Name Ronit shah R. No. 67 Class / Div. B Date

Subject Non Life Insurance Topic Page No.

Assignment - 1

1) a - True

2) Reinsurance is insurance for insurance companies. It is a second level of insurance. Large individual risks and natural catastrophe risks are spread across the entire globe so as to minimise the potential loss for a single company So Reinsurers, for their part, purchase coverage for assumed major risks. When an insurer transfers a part of risk on a particular insurance by insuring it with another insurer or other insurers, it is called as Reinsurance. Reinsurance is insuring the same risk. Types of Reinsurance are :-

i) Proportional Reinsurance :

under Proportional Reinsurance arrangement, the direct writer which is the original insurance company and the Reinsurer share the cost of all claims for each risk. The Direct writer Pays a premium to effect this Reinsurance and they are also referred as direct insurer or just insurer. Proportional Reinsurance operates in two forms which is Quota share Reinsurance where Proportions are the same for all risks and Surplus Reinsurance where proportions can vary from one Risk to the next. For example, For a Particular building insured against fire, the direct writer might retain 65% of the premium and will be liable to pay 65% of all claims, large or small.

ii) Non - Proportional Reinsurance :

Under non - proportional Reinsurance arrangement, the direct writer pays a fixed premium to the Reinsurer. The Reinsurer will only be required to make payments where part of the

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2) ii) claim amount falls in a Particular reinsurance layer. The layer is defined by a lower limit, retention limit, and an upper limit. There are two forms of Non-proportional Reinsurance which are Individual excess of Loss Reinsurance where Reinsurer will be required to make a payment when the claim amount for any individual claim exceeds a specified excess point or retention and Stop Loss Reinsurance where Reinsurer will be required to make Payments if the Total claim amount for a specified group of Policies exceeds a specified amount.

3) Some ratios are used in Profit analysis of Reinsurance. The various ratios used are :-

i) Net Premiums written is the sum of Premiums written by an insurance company over the course of Period of time, less premiums ceded to reinsurance companies plus any Reinsurance assumed.

ii) Earned premium is the premium collected by an insurance company for the portion of a policy that has expired.

iii) Net Earned Premium means the Net written Premium 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.

iv) $\text{Net Loss Ratio} = \dfrac{\text{Net claims incurred}}{\text{Net Earned Premium}}$

3) v) Net expense Ratio = $\frac{\text{Expenses}}{\text{Net written premium}}$

vi) Net Commission Ratio = $\frac{\text{Commission}}{\text{Net written Premium}}$

vii) Net combined Ratio is the sum of loss ratio, expense ratio and commission Ratio.

viii) Net claims incurred is the amount of claims incurred during an accounting period after deducting reinsurance recoveries.

ix) Incurred Loss Ratio is Percentage of Losses incurred to premiums earned.

x) Reinstatement clause is when the amount of Reinsurance coverage provided under a ~~tree~~ treaty is reduced by the Payment of a Reinsurance loss as the result one catastrophe where the Reinsurance cover is automatically reinstated usually by Payment of a Reinstatement premium.

xi) Reinstatement premium is a pro Rata Reinsurance premium which is charged for the Reinstatement of the amount of Reinsurance coverage that was reduced as result of a Reinsurance loss Payment under catastrophe cover.

xii) Profit commission is commission over and above ceding commission offered by Reinsurer to cedant to encourage good quality underwriting and profitability where cedant is insurance company the Reinsurer insures.

4) Motor Insurance gives complete Protection against physical damage or loss from natural and man made calamities. However there are some general exclusions which ~~after~~ involves risks or situations that are not covered in car insurance Policy. General Exclusions under car insurance are:

i) Not having a Valid Driving License
ii) Under influence of having liquor or Drugs
iii) Accident taking place beyond Geographical Limits
iv) Vehicle used for Unlawful Purposes
v) Electrical or Mechanical Breakdowns
vi) Damage to tyres and tubes
vii) Consequential Loss, Depreciation and Wear and Tear.

5) A General Insurance policy is a non-life insurance Product that includes a range of General Insurance Policies. There is a great history of General Insurance in India. The First Insurance company in India is Triton Insurance Company Limited established in Calcutta in 1850 AD. Later on, in 1906-1907, Indian Mercantile Insurance Company Limited was started in Bombay. Gradually, there were 107 insurers amalgamated and then they were grouped into four companies, which are National Insurance Company Limited, New India Assurance Company Limited, Oriental Insurance company Limited and United India Insurance Company Limited. Afterwards, General Insurance corporation of India was incorporated as a Company in 1971 and it commenced business on 1st January 1973. This is the history of General Insurance in India.

7) Motor Insurance is a type of insurance policy which covers your vehicles from potential risks financially. Motor Insurance companies offer add-on covers that can enhance the coverage of the base policy. Some of these add-ons are :-

i) Zero Depreciation cover
ii) Engine Protect cover
iii) Return to Invoice cover
iv) Loss of personal belongings cover
v) No claim Bonus 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 Insurance is a type of insurance that covers your medical expenses. Some documents required to claim health insurance are :-

i) Health card
ii) Duly Filled claim form
iii) Medical certificate or Form which is signed by treating doctor
iv) Discharge summary or card in original form availed from hospital
v) All original bills and receipts
vi) Prescription and cash memos from Pharmacies ~~and~~ or hospital
vii) Investigation report
viii) If it is an Accident case, Then FIR or Medico Legal certificate is required.

9) Third Party Liability insurance cover is the mandatory insurance cover for your vehicle to be safe and secured. The cover is a mandated purpose under the law of Motor vehicle act, 1988. This cover protects the insured against the loss and damage that occurred to third party vehicle or property that causes someone's death or injury due to insured's vehicle. Third Party Liability Insurance cover does not cover loss and damage to insured's own vehicle as he/she is responsible for the damage of third party vehicles, and also claims for stolen or Vandalized vehicle will not be processed.

10) Health insurance is a type of insurance that covers insured's medical expenses. Health insurance can reimburse the insured for expenses incurred from illness or injury or pay the care provider directly. There are many health insurance products. Types of health insurance products are:-

i) Individual Health Insurance
ii) Family Health Insurance
iii) Critical illness Insurance
iv) Senior citizen Health Insurance
v) Top up Health Insurance
vi) Personal Accident Insurance
vii) Group Health Insurance
viii) Mediclaim Insurance
ix) Disease specific Insurance

6) Combined Ratio is a measure of profitability used by an insurance company to gauge how well it is performing in its daily operations. This is found by ~~an~~ a formula.

$$\text{Combined Ratio} = \frac{\text{NIC} + \text{Expenses} + \text{commission}}{\text{NWP}}$$

Given :- Expenses = \$8500

Commission = \$5700

Net claims incurred = \$150000

Net written premium = \$50000

Net premium earned = \$75000

$$\text{combined Ratio} = \frac{\text{NIC} + \text{Expenses} + \text{commission}}{\text{NWP}}$$

$$= \frac{150000 + 5700 + 8500}{50000}$$

$$= \$\frac{164200}{50000}$$

$$= 3.284$$