

**Tirth Parmar**

**Section B**

**Roll No. 52**

### **Assignment 1**

Q1) a) True

Q2) Reinsurance is a form of insurance purchased by insurance companies to reduce or mitigate risks which are too big for them. They also use it to bring in more business as reinsurance allows them to take more risk. There are two types of reinsurance –

- **Proportional Reinsurance** – In this type of reinsurance the insurance company and the reinsurer share all the premiums and claims in fixed proportion/percentage. 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. So, if claim of \$100,000 come to the insurance company, then \$80,000 is paid by Munich Re and \$20,000 will be paid by Bajaj Allianz.
- **Non-proportional Reinsurance** – In this type of reinsurance the reinsurer covers all the claims incurred by the insurance company over a particular amount. Example- Apollo enters into a reinsurance treaty with Swiss Re and reinsurance layer is fixed at 50 lakhs to 1 crore. So, if a claim of 80 lakhs comes to the insurance company 50 lakhs will be paid by Apollo and the rest of it will be paid by Swiss Re.

Q3) The different ratios used in evaluating the profitability of reinsurance are-

**Gross Written Premium-** Gross written premiums are the total revenue from an insurance policy expected to be received by an insurer.

**Gross Incurred Claims-** Gross claims incurred comprises all the claims that the insurance company will have to pay in that financial year.

- **Expenses** – These include costs incurred by the company like renewal, claim settlement expense, underwriting cost.

$$\text{Expense Ratio} = \frac{\text{Expenses}}{\text{GWP}}$$

- **Commission**= Commissions paid to the distribution channels.

$$\text{Commission Ratio} = \frac{\text{Commissions}}{\text{GWP}}$$

GWP

- Loss Ratio =  $\frac{\text{GIC}}{\text{GWP}}$
- Combined Ratio =  $\frac{\text{Expenses} + \text{Commissions} + \text{GIC}}{\text{GWP}}$

Q4) The following conditions 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.

Q5) The history of GI 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.

Q6) Expenses = \$8500, Commissions = \$5700, Net Incurred Claims = \$150000, Net Written Premiums = \$75000, Net Earned Premiums = \$50000.

Combined Ratio =  $\frac{\text{Expenses} + \text{Commissions} + \text{GIC}}{\text{GWP}}$

GWP

$$= \frac{8500 + 5700 + 150000}{75000}$$

$$= 2.1893$$

Q7) The 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 the passengers
- Key replacement cover
- Roadside Assistance Cover
- Consumables Cover
- Daily Allowance Cover

Q8) Documents required for health insurance claim 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.

Q9) Third Party Liability Insurance cover (TP)

TP liability is the mandatory insurance cover for your vehicle in India. This cover protects you against the losses and damages that could be caused by your vehicle to a third party. If you don't have this cover you would have to pay these losses from your own pocket. TP doesn't cover damages to your own car. For the compensation of your own vehicle, you have to buy own damage insurance cover.

Q10) Types of Health Insurance policies are –

- Individual Health Insurance
- Family Health Insurance
- Critical Illness Insurance
- Senior Citizen Health Insurance
- Top Up Health Insurance
- Hospital Daily Cash
- Personal Accident Insurance
- Mediclaim

- Group Health Insurance
- Disease-Specific
- ULIPs