

NON-LIFE INSURANCE

Assignment 1 - Questions

**Reinsurance, Profitability,
Motor and Health Insurance**

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CLASS – FY BSc

ROLL NO. – 80

SECTION – B

1.) a) 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 two styles of reinsurance: -

- **Non – proportional reinsurance - Under a non-proportional reinsurance association, the direct creator pays a hard and fast top rate to the reinsurer. The reinsurer will handiest be required to make bills where part of the claim amount falls in a selected reinsurance layer (ex - among £1m and £5m). The layer might be defined via a lower restrict, the retention restriction (ex - £1m), and an upper restrict (ex - £5m or infinity if the cover is unlimited). It operates in paperwork – with character extra of loss reinsurance and with prevent less reinsurance.**

- **Proportional reinsurance-** Under a proportional reinsurance association, the direct creator and the reinsurer percentage the value of all claims for every danger. For instance, for a selected constructing insured towards fire, the direct writer might preserve seventy-five% of the premium and could be vulnerable to pay 75% of all claims, big or small. It operates in two bureaucracy – with quota percentage reinsurance and with surplus reinsurance.

3.) The ratios used in profit evaluation of reinsurance are as follows-

- **NWP: Net Written Premium -** Net premiums written is the sum of premiums written by an insurance company over the course of a period of time, less premiums ceded to reinsurance companies, plus any reinsurance assumed.

- **Earned Premium -** The premium collected by an insurance company for the portion of a policy that has expired. In other words, the earned premium is what the insured party has paid for a portion of time in which the insurance policy was in effect, but has since expired.

- **Net Earned Premium** - means the Net Written Premiums recorded during the Experience Period, plus the unearned premium reserves at the beginning of the period, minus the unearned premium reserves at the end of the period.

NWP: Net Written Premium - Net premiums written is the sum of premiums written by an insurance company over the course of a period of time, less premiums ceded to reinsurance companies, plus any reinsurance assumed.

4.) The widespread exclusions below motor coverage are as follows: -

- **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.**
- **Consequential loss, depreciation, wear and tear.**

5.) The records of standard insurance are as follows: -

- The history of standard coverage dates lower back to the Industrial Revolution within the west and the consequent boom of sea-faring change and trade within the 17th century.**
- It came to India as a legacy of British career.**
- General Insurance in India has its roots in the establishment of Triton Insurance Company Ltd., inside the year 1850 in Calcutta by way of the British.**
- In 1907, the Indian Mercantile Insurance Ltd, changed into set up. This changed into the first corporation to transact all classes of trendy insurance enterprise.**
- 1957 saw the formation of the General Insurance Council, a wing of the Insurance Association of India. The General Insurance Council framed a code of behavior for making sure fair conduct and sound business practices.**

6.) Net blended ratio = net loss ratio + internet cost ratio + net commission ratio

Expenses = 8500

Commission = 5700

Net claims incurred = 150000

Net written top rate = 50000

Net premium earned = 75000

**Net loss ratio = Net claims incurred/Net earned top rate
= 150000/75000 = 2:1**

Net fee Ratio = fees /Net written

top class = 8500/50000

= 17:100

Commission Ratio = Commission / Net written

top class

= 5700/50000 = 57:500

Net Combined Ratio = 2 + (17/a hundred) + (57/500)

= 571:250 OR 2.284:1

7.) The various add-ons available on a motor insurance policy are as follows: -

- **Return to Invoice (RTI) cover - This add-on plan protects your vehicle from total loss expenses. In the event of a total loss scenario such as a car theft, it provides you the actual invoice value of the vehicle, without accounting for its depreciation with age.**
- **Loss of personal belongings cover - Loss of expensive electronic equipment, laptops, etc. kept in the insured vehicle is offered coverage under this add-on insurance plan.**
- **No Claim Bonus (NCB) protect cover - No Claim Bonus is a significant bonus offered by insurers to drivers who refrain from raising motor insurance claims in a policy year. You can preserve this bonus even after raising a claim if your vehicle insurance has an NCB protect cover.**
- **Personal accident cover for the passengers - The comprehensive car insurance policy can be enhanced to offer protection for the passengers by opting for this rider.**

- **Key replacement cover - Under this cover, the insurance company reimburses the cost of replacement of the vehicle keys if these were lost or misplaced.**

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:

- **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.**
- **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.**
- **Does not process claim for the stolen or vandalized vehicle.**

10.) The 7 types of health insurance products are: -

- 1. Individual Health Insurance-An Individual Health Insurance plan is meant for a single person. The individual who gets himself insured with this plan is compensated for the expenses incurred for illness and medical expenses.**

- 2. Family Health Insurance-** It secures your entire family under a single cover including your spouse, kids, and elders.
- 3. Senior Citizen Health Insurance-** This policy provides coverage to people who are 65 years and above. The Senior Citizen Health Insurance will offer you coverage for the cost of hospitalization and medicines, whether it arises from a health issue or any accident.
- 4. Top Up Health Insurance** -An individual can buy the Top Up Health Insurance plan if he seeks coverage for higher amounts. But there is a “Deductible Clause” added to this policy.
- 5. Personal Accident Insurance-**This policy provides a lump sum amount to the victim or his/her family as support. It can be used in case of any loss or damage to the owner or driver.
- 6. Mediclaim** -The Mediclaim Policy ensures compensation for your hospitalization expenses in case of any illness and accident. The Mediclaim Policy is available in the market as group Mediclaim, individual medical insurance, overseas medical insurance, etc.

7. Group Health Insurance-This type of health insurance is bought by the employer of the company for its employees. It is offered to the group of employees to meet the financial crisis and prudence in the company.