

Non - Life Insurance

1. A Reinsurance is a contract of indemnity

- a) True

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

- Reinsurance

Reinsurance is the insurance taken by insurance companies to mitigate their risk. Under Reinsurance, the same risk is covered again.

Reinsurance helps the insurance companies to insure the risk which is more than their risk appetite and because of that they can increase their capacity.

Types of Reinsurance

1. Proportionate Reinsurance

- The insurance company and the reinsurer share all the claims in a proportion.

i. Quota Share Insurance

The claims and the premiums are shared by the insurer and the reinsurer in a fixed proportion / percentage.

ex. If ABC insurance reinsures with XYZ Reinsurance and agrees take 75% of premiums and claims and the remaining 25% will be paid by XYZ Reinsurance. If a claim of Rs. 1 Lac is made, then ABC insurance will pay 75000 and the remaining will be settled by XYZ Reinsurance.

ii. Surplus Share reinsurance

In a surplus Share treaty , the insurance company(original) agrees to pay policy liability up to a fixed amount and the remaining is the responsibility of the reinsurer.

Ex .Consider a property insurance company that underwrites policies with a coverage of \$500,000 and wishes to retain \$100,000 of liabilities as its line. The remaining \$400,000 in liabilities are ceded to the reinsurer.

2. Non-Proportional Insurance

- Non-Proportional Insurance means that the ratio between the premium paid by the insurance company and the liability of the reinsurance company is not proportionate.
- Reinsurer only makes the payment when the amount is in a certain bracket.

i. Individual Excess Loss

When the claim amount of an individual insurance policy exceeds a certain amount , then the excess is paid by the reinsurance company upto a certain amount.

Ex. If the insurance company enters into a reinsurance contract with a reinsurance company and the layer is fixed at 30 lac to 1 cr. Then if there is a claim of 50 lac , then the insurance company settles 30 Lac and the excess is paid by the reinsurance company

ii. Stop Loss Insurance

This type of insurance is on the entire portfolio of the insurance policies and not on individual claims. Under this type, when the liability of the insurance company on their entire portfolio exceeds a certain amount , then the excess is paid by the reinsurance company.

Ex. An insurance company enters into a Stop Loss Insurance contract with a reinsurance company. If the total claim size of the insurance company exceed a defined

amount i.e Rs 1 crore , then the excess loss is covered by the reinsurance company

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

- The ratios used in profit analysis of reinsurance is as follows :-

1. **Net Loss Ratio** = (Net claims incurred / net earned premium)

Net earned Premium is the difference between the premium that is written and the unexpired portion of the risk.

Net Claims = Gross Claims - Claims settled by reinsurance

2. **Net Expense Ratio** = (Net Expenses / Net written Premium)

3. **Net Commission Ratio** = (Net commission / Net written Premium)

Net commission = (Commission of the insurance company - Reinsurance commission)

Net combined Ratio is the sum of the above three ratios.
This ratio is used to calculate the underwriting profit.

4. List the general exclusions under a motor insurance policy.

It is important to know the exclusions in the motor insurance policy. These are the things not included under the car insurance policy.

- If the driver doesn't have a valid Driving License , then the claim is not settled.
- If the driver is under the influence of alcohol or drugs.

- Damage to tyres and tubes is not covered. It is covered only if the vehicle is damaged at the same time
- Mechanical Lockdowns
- Damage to vehicle or accident occurs while carrying out unlawful purposes.
- Depreciation

5. General History of General Insurance in India

- The first General Insurance Company was Triton Insurance Company which was established in Calcutta in 1850 AD
- Later Indian Mercantile Insurance Company Ltd, started in Mumbai in 1906-07 .
- 107 insurers came together and formed four insurance companies as follows :-
 - i. National Insurance Company Ltd
 - ii. New India Assurance Company Ltd
 - iii. Oriental Company Ltd
 - iv. United India Insurance Company Ltd
- The General Insurance Corporation of India was incorporated in 1971 and started its business on 1st January 1973.

6. Expenses = \$8500

Commission = \$5700

Net claims incurred = \$150000

Net written Premium = \$ 50000

Net earned Premium = \$ 75000

$$\begin{aligned}
 \text{Loss Ratio} &= (\text{Net claims incurred} / \text{Net earned Premium}) \\
 &= (150000 / 75000) \\
 &= 2
 \end{aligned}$$

$$\begin{aligned}\text{Expense Ratio} &= (\text{Expenses} / \text{Net earned Premium}) \\ &= (8500 / 50000) \\ &= 0.17\end{aligned}$$

$$\begin{aligned}\text{Commission Ratio} &= (\text{Commission} / \text{Net written Premium}) \\ &= (5700 / 50000) \\ &= 0.114\end{aligned}$$

$$\begin{aligned}\text{Combined Ratio} &= \text{Loss ratio} + \text{Expense Ratio} + \text{Commission Ratio} \\ &= 2 + 0.17 + 0.114 \\ &= 2.284\end{aligned}$$

7. The various Add-ons available on the Motor Insurance policy are as follows

Add-ons are the extra benefits which can be availed by paying extra premium .

1. Zero Depreciation cover
2. Engine Protect Cover
3. Return to Invoice 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

8. List the documents required to claim health insurance

- i. Medical Certificate/ Form which is signed by the treating doctor.
- ii. Health card.
- iii. Duly filled claim form.
- iv. Discharge summary or card (original), availed from the hospital.
- v. All bills and receipts (original).
- vi. Prescription and cash memos from pharmacies/ the hospital.
- vii. If it is an accident case, then the FIR or Medico Legal Certificate (MLC) is required.
- viii. Investigation report.

9. Explain in detail Third Party Liability Insurance cover

- Third Party Insurance covers the loss and expenses caused by our vehicle to third party vehicle or property .
- Third Party Liability Insurance is compulsory.
- In India , Third party liability insurance is tariffed i.e the premium is set by the regulator . The Motor TP rates are administered by the IRDAI.
- This is an important insurance to have because if any damage is caused to someone else's property, vehicle or causes the death or injury of someone else , then the liability is covered by the third party insurance.
- This policy only covers third party liability and the damage caused to our own vehicle is not covered.
- Motor Third Party accounts to around 22% of the Non-Life Insurance.

10 . List the types of Health Insurance

- 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.Personal Accident Insurance
- 8.Mediclaim
- 9.Group Health Insurance
- 10.Disease-Specific Insurance
- 11.ULIPs