ASSIGNMENT 1: - NON-LIFE INSURANCE

1. A) unearned premium
2. A) the reinsurer and reinsured share of claim is proportionate
3. True
4. True
5. True

6) Reinsurance in simple terms is an insurance policy purchased by insurance companies. This is in place to protect the interests of the insurance companies and ensures that they remain solvent even during events when there is a scope for many major claims, like in the event of a natural disaster.
Type of reinsurance: -
Proportionate reinsurance: - Proportional reinsurance requires the primary or ceding insurer and the reinsurer to maintain a post-transfer relationship. It also requires assessment of all risk and uses the known risk to prorate the proportion of premiums, expenses and losses for all parties to the agreement.

Non-proportional reinsurance, - it is based on loss retention. The ceding insurer agrees to accept all losses up a predetermined level. The reinsurer agrees to reimburse the ceding insurer for losses above the predetermined level and up to the reimbursement limit provided for in contact. Whether the reinsurance is proportional or non-proportional, the payments collected under the contract are assets that belong to the ceding insurance company and the reinsurer is granted indemnity against loss.

7) **Excess of loss** reinsurance can have three forms - "**Per Risk** XL" (Working XL), "Per Occurrence or Per Event XL" (**Catastrophe** or Cat XL), and "**Aggregate** XL".

In **per risk**, the cedant's insurance policy limits are greater than the reinsurance retention. For example, an insurance company might insure commercial property risks with policy limits up to $10 million, and then buy per risk reinsurance of $5 million in excess of $5 million. In this case a loss of $6 million on that policy will result in the recovery of $1 million from the reinsurer. These contracts usually contain event limits to prevent their misuse as a substitute for Catastrophe XLs.

In **catastrophe** excess of loss, the cedant's retention is usually a multiple of the underlying policy limits, and the reinsurance contract usually contains a two-risk warranty (i.e., they are designed to protect the cedant against catastrophic events that involve more than one policy, usually very many policies). For example, an insurance company issues homeowners' policies with limits of up to $500,000 and then buys catastrophe reinsurance of $22,000,000 in excess of $3,000,000. In that case, the insurance company would only recover from reinsurers in the event of multiple policy losses in one event (e.g., hurricane, earthquake, flood).

Aggregate XL affords a frequency protection to the reinsured. For instance, if the company retains $1 million net any one vessel, $5 million annual aggregate lime

8) net premium written: - Net premiums written is the sum of premiums written by an insurance company over the course of a period of time, minus premiums ceded to reinsurance companies, plus any reinsurance assumed.

Earned premium: - the term earned premium refers to the premium collected by an insurance company for the portion of a policy that has expired.

Net earned premium: - net written premium recorded during the period plus the unearned premium reserves at the beginning of the period, minus the unearned premium reserves at the end of the period.

Net loss ratio = net claim incurred / net earned premium

Net expense ratio = expenses / net written premium

Net commission ratio: - commission / net written premium

9) "The Code of Hammurabi" is a one of its kind first written law. It was during this epoch that traders paid an amount to King Hammurabi to ensure that their goods arrived safe by the caravan.

With every passing phase in History, there have been umpteen number of styles adopted in insurance & this is how the first official contract of insurance got signed in Genoa in 1347.

Though Llyod's of London became the official insurance company abroad, in India the first insurance policy was issued in the year 1870 by 'The European & The Albert'. It was during this same year that the first Insurance company 'Bombay Mutual Assurance Society Ltd.' was formed.

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 the introduced by the British. 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. So today, may it be securing home, car, two-wheeler, travel, health and more a company like ICICI Lombard General Insurance Company Ltd. is a single platform that can fulfil right from basic to other insurance needs of every individual.

10) combined ratio = $\frac{expense+commission}{net\ written\ premium} + \frac{net\ claim\ incurred}{net\ premium\ earned}$

= 2.284