

Non – Life Insurance – PPP

Assignment -1

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1. True
2. Reinsurance is a form of insurance purchased by insurance companies to mitigate risks. With the help of reinsurance, insurance companies passes on some part of its insurance liabilities to other insurance companies.

There are four types of reinsurance;

- i) Quota Share reinsurance : It is a Type of proportional reinsurance where the reinsurer and the insurance company share all the premiums and losses according to a fixed percentage.

Example: If reinsurance company 'A' is in a quota share reinsurance contract with insurance company 'B' with a retained proportion of 60% this means that the insurance company will pay 40% of all premiums received to 'A' and gets to keep 60% of all premiums received. And insurance company 'B' will pay 60% of the claim amount and reinsurer 'A' will pay 40% of the claim amount.

- ii) Surplus Reinsurance : This another type of proportional reinsurance.

Here, the insurance company retains a fixed amount of policy liability and the reinsurance is responsible for what remains. Its mostly used with property reinsurance.

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.

- iii) Individual Excess Loss reinsurance : This is a type of non-proportional reinsurance. In this type of reinsurance reinsurer makes a payment when the claim amount for an individual claim exceeds a specified excess point or retention.
- iv) Stop Loss Reinsurance : This is the final type of reinsurance it is also a non – proportional reinsurance. In this type of 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, such as earned premiums written, up to the policy limit. Under this kind of policy, the direct writer (insurance company) agrees to carry the full burden of the loss up to a limit, L and claim amount exceeding L is paid by the reinsurer.

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. Following are the different ratios:

- i) Net loss ratio : $\text{Net Claims Incurred} / \text{Net Earned Premium}$
- ii) Net Expense ratio : $\text{Expenses} / \text{Net Written Premium}$
- iii) Net Commission Ratio : $\text{Commision} / \text{NWP}$
- iv) Net combined ratio is the sum of loss ratio, expense ratio and commission ratio.

4. • Not having a valid Driving License

- While Vehicle is used for unlawful purposes
- Under Influence of intoxicating liquor/drugs
- Accident taking place beyond Geographical limits
- Electrical/Mechanical Breakdowns
- Consequential loss, depreciation, wear and tear
- Damage to tyres and tubes unless the vehicle is damages at the same time.

5. • 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 commence business on January 1st 1973.

6. Expenses = \$8500

Commission = \$5700

Net Claims = \$150000

Net Written premiums (NWP) = \$50000

$$\begin{aligned}\text{Loss ratio} &= \text{Net Claims Incurred} / \text{Net Earned Premium} \\ &= 150000 / 75000 \\ &= 2\end{aligned}$$

$$\begin{aligned}\text{Expense ratio} &= \text{Expenses} / \text{NWP} \\ &= 8500 / 50000 = 0.17\end{aligned}$$

$$\begin{aligned}\text{Commission ratio} &= \text{Commission} / \text{NWP} \\ &= 5700 / 50000 = 0.114\end{aligned}$$

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

7. i) Zero Depreciation cover

ii) Engine Protect cover

iii) Return to Invoice cover

iv) Loss of personal belongings cover

v) No Claim Bonus (NCB) protect cover

vi) Personal accident cover for the passengers

vii) Key replacement cover

viii) Roadside assistance cover

ix) Consumables cover

x) Daily allowance cover

8. •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. TP liability 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. i) Mediclaim

- ii) Group Health Insurance
- iii) Family Health Insurance
- iv) Individual health Insurance
- v) Senior Citizen Health Insurance
- vi) Top up health Insurance
- vii) Disease Specific Health Insurance