

# NON – LIFE INSURANCE – PPP

## ASSIGNMENT – 1

1. A reinsurance contract is a contract of indemnity - 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 2 types of reinsurance:
  - a. Proportional Reinsurance - the direct writer & the reinsurer share the cost of all claims. This is of two types:
    - Quota share reinsurance - Reinsurer and writer share all premiums and losses according to a fixed percentage.  
For example, Bajaj Allianz enters into a reinsurance contract with Munich Re with retained proportion of 80%. This means Bajaj Allianz pays 80% of the claim amount and gets to keep 80% of the premium received. Munich Re has to pay 20% of the claim amount and receives 20% of the premium.
    - Surplus share reinsurance: A surplus share treaty is a reinsurance treaty in which the ceding insurer retains a fixed amount of policy liability and the reinsurer takes responsibility for what remains. Surplus share treaties are considered pro-rata treaties and are most commonly used with property insurance.  
For example: HDFC Ergo forms a surplus share reinsurance contract with Swiss Re and underwrites policies with a coverage of Rs 50,00,000 with retention of Rs 20,00,000. The remaining 30,00,000 are ceded to reinsurer.
  - b. Non-Proportional Reinsurance - Under a non-proportional reinsurance arrangement, the direct writer pays a fixed premium to the reinsurer. The reinsurer will only be required to make payments where part of the claim amount falls in a particular reinsurance layer.

- Individual excess loss: Reinsurer makes a payment only if the claim amount for an individual claim exceeds a specified amount.  
For example: Apollo enters into a reinsurance treaty with Swiss Re and reinsurance layer is fixed at 50 lacs to 1 crore.
- Stop Loss Reinsurance: The reinsurer is liable for the insured's losses incurred over a certain period that exceed a specified amount or percentage of some business measure.  
For example: Acko enters into a reinsurance contract with Munich Re and the contract indicates that the insurance company, Acko is responsible for losses up to \$500,000, but that the reinsurance company, Munich Re is responsible for anything above that limit.

3. Expense ratio = Expenses/GWP

Commission ratio = Commission/GWP

Loss Ratio = GIC/GWP

Combined Ratio = (GIC + expenses + commission)/GWP

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

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

5. History of general insurance in India:

- ❖ 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 commenced business on January 1st 1973.

6. Information given is as follows:

Expenses = \$8500

Commission = \$5700

Net claims incurred = \$150000

Net written premium = \$50000

Net premium earned = \$75000

$$\begin{aligned} \text{Combined ratio} &= (\text{NIC} + \text{expenses} + \text{commission})/\text{NWP} \\ &= (\$150000 + \$5700 + \$8500)/\$50000 \\ &= \$164200/\$50000 \\ &= 3.284 \end{aligned}$$

7. Various add-ons available on a motor insurance policy are:

- ✓ Zero depreciation cover
- ✓ Engine protect cover
- ✓ Return to invoice cover
- ✓ Loss of personal belongings cover
- ✓ No Claim bonus protect cover
- ✓ Personal accident cover for passengers
- ✓ Key replacement cover
- ✓ Roadside assistance cover
- ✓ Consumables cover
- ✓ Daily allowance cover

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 Liability Insurance cover 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. 7 types of health insurance products are:

- Critical Illness Insurance
- Senior Citizen Health Insurance
- Top Up Health Insurance
- Hospital Daily Cash
- Personal Accident Insurance
- Disease-Specific (M-Care, Corona Kavach, etc.)
- ULIPs (Unit Linked Insurance Plans)