

NON-LIFE INSURANCE-PPP
ASSIGNMENT-1
Roll no.- 38

1. a) True. Reinsurance is a contract of indemnity as it follows the principle of indemnity, i.e., ensuring that insurance contract protects the insured (in this case the primary insurance company) from and compensates for any losses incurred (in this case the loss of paying huge claims and thereby facing financial loss by the primary insurance company).
2. Reinsurance is insurance for insurance companies to mitigate risk by passing on some part of its own insurance company to other insurance (or reinsurance) company.

If at any time a profitable venture comes to an insurance company's way, which is above its risk bearing capacity, it may insure the client by safeguarding itself with the help of reinsurance.

Types of reinsurance:

- a. Proportional Reinsurance- The direct writer or the primary (original) insurance company and the reinsurer share the cost of all claims for each risk. The direct writer must pay premium to have reinsurance in effect. It is further classified into 2 types: -
 - Quota share reinsurance- the proportions are same for all risks. Example- ICICI Lombard enters into a reinsurance contract with GIC re with retained proportion of 75%. This implies that ICICI Lombard pays 75% of claim amount and acquires 75% of the premium received and 25% of claim will be paid by GIC re by receiving 25% of the premium.
 - Surplus share reinsurance- the proportions can vary from one risk to another. 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. Example- ECGC Ltd. enters into a surplus share contract with ICI re and underwrites policies with coverage of Rs. 10,00,000 with retention of Rs. 3,00,000. The remaining Rs. 7,00,000 are ceded to ICI re.
- b. 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. It is further classified into 2 types: -
 - Individual excess loss- the reinsurer is needed to make a payment when the claim amount for any individual claim exceeds a specified excess point or retention. Example- when any claim for SBI exceeds Rs. 50,00,000, GIC re will agree to pay the excess with upper cap of 1cr (which means beyond 1cr even GIC re will not contribute).
 - Stop loss insurance- 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 up to a limit, L and claim amount exceeding L is paid by the reinsurer. Example- Aditya Birla is responsible for losses up to 75%, but the reinsurance company, Swiss Re is responsible for anything above that limit.
3. Ratios used in profit analysis of reinsurance: -

- a. Net loss ratio= net claims incurred/net earned premium
- b. Net commission ratio= commission/net written premium
- c. Net expense ratio= expenses/net written premium
- d. Combined ratio= net loss ratio + net commission ratio + net expense ratio

The earned premium is the money that a reinsurance company collects in advance from the insurance company either proportional or non-proportional as a guarantee. Combined ratio is inversely proportional to profitability of any insurance or reinsurance company.

4. A motor insurance excludes some risks or scenarios which are not covered under the insurance policy. Such as: -
 - a. Driving without a license
 - b. Driving without a license holder- if one has only a learner's license, they need to have someone with a permanent license.
 - c. Intoxicated/ Under influence of liquor or drugs
 - d. Vehicle being used for unlawful purposes
 - e. Add-ons not bought
 - f. Electrical/mechanical breakdowns
 - g. Damage to tires and tubes unless vehicle is damaged at the same time
 - h. Consequential damage- damage to the vehicle after accident has taken place.
 - i. Third party liabilities are excluded under own damage
 - j. Contributory negligence- if driver does something which is not supposed to be done.
 - k. Accident taking place beyond geographical limits
5. The history of general insurance dates back to 17th century. Triton Insurance company Ltd. established in 1850 in Calcutta by the British was the first general insurance company in India. Indian Mercantile Insurance ltd., set up in 1907 was the first company to transact all classes of general insurance business. 107 insurers were amalgamated and grouped into 4 companies- National Insurance Company Ltd., New India Assurance Company Ltd., Oriental Insurance Company Ltd and United India Insurance Company Ltd. General Insurance Council, a wing of Insurance Association of India, was formed 1957. The GIC framed a code of conduct for ensuring fair conduct and sound practices.
6. Net commission ratio= $5700/50000 = 11.4\%$
 Net loss ratio= $150000/7500 = 2000\%$
 Net expense ratio= $8500/50000 = 17\%$
7. Add-ons available on motor insurance policy: -
 - a. Zero depreciation cover
 - b. Engine protect cover
 - c. Key replacement cover
 - d. Return to invoice (RTI) cover
 - e. No claim bonus (NCB) cover
 - f. Personal accident cover for passengers
 - g. Loss of personal belongings cover
 - h. Daily allowance cover
 - i. Roadside assistance cover
 - j. Consumables cover
8. Documents required to claim health insurance: -
 - a. Health card
 - b. Medical certificate signed by the doctor
 - c. All bills and receipt (paid)
 - d. Duly filled claim form

- e. Discharge summary or card (original), availed from hospital
 - f. Prescription and cash memos from pharmacies/hospital
 - g. Investigation report
 - h. FIR or MLC (medical logo certificate) in case of an accident
9. Third party liability insurance cover-
- a. It is an insurance policy which protects you if you're sued for a physical injury or damage to someone else's property.
 - b. It ensures that damage to third party health and property caused by an accident for which driver/owner of the car responsible is covered.
 - c. It does not cover own damage.
 - d. It is referred to as "legal liability coverage," which is set up to cover things like legal fees, the amount of money you have to pay to settle a lawsuit, and other related expenses.
 - e. It also covers damage to property of third party caused by policyholder's car.
 - f. It is necessary to buy when you purchase any vehicle.
 - g. There are two types of automobile third-party liability coverage. First, 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. Second, property damage liability covers costs resulting from damages to or loss of property.
10. Types of health insurance policies-
- a. Individual health insurance
 - b. Family floater/health insurance
 - c. Critical illness insurance
 - d. Senior citizen health insurance
 - e. Hospital daily cash
 - f. Disease specific (cancer, corona)
 - g. Personal accident insurance