

GENERAL INSURANCE

Assignment 1- Questions

Reinsurance, Profitability,
Motor and Health Insurance

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CLASS – FY Bsc

ROLL NO. – 35

SECTION - A

1.) a) True

2.) Reinsurance is the practice of one or extra insurers assuming every other coverage organisation's threat portfolio so that you can stability the coverage market.

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.

Three.) . The ratios used in profit evaluation of reinsurance are as follows –

- Net loss ratio – The percentage of losses (claims) incurred to top class earned during the period. It is the indicator of an insurer's underwriting discipline and talent at mitigating chance.

$\text{Internet claims incurred} / \text{net earned top class}$

- Net price ratio – It is calculated as underwriting fees divided via net written premiums; the rate ratio measures an insurer's efficiency.

$\text{Costs} / \text{internet written top class}$

- Net blended ratio – is the sum of loss ratio, cost ratio and fee ratio.
- Incurred loss ratio – the proportion of losses incurred o charges earned
- Net fee ratio – Represent the value of acquiring the insurance enterprise. It consists of the intermediary's commission net of reinsurance fee different associated expenses which associated with acquisition of business.

$\text{Net commission ratio} = \text{commission} / \text{internet written top rate}$

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

- Damage induced due to driving underneath the impact of drugs

- Wear and tear of the vehicle
- Contributory negligence, i.e., your car received be included in case you've accomplished something you weren't alleged to do
- Damage brought on to the automobile via a person riding without a valid license
- Damage precipitated because of drunken using

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 = $2 + (17/\text{a hundred}) + (57/500)$

$$= 571:250 \text{ OR } 2.284:1$$

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

- **Total Cover** - This cowl will pay for the amount spent on the registration fee, Octroi and/ or any other expenses levied by using the government authority in the direction of the insured automobile. Also, the insurance premium shall be paid. This cowl will trigger in the occasion of theft or total loss.
- **Engine protection cowl** - offers monetary protection for damages brought about to the engine of the car. Any damage induced, from water entering the engine to leakage of the lubricating oil, is protected beneath the policy
- **No Claim Bonus** - No claim bonus (NCB) is a reduction, given by way of an insurer to a policyholder for making no claims throughout the policy time period. NCB may be amassed over the years and the cut price stages from 20% to 50% on the own damage top class. This is simply a general insurance business enterprise's manner to reward client's suitable using behavior.
- **NCB Retention Add-on cowl** – It protects the MCB of the insured although he/she claims (personal harm) all through the policy duration. This is relevant simplest on Annual Policy simplest. NCB is blanketed in case of 1 OD claim at some point of the coverage length and the claim amount ought to now not be more than 25% of IDV.
- **Nil Depreciation** - This cowl can pay the amount of depreciation deducted at the fee of parts changed underneath personal harm declare. The cover operates for optimum of 2 claims during the policy duration

8.) The files required to say health insurance are as follows –

- Health card
- Duly crammed declare form
- Medical Certificate/ Form that is signed by using the treating health practitioner.
- Discharge summary or card (original), availed from the sanatorium.
- All payments and receipts (authentic)
- Prescription and coins memos from pharmacies/ the hospital.
- Investigation report
- If it's far an accident case, then the FIR or Medico Legal Certificate (MLC) is needed.

9.) Third birthday celebration insurance cover: -

- Third birthday celebration liability insurance covers demise or bodily harm to any character including occupants carried inside the car. And harm to belongings apart from property belonging to the insured or held in agree with or in the custody or manage of the insured.
- Third-birthday celebration liability insurance is the portion of an insurance policy that protects you in case you're sued (or threatened to be sued) for a bodily harm or harm to someone else's property.
- Also referred to as "prison liability insurance," this section of your private home or automobile coverage policy is set up to cover things like criminal charges, the quantity of cash you have to pay to settle a lawsuit, and different related fees.
- When the policyholder collides with the automobile of a 3rd celebration main to dying or physical damage to the third birthday celebration, your liability to the 1/3 party is blanketed by using the insurer. It additionally covers damage to assets of third party as a result of policyholder's vehicle.
- There are two kinds of car 1/3-birthday celebration liability coverage, particularly, Bodily damage legal responsibility and Property damage liability.

10.) The distinct sorts of medical insurance products are as follows: -

- Family Health Insurance - Family Health Insurance Policy secures your whole own family beneath a unmarried cover together with your partner, kids, and elders.
- Critical Illness Insurance - The Critical Illness Insurance plan insures the character by using offering a lump sum amount of money for lifestyles-threatening illnesses. At the time of buying the coverage, the selected fitness issues are included, and if you get suffering from any of the pre-decided on situations, you could declare your insurance.
- Individual Health Insurance - An Individual Health Insurance plan is supposed for a single character. The man or woman who gets himself insured with this plan is compensated for the prices incurred for illness and scientific costs
- Hospital Daily Cash - This plan permit you to to guard your self from sudden expenses in the course of your hospitalization. Convalescence benefits also are presented in some of the plans if the individual receives hospitalized for extra than seven days. Other accessories encompass Parental accommodation and well being educate.
- Personal Accident Insurance - This policy offers a lump sum quantity to the sufferer or his/her family as help. It can be utilized in case of any loss or damage to the owner or driver
- Senior Citizen Health Insurance - This policy presents coverage to folks that are sixty five years and above. The Senior Citizen Health Insurance will offer you coverage for the value of hospitalization and medicines, whether or not it arises from a fitness trouble or any accident.
- Top Up Health Insurance - An individual should buy the Top Up Health Insurance plan if he seeks coverage for higher quantities. But there is a "Deductible Clause" introduced to this coverage