NON-LIFE INSURANCE-PPP

BY:AARYA DANTARA

ROLL NO:15

DIV:A

Q1) TRUE

Q2) Reinsurance is a situation where, an insurer transfers a part of the risk on a particular insurance, by getting insured with other insurers (Second level of Insurance).

Some types of Reinsurance are:-

- *Proportional Reinsurance*
    1. *Proportional reinsurance coverage is reinsurance of part of original insurance premiums and losses being shared between a reinsurer and insurer.*
    2. *With proportional reinsurance coverage, the ceding company and the reinsurer share risks and premiums on a proportional basis.*
    3. *Under proportional reinsurance coverage, the insurer and the reinsurer both share the premiums and the claims on a given risk in a specified proportion.*
    4. *Proportional reinsurance coverage is reinsurance of part of original insurance premiums and losses being shared between a reinsurer and insurer.*
    5. *For example, a proportional reinsurance agreement may require a reinsurer to cover 60% of losses.*

- *Nonproportional Reinsurance — also known as excess of loss reinsurance. Losses excess of the ceding company's retention limit are paid by the reinsurer, up to a maximum limit. Reinsurance premium is calculated independently of the premium charged to the insured. The reinsurance is frequently placed in layers.*

1. With individual excess of loss (XOL) reinsurance, the reinsurer will be required to make a payment when the claim amount for any individual claim exceeds a specified excess point or retention. For example, the reinsurer might agree to pay the excess when any claim from a motor policy exceeds £50,000, but with an upper limit of £2 million.

2. With stop loss reinsurance, the reinsurer will be required to make payments if the total claim amount for a specified group of policies exceeds a specified amount (which may be expressed as a percentage of the gross premium).

- *SURPLUS REINSURANCE*

  Surplus reinsurance is a form of proportional reinsurance in which risks are reinsured above a specified amount. Surplus reinsurance requires an insurer to transfer and the reinsurer to accept the part of every risk that exceeds the insurer's predetermined retention limit. Surplus reinsurance is reinsurance of amounts over a specified amount of insurance.

  For example, consider a property insurance company that underwrites policies with a coverage of $500,000 and wishes to retain $100,000 of liabilities as its line. The remaining $400,000 in liabilities are ceded to the reinsurer. The $400,000 represents the amount covered under the surplus share treaty.
- *Stop Loss Reinsurance*
- *Stop loss reinsurance is a form of reinsurance under which the reinsurer pays the cedant's losses in any year over a*

particular percentage of the earned premium. Specific annual stop loss reinsurance limits the primary carrier's liability each year to a specified percentage of total ultimate incurred loss. With stop loss reinsurance, the part paid by the reinsurer is not determined by the aggregate claims of the individual policy, only by the aggregate claims of the whole portfolio. Stop loss reinsurance is a form of reinsurance under which the reinsurer pays the cedant's losses in any year over a particular percentage of the earned premium. The amount covered by the direct insurance company is called deductible .

- *For example, if a one year stop-loss reinsurance policy is purchased on a portfolio of insurance risks that earns $20M in premiums with a 75% stop-loss, the reinsurance company would pay for any additional or "excess" losses if that portfolio were to pay out over $15M in claims.*

Q3) Some of the most used ratios in profitability of insurance are -

Net Loss Ratio: It is the ratio of net claims incurred and net earned premium

$$\frac{\text{net claims incurred}}{\text{net earned premium}}$$

Net expense ratio - It is calculated as underwriting expenses divided by net written premiums, the expense ratio measures an insurer's efficiency.

$$\frac{\text{expenses}}{\text{net written premium}}$$

Net commission ratio - Represent the cost of obtaining the insurance business. It includes the intermediaries commission net of reinsurance commission other related expenses which related to acquisition of business.

$$\text{Net commission ratio} = \frac{\text{commission}}{\text{net written premium}}$$

Net combined ratio – is the sum of loss ratio, expense ratio and commission ratio.

Incurred loss ratio – the percentage of losses incurred o premiums earned.

Q4) Car insurance policies vary between insurers. However, most policies cover the following-

- *Comprehensive cover for your car*
- *Damage to your own car*
- *Natural calamities*
- *Personal accident cover*
- *Man-made disasters*
- *Theft of your car*
- *Third-party liability insurance*
- *Injury to a person*
- *Damage to property*

Q5)

The History of Insurance In India Dates way back in the day than we can imagine:

- *In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and*

Kautilya (Arthasastra). The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre-cursor to modern day insurance.

