date
3/4/22

1

Non life Insurance Assignment

Topic →

Q1. a) True

Q2. 1. Reinsurance is form of insurance purchased by the insurance company in order to mitigate risk

2. With Reinsurance, the company passes some of its own insurance liabilities (the risk) that they are bearing to the other insurance company.

3. (Reinsurance)

- Proportional
  - ↳ Quota
  - ↳ surplus
- Non-proportional
  - ↳ Ind. Excess loss
  - ↳ stop loss.

① Proportional Reinsurance

The direct writer & the reinsurer share the cost of all claims. This is of 2 types -

(1) Quota share Reinsurance:-
Reinsurer and writer share all premiums and losses according to a fixed percentag

Date / /
Page

Eg HDFC Ergo enters a into reinsurance contract with Maxlife with retain proportion of 70%. This means ~~Bajaj~~ HDFC Ergo pays 70% of claim amount and gets to keep 70% of premium recieved. Max Life has to pay 30% of the claim amount and recieves 30% of the premium

(ii) Surplus Share Reinsurance :-
A surplus share treaty is a reinsurance treaty in which the ceding insurer retains a fixed amount of policy liability and the reinsurer takes responsibility for what remains. Surplus share treaties are considered pro-rata treaties and are most commonly used with property insurers.

Eg Munich Re forms such a contract with Bajaj Allianz and underwrites policies with a coverage of Rs 1,00,00,000 with retention of Rs 35,00,000. The remaining Rs 65,00,000 are ceded to reinsurer.

② Non proportional Reinsurance

Under a 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 claim amount falls in a particular reinsurance layer.

(i) Individual excess loss :

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

Eg Swiss re enters into Reinsurance with = Bajaj Allianz and Reinsurance layer is fixed at 50 lac to 1 ~~lac~~ Cr

$Y = X \quad ; \quad X < 50$ lac
$Y = 50$ lac $; \quad 50$ lac $< X < 1$ cr
$Y = X - 50$ lac $; \quad X > 1$ cr

$Z = X - 50$ lac $; \quad 50$ lac $< X < 1$ cr
$Z = 50$ lac $; \quad X > 1$ cr

(ii) Stop loss 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 upto a limit, L and claim amount exceeding

Date / /
Page

& is paid by the reinsurer

Eg Swiss Re enters Reinsurance contract with Maplife and contract says that Swiss Re is responsible for losses up to \$ 500,000, bt that the reinsurance company,

$$y = x ; \quad x < L$$
$$y = L , \quad x > L$$

$$z = x - L ; \quad x > L$$

Q3. Various ~~[illegible]~~ ratios used in profit analysis of reinsurance

i) Underwriting Profit :- It consists of the earned premium remaining after losses have been paid and administrative expenses have been deducted. It does not include any investment income earned on held premiums.

U.P. = GWP − GIC − Expenses − commission

ii) Loss Ratio = $\frac{GIC}{GWP}$

iii) Combined Ratio : is a measure of profitability used by an insurance company to gauge how well it is performing in its daily operations.

Date / /
Page ____

→ $CR = \dfrac{GIC + Expenses + Commission}{GWP}$

→ We earn GWP throughout the period.

iv) Expense Ratio = Expenses / GWP

v) Commission Ratio = Commision / GWP.

Q4 Exclusions under the motor insurance policy are :-

A car insurance exclusions 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 license
* Under influence of drugs / liquor (intoxication)
* Accident taking place beyond geographical limits.
* While vehicle is being used for unlawful purposes
* electrical / ~~Het~~ Mechanical Breakdowns.
* Damage to tubes unless the vehicle is damaged.

* Consequential loss, depriciation ; wear and tear.

Q5. 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 (calcutta). In 1907, Indian Mercantile & Insurance Ltd was set up. In 1957, general insurance council was formed, it framed a code of conduct for ensuring fair conduct and sound business practices. In 1968, the insurance act was amended to regulate investment and set minimum insolvency. The Tariff Advisory Committee was also set up then in 1972 with the passing of GI Business (Nationalisation Act), were nationalised with effect from 1st Jan, 1973. 107 Insurance were amalgamated and grouped into four companies:

i) National Insurance Company Ltd
ii) The New ~~Insurance~~ India Assurance Comp Ltd
iii) Oriental Insurance company Ltd.
iv) United India Insurance Company Ltd.

The General Insurance corporation of India was

Date / /
Page

incorporated as a company in 1971 and it commenc-ed its business on 1st Jan 1973.

~~Combi~~

Q6. Here, Expenses = \$ 8500
Commission = \$ 5700
Net Claim incurred amount = \$ 150000
Net written Premium = \$50,000
Net Premium Earned = \$ 75000

$$\text{Combined Ratio} = \frac{GIC + Exp + Commision}{GWP}$$

$$= \frac{\cancel{150000}^{2}}{\cancel{75000}} + \frac{85\cancel{0}\cancel{0}}{5000\cancel{0}\cancel{0}} + \frac{5700}{50000}$$

$$= 2 + \frac{17}{100} + \frac{57}{500}$$

$$= 2.284$$

Q7. Various add-ons available on a motor insurance policy are :-
1) Zero depriciation Cover
2) Engine protect cover
3) Return to invoice (RTI) cover
4) loss of personal belongings cover
5) No claim Bonus protect Cover
6) Personal accident cover for the passengers
7) Key replacement covers//.

8) Roadside assistance cover.
9) Consumables cover.
10) Daily allowance cover.

Q9 Third party liability cover:-

1. 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

2. This cover protects you against the loss and damage that occured 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 expenses 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

Date / /
Page

own vehicle, you have to buy own damage insurance cover. Also, does not process claim for the stolen or vandalized vehicle.

Q10 7 types of Health insurance products are:-

1. Individual
2. Family floater
3. Critical illness
4. Group health insurance
5. Hospital daily cash
6. Mediclaim
7. Top up health insurance