

NON-LIFE INSURANCE

Unit 1 & 2 (Assignment 1)

Q1

Ans: c

Q2

Ans: d

Q3

Ans: b

Q4

Ans: b

Q5

Ans: b

Q6

Ans: Reinsurance is a contract of partial indemnity between the reinsurer and the direct insurer. It in lay-man terms means that the reinsurer insures the direct insurer above his retention limit.

The various types of reinsurance prevalent are: -

i)Proportional reinsurance- This is a type of partial indemnity reinsurance wherein the reinsurer shares a certain proportion of losses of each insurer's policy.

This is further classified into **Surplus** and **Quota** Reinsurance.

li)Non proportional reinsurance- This is a type of reinsurance wherein unlike the above, costs are paid for the reinsurance to be underwritten. Also herein, the entire loss above a certain pre-determined limit is insured by the reinsurer.

This is further classified into **Excess of loss** and **Stop loss** Reinsurance.

Q7

Ans: Stop loss reinsurance is when the primary insurer retains a certain pre-determined percentage of the loss incurred beyond which the reinsurance is liable to cover. For eg:- 70% of loss incurred is retained by insurer beyond which reinsurer will pay. Excess of loss in contrary is when a certain loss AMOUNT is fixed while reinsuring all the policies and whenever loss incurred surpasses the fixed amount, reinsurer recompensates up the difference.

Q8

Ans:

1. Combined Ratio- this is the summing up of net values of loss, expense and commission ratios.
2. Net earned Premium Ratio- This is calculated as Net Written Premiums divided by the period considered. This ratio indicates whether an insurance company is charging high enough premiums to cover benefits guaranteed by the policies it writes, referred to as its loss reserves.

Q9

Ans:

The history of General Insurance can be dated back to the 17th Century; during the Industrial Revolution. General Insurance in India came as a British Occupation. So, Triton Insurance Company Ltd., in the year 1850 in Calcutta came to be introduced by the British. Later on in the year 1907, Indian Mercantile Insurance Ltd, was the first company to manage all classes of general insurance business.

Since, 1907, there has been no stopping for emergence of general insurance companies. Therefore today, this wide spread field involves securing home, car, two wheeler, travel, health, drones, crop and much more.

Q10

Ans: Combined Ratio = (Earnings + Commission + Net incurred claims)/ Net written premiums

Therefore, $(8,500 + 5,700 + 1,50,000) / 50,000 = 3.284$