Non Life Insurance
Assignment 1

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Roll - 68.

(1) True.

(2) Reinsurance is 'insurance for insurance companies' in other words second level of insurance." The original insurer agrees to transfer part of his risk to other insurance company on the same terms & conditions. It is purchased by the insurance companies to mitigate risk.

~~Typ~~ Two types of Reinsurance:-

→ Propotional Reinsurance:-

The diret writer i.e the original insurance company and the reinsurer share the cost of all the claims.

It is of 2 types:-

a) ~~Qua~~ Quota Share reinsurance:-

Reinsurer and the writer share all premiums & losses according to a fixed percentage!

eg:- Bajaj Allianz enters into a proportion of 80% with Munich Re. ~~with~~ Meaning, Bajaj Allianz pay 80% of the claims and gets to keep 80% of the premiums & Munich Re has to pay 20%. Of the claim & gets to keep 20%. of the premium recd.

b) Surplus Share reinsurance:-

It is a treaty in which the ceding insurer retains a fixed amount of the policy liability and the the Reinsurer takes responsibility for what remains eg:- HDFC Ergo forms a surplus share reinsurance contract with Swiss Re and underwrites policy with a coverage of ₹ 50,000 with retention of ~~₹20,00~~ ₹20,00,000. The remaing is ceded to reinsurer

→ Non proportional:-

Under this arrangement, the direct writer pays a fixed premium to the reinsurer. The reinsurer will only be required to make payments ~~of~~ where part of the claim amounts falls in a particular insurance layer.

a) Individual excess loss:-

reinsurer makes a payment when the claim amount of an individual claim exceeds a specified excess point or retention.

eg:- Apollo enters into a reinsurance treaty with Swiss retention reinsurance layer is fixed at 50 lakh to 1 crore.

b) Stop loss Reinsurance:

The reinsurer is liable for the insured's losses incurred over a certain period that exceed a specified amount or % of some business measure, such as earned premiums written, up to the policy limit. In this, insurance company agrees to carry the full burden of loss up to a limit and the claim amount exceeding the limit is paid by the reinsurance.

eg:- Aiko enters into a reinsurance contract with Munich Re and the contract indicates that the insurance company, Aiko is responsible for anything above that limit.

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3. Ratios used in profit analysis :-

• Underwriting profit :- It consists of earned premium remaining after losses have been paid and administrative expenses have been deducted.

• formula :- GWP - GIC - Expenses - Commission.

• Loss Ratio = $\frac{GIC}{GWP}$

• Combined Ratio = is a measure of probability used by an insurance company to gauge how well it is performing in its daily operations.

formula: $\frac{GIC + \text{expenses} + \text{commission}}{GWP}$.

4. Exclusions under the motor insurance policy :-

A car insurance exclusion involves risks or situations that are not covered in your car insurance policy.

These are always clearly mentioned in the documentation

They are :-

• Not having a valid driver's licence
• Under influence of drugs
• Accident taking place beyond geographical limit.
• While vehical is being used for unlawful reasons.
• Consequential loss, depriciation, wear & tear.

5. History of ~~geer~~ general insurance in India :-
The history of general insurance dates back to the industrial Revolution in the west and the consequent growth of sea faring trade and commerce in 17^{th} century. It came to India as a legacy of British occupation. In India, it had its roots in the establishment of Triton Insurance Company Ltd, was set up. This was the first company to transact all the classes of general insurance business. in ~~to~~ 1907, the Indian Mercantile Insurance Ltd, was set up. 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 conduct for ensuring fair conduct and sound business practices.
In 1968, The insurance Act was amended to regulate investments and set minimum insolvency. The tariff ~~Avio~~ Advisory Committee was also set up. Then: In 1972 with the passing of GI Business (Nationalisation) Act, was nationalized with effect from 1st January, 1973. 107 Insurers were amalgamated and grouped into four companies:-
i) National Insurance Company ltd.
ii) The New Insurance Assurance Comp. ltd.
iii) Oriental Insurance Company ltd.
(iv) United India Insurance Company ltd.
The General Insurance Corporation of India was incorporated as a company in 1971 and it commence its business on 1st Jan 1973.

6. Combined Ratio = ?

Expenses = $ 8500

Commission = $ 5700

net claims incurred amt = $ 150000

net written premium = $ 50000

net premium earned = $ 75000

$$\text{Combined Ratio} = \frac{\text{GIL} + \text{expenses} + \text{commission}}{\text{GWP}}$$

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$$\frac{15000}{75000} + \frac{8500}{50000} + \frac{5700}{50000}$$

$$= 2.284$$

7. Motor Insurance addons:-

These add ~~ons~~ ons enhance the coverage of the base policy. These riders should be purchased from the same Insurance provider by paying an additional amt. Some of them are:-

i) Zero depreciation cover

ii) Engine protection cover

iii) Return to invoice cover (RTI) 4

iv) Loss of personal belongings cover

v) No claim Bonus (NCB) protect cover

vi) Personal accident cover for the passengers - by ~~option~~ opting for this rider.

(vii) Key replacement cover.

(viii) Roadside Assistance cover

(ix) Consumables cover

x) Daily Allowance Cover.

8. Documents required to claim Health Insurance
i) Health card
ii) Duly filled claim form
iii) Medical certificate / Form which is signed by treating doctor.
iv) Discharge summary or card (original), availed from the hospital.
v) All bills are receipts (original)
vi) Prescription and cash memos from pharmacies / hospital
vii) Investigation report
viii) If it is an accident case, the FIR or Medico legal Certificate (MLC) is required

9. Third Party Liability Insurance Cover -
→ In India, third party liability Insurance is mandatory for a vehicle to be safe and secured. One has to buy third party liability cover for the mandated purpose under the motor vehicle act, 1988. The cover protects against the loss and damage that occured to the 3rd party vehicle or property that causes someone's death or injury due to your vehicle. It would be easier to deal with this situation when we already have a third party insurance cover, and if not then we would have to incur the loss expense from our own pocket.
It does not cover loss and damage to your own vehicle which is responsible for the damage of the third party's vehicle. For insurance of our car, an own damage

Insurance is supposed to be bought by us. It doesn't process claim for stolen or vandalised vehicle.

10. 7 types of Health Insurance Products:

1 Based on payout:
a) Indemnity based product – Reimburses the covered person for incurred medical expenses
Eg – Retail Health Insurance
Group Health Insurance product
b) Based on Fixed Benefit – Lumpsum is paid under the policy on occurance of covered peril
Eg – Personal Accident
– Critical Illness
– Hospital Cash

2. Classification – based on segment
a) Retail
b) Group
c) Employer – Employee
d) Other groups.