- Triton Insurance company Ltd., established in Calcutta in 1850 AD
- Indian Mercantile Insurance company Ltd. started in Bombay in 1906-07 107 insurers were amalgamated and grouped into four companies:
- National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd.
- The General Insurance Corporation of India was incorporated as a company in 1971 and it commence business on January 1st 1973.

Q6)

1. Net combined ratio = net loss ratio + net expense ratio + net commission ratio

   Expenses = 8500

   Commission = 5700

   Net claims incurred = 150000

   Net written premium = 50000

   Net premium earned = 75000

   Net loss ratio = $\frac{\text{Net claims incurred.}}{\text{Net earned premium}}$

   = 150000/75000 = 2:1

   Net expense Ratio = $\frac{\text{expenses .}}{\text{Net written premium}}$

   = 8500/50000

   = 17:100

   Commission Ratio = <u>Commission .</u>

Net written premium

= 5700/50000

= 57:500

Net Combined Ratio = 2 + (17/100) + (57/500)

= 571:250 OR 2.284:1

Q7)

- *Zero depreciation cover – This is a popular motor insurance add-on plan that offers significant savings at the time of a claim. It is also referred to as nil depreciation cover or bumper to bumper policy. Consider that your vehicle is insured with a comprehensive motor insurance policy. At the time of a claim, you will still have to bear the expenses pertaining to depreciation of the vehicle parts and excesses. However, if your comprehensive motor insurance plan was reinforced with a nil depreciation cover, the insurer would bear the expenses for the depreciation of vehicle parts.*
- *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.*
- *Engine protect cover - A comprehensive motor insurance plan does not protect the vehicle from mechanical or electrical damages to the engine. Buying an engine protect cover offers your engine the much-needed protection, especially if you reside in an area prone to waterlogging.*
- *Roadside assistance cover - This add-on cover offers 24/7 protection to the policyholder from incidents such as flat tyre, fuel depletion, requirement for expert scrutiny, etc.*
- *Consumables cover - Components that are used in a vehicle such as nuts and bolts, screen washers, engine oil, etc. are collectively referred to as consumables.*
- *Daily allowance cover - This add-on cover offers reimbursement for the expenses involved in hiring an alternate vehicle when the insured automobile is undergoing repairs at a garage.*

Q8)

Documentation required to claim a 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.

Q9)

Third Party Liability Insurance cover (TP):

TP liability is the mandatory insurance cover for your vehicle to

be safe and secured. 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. 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 expense from your pocket.

The important pieces of information required to avail the third party claim are:

- *Description of an accident along with date and time.*
- *Details of insurance and policyholders present during the accident.*

- *Describe injuries sustained by driver, passengers, and/or to property or vehicle damaged.*
- *Details of witnesses.*
- *Weather and visibility condition at the time of the accident.*
- *Photographs of evidence collected from the accident site.*

The Inclusions and exclusions of this policy are:

Inclusions-

Third-party insurance offers protection against damages to the third-party by the insured vehicle. It covers physical injuries, damages to the vehicle, damage to the property, and death.

Exclusions-

Third-party insurance does not provide any compensation, if:

- *The accident was caused due to drunken driving.*
- *The driver is underaged or was found guilty of driving without a valid driving license.*
- *The accident was a deliberate act.*
- *The vehicle was used for any commercial purposes or illegal activities.*
- *The vehicle gets stolen.*

Q10) The different types of health insurance products are -

- *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.*
- *Family Health Insurance - Family Health Insurance Policy secures your entire family under a single cover including your spouse, kids, and elders.*

- *Critical Illness Insurance* - *The Critical Illness Insurance plan insures the person by offering a lump sum amount of money for life-threatening diseases. At the time of buying the insurance, the chosen health problems are included, and if you get affected by any of the pre-selected conditions, you can claim your insurance.*
- *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.*
- *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.*
- *Hospital Daily Cash - This plan can help you to protect yourself from unexpected expenses during your hospitalization. Convalescence benefits are also offered in some of the plans if the individual gets hospitalized for more than seven days. Other add-ons include Parental accommodation and wellness coach.*
- *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.*
- *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.*

.