layer (bracket).

i) Individual excess loss: In this type of reinsurance, the reinsurer pays when the claim amount exceeds a specific point.
Eg:- HDFC Ergo enters into an reinsurance ~~#~~ contract with Munich Re & reinsurance layer is fixed at 60 lac to 1 crore

$y = x$, $x < 60$ lacs $\qquad z = x - 60$, $60 < x < 1$

$y = x - 60$, $x > 1$ Crore $\qquad z = 60$, $x > 1$

$y = 60$ lacs, $60 < x < 1$ Cr.

ii) Stop Loss Reinsurance: The reinsurer is responsible for insured's losses incurred over a certain period that exceed a certain amount of the business measure. Thus a loss upto a certain limit is paid by reinsurer.
Eg: Apollo enters in reinsurance contract with Swiss Re & contract states that Apollo is liable for losses upto $100,000 & above

that limit is paid by reinsurance.

$y = x ; x < L$ $\quad$ $Z = x - L ; x > L$
$y = L ; x > L$

Ans 3) For profit analysis of reinsurance, we use the following ratios:-

Net written premium = GWP − Gross written premium ceded to reinsurance

Net commision ratio = Commission received from reinsurance − Commission paid / NWP

Net expense ratio = $\frac{\text{Expense}}{\text{NWP}}$

Net loss ratio = $\frac{\text{Claims incurred} - \text{Claims incurred received by reinsurance}}{\text{NWP}}$

Combined ratio = Net Commission ratio + net expense ratio + net loss ratio.

→ The lower the loss ratio, the more profitable the company is profitable.
→ Combined ratio (expressed as a percentage) is considered to be an indicator of profitability. A combined ratio below 100% indicates profitability.

Ans 4) Exclusions in a motor insurance policy:-
- Not having valid driving license
- Accident beyond geographical limits
- Under influence of alcohol / drugs (Drink & Drive)
- Vehicle used for illegal purposes

- Mechanical / Electrical breakdown.
- Damage to tyres & tubes.
- Depreciation, consequential loss, wear & tear

Ans 5) History of insurance in India :-
- ~~Fi~~ Initially, the Triton Insurance company Ltd. established in Kolkata in 1850 AD.
- Indian mercantile Insurance company Ltd. started in Bombay in 1906-07 & then merged & grouped into four companies - National Insurance Company Ltd., New India Assurance Company Ltd., Oriental Insurance Company Ltd. & United India Insurance Company Ltd.
- The General Insurance Corporation of India was incorporated as a company in 1971 & it commenced business on January 1st 1973.

Ans 6) Combined ratio $= \frac{\text{GIC} + \text{expenses} + \text{comission}}{\text{GWP}}$

$= \frac{1,50,100 + 8500 + 5700}{50,000}$

$= 3.284$

Ans 7) Motor Insurance add-on plans :-
1) Zero - depreciation cover - Under this, the insurer bears the expenses for the depreciat of vehicle parts.
2) Engine protect cover - It provides protection to engine (electrical or mechanical damages are exclude otherwise).
3) Return to Invoice cover - It provides invoice value in case of complete loss.

4) Loss of personal belongings cover - Loss of expensive belongings kept in the insured vehicle is covered.

5) No claim bonus cover - It is a bonus offered by insurers to drivers who do not raise motor insurance claims in the policy term.

6) Personal accident cover - It offers protection to ~~po~~ passengers by opting for the rider.

7) Key replacement cover - Insurance company reimburses the cost of replacement of vehicle keys.

8) Roadside assistance cover - It offers protection from incidents such as tyre puncture, fuel depletion etc.

9) Consumables cover - It covers consumables coverage for parts such as nuts, bolts, engine oil etc.

10) Daily allowance cover - It offers reimbursement for the expenses of hiring alternate vehicle.

Ans 8) Documents required to claim health insurance -
i) Health card
ii) Fully filled claim form
iii) Medical certificate
iv) Discharge summary
v) All bills & receipts
vi) ~~Prest~~ Prescription & cash memos
vii) Investigation report
viii) FIR or medico legal certificate (Accident)

Ans 9) • Third - party liability insurance cover is mandatory for vehicle security
• It is compulsory as per law of motor vehicle act 1988.
• Provides protection against loss & damage caused to third party vehicle or property that causes damage, death or injury.
• It does not cover own damage, ~~but~~ and thus cover loss & damage to third party vehicles only.

Ans 10) The various types of health insurance products are as follows :-
1) Individual health insurance
2) Senior citizen health insurance
3) mediclaim
4) Group health insurance
5) Personal accident insurance
6) Hospital daily cash
7) Top Up health insurance.