

NON - L9 Assignment

1. A reinsurance contract is a contract of indemnity.

- a) True
- b) False

Ans : True

Reinsurance will put you in the same financial position as before or compensate you partially for the amount reinsured above the retention limit or the decided proportion

2. What is reinsurance? Discuss the types of reinsurance with examples.

Ans : Reinsurance is "insurance for insurance companies".

When an insurer transfers a part of risk on a particular insurance by insuring it with another insurer or other insurers , it is called reinsurance.

Types of reinsurance:

☒ Proportional Reinsurance

In this the insurance company and the reinsurer share the cost of all claims for each risk in a decided proportion and the premium is divided in that same proportion.

Eg: If an insurance company reinsures for 80% of claim amount it will have to pay 80% of the premium to the reinsurance company

Types of Proportional reinsurance:

1. Quota share reinsurance:

The reinsurer pays a fixed proportion of the claim, whatever the size of the claim.

2. Surplus reinsurance:

Every risk that provides coverage greater than the retained line is ceded to the surplus treaty on a proportional basis, where the proportion varies with the size of the risk

Non -Proportional Reinsurance

The insurance company pays a fixed premium to the reinsurer and reinsurer will only pay if the claim amount falls in btw a particular layer

Types of Non-Proportional Reinsurance

1.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).

3. Discuss the various ratios used in profit analysis of reinsurance.

Ans :

1) Net Loss ratio : $\text{Net claims incurred} / \text{net earned premium}$

The ratio measures the company's loss experience as a proportion of premium income earned during the year. The loss ratio is a reflection on the nature of risk underwritten and the adequacy or inadequacy of pricing of risks

2) Net expense ratio : $\text{Expenses} / \text{net written premium}$

Expense ratio reflects the efficiency of insurance operations. Expense ratio for an insurer would be analysed by class of business, along with the trend of the same

3) Net Commission ratio : $\text{Commission} / \text{net written premium}$

4) Net combined ratio : $\text{loss ratio} + \text{expense ratio} + \text{commission ratio}$.

Combined ratio is a reflection of the underwriting expense as well as operating expenses structure of the insurer

5) Incurred Loss Ratio - The percentage of losses incurred / premiums earned.

4. List the general exclusions under a motor insurance policy.

Ans : The following contingencies are usually excluded under the Motor Insurance Policy:

- 🚫 Not having a valid Driving License
- 🚫 Under Influence of intoxicating liquor/drugs
- 🚫 Accident taking place beyond Geographical limits
- 🚫 While Vehicle is used for unlawful purposes
- 🚫 Electrical/Mechanical Breakdowns
- 🚫 Damage to tyres and tubes unless the vehicle is damaged at the same time
- 🚫 Consequential loss, depreciation, wear and tear

5. Write about the history of general insurance in India.

Ans : Evolution of 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, namely

I. National Insurance Company Ltd.

II. New India Assurance Company 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 business on January 1st 1973.

6. Calculate combined ratio using the following information: expenses amount to \$8500, commission is \$5700, net claims incurred in the period amount to \$150000. The net written premium is \$50000 and net premium earned is \$75000.

Ans :Expenses Amt : \$8500

Commission: \$5700

Net Claims Incurred:\$150000

Net written premium : \$50000

Net premium earned:\$75000

Net loss Ratio : $150000:75000 = 2:1$

Expense Ratio : $8500:50000 = 17:100$

Commission Ratio : $5700:50000 = 57:500$

Net combined ratio : loss ratio + expense ratio + commission ratio.

$= 2/1 + 17/100 + 57/500$

$= 571:250 = 2.284:1$

7. List the various add-ons available on a motor insurance policy.

Ans : By paying little extra as your car insurance premium, you can avail some additional benefits towards your auto insurance. These additional covers are called add on covers in motor insurance and are optional.

Add ons available:

- No claim Bonus
- Zero depreciation cover
- Engine protection cover
- Return to invoice cover
- Loss of personal belonging cover
- Personal accident cover for passengers
- Key replacement cover
- Roadside assistance cover
- Consumables cover
- Daily Allowance cover

8. List the documents required to claim health insurance.

Ans : Documents required 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.

9. Explain in detail Third Party Liability Insurance cover?

Ans : Third-party liability coverage is the portion of an insurance policy that protects you if you're sued (or threatened to be sued) for a physical injury or damage to someone else's property.

It covers:

- ❑ When the policyholder collides with the car of a third party leading to death or bodily injury to the third party, your liability to the third party is covered by the insurer.
- ❑ It also covers damage to property of third party caused by policyholder's car .
- ❑ In case of absence of personal cover, damage to self can be also be added as an add-on in the third party cover.
- ❑ Damages to own car is not covered under third party cover.

There are two types of automobile third-party liability coverage.

bodily injury liability covers:

costs resulting from injuries to a person. These injuries' costs could include expenses like hospital care, lost wages, and pain and suffering due to the accident.

Property damage liability

covers costs resulting from damages to or loss of property. Examples of property damage include the payment to replace landscaping and mailboxes, as well as compensation for loss of use of a structure.

10. List any 7 types of health insurance products.

Ans :Health Insurance Products :

- * Individual Health Insurance.
- * Family Health Insurance.
- * Critical Illness plan
- * Senior Citizen Health Insurance.
- * Top Up Health Insurance.
- * Hospital Daily Cash.
- * Personal Accident Insurance.
- * Mediclaim.