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Assignment 1. (Non-Life Ins.)

Yashvi Shah.
Roll no. - 69 (B)

1. a) True

2. Reinsurance is a form of insurance purchased by insurance companies in order to mitigate risk. With reinsurance, the company passes on some part of its own insurance liabilities to the other insurance company. There are majorly two types of reinsurance :

i) Proportional : The direct writer i.e. the original insurance company and the reinsurer share the cost of all the claims. It is of 2 types-

a) Quota share reinsurance : Reinsurer and writer share all premiums and losses according to a fixed percentage.

eg. Bajaj Allianz enters into a reinsurance contract with Munich Re with retained proportion of 80%. Meaning, Bajaj Allianz pays 80% of the claim and gets to keep 80% of the premiums received & Munich Re has to pay 20% of the claim and gets to keep 20% of the premium recd.

b) Surplus share reinsurance : It is a treaty in which the ceding insurer retains a fixed amt. of policy liability and the reinsurer takes responsibility for what remains. Surplus share treaties are considered pro-rata treaties, used mostly with property insurance.

eg. HDFC Ergo forms a surplus share reinsurance contract with Swiss Re and underwrites policies with a coverage of ₹50,000 with retention of ₹20,00,000. The remaining 30,00,000 and ceded to reinsurer.

ii) Non-Proportional : Under this arrangement, the direct writer pays a fixed premium to the reinsurer. The reinsurer will only be required to make payment-s where part of the claim amount falls in a particular insurance layer.

cont.

~~Eg~~

→ a) Individual excess loss: reinsurer makes a payment when the claim amount for an individual claim exceeds a specified excess point or retention.

Eg. Apollo enters into a reinsurance treaty with Swiss retention reinsurance layer is fixed at 50lac to 1 crore.

b) Stop Loss Reinsurance: The reinsurer is liable for the insured's losses incurred over a certain period that exceed a specified amt. or % of some business measure, such as earned premiums written, up to the policy limit. In this, the insurance company agrees to carry the full burden of loss up to a limit and the claim amt. exceeding the limit is paid by the reinsurer.

Eg. Acko enters into a reinsurance contract with Munich Re and the contract indicates that the insurance company, Acko is responsible for losses up to ₹500,000, but that Reinsurance company is responsible for anything above that limit.

3. Ratios used in profit analysis:

- Underwriting profit: It consists of earned premium remaining after losses have been paid and administrative expenses have been deducted.
- Underwriting profit formula: GWP − GIC − Expenses − Commission

- Loss Ratio = $\frac{GIC}{GWP}$

- Combined Ratio = Is a measure of probablity used by an insurance company to gauge how well it is performing in its daily operations.

formula: $\frac{GIC + expenses + commission}{GWP}$

· GWP is earned throughout the period.

· Expense ratio = $\frac{Expenses}{GWP}$

· Commission ratio = $\frac{Commission}{GWP}$

4. Exclusions under the motor insurance policy:
A car insurance excusion 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 licensce
· Under influence of drugs/liquor (intoxicating)
· Accident taking place beyond geographical limits.
· while vehicle is being used for unlawful purposes
· Electrical / Mechanical Breakdowns
· Damage to types and tubes unless the vehicle is damag-ed at the same time.
· Consequential loss, depriciation, wear and tear.

5. History of general insurance in India:
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, was set up. This was the first company to transact all the classes of general insurance business.

in 1907, the Indian Mercantile Insurance Ltd, was set up. 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 conduct for ensuring fair conduct and sound business practices.

In 1968, the Insurance Act was amended to regulate investments and set minimum insolvency. The Tariff Advisory Committee was also set up then.

In 1972 with the passing of GI Business (Nationalisation) Act, was nationalized with effect from 1st January, 1973. 107 Insurers were amalgamated and grouped into four companies - i) National Insurance Company Ltd.

ii) The New Insurance Assurance Comp. 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 commenced its business on 1st Jan 1973.

6. Combined Ratio = ?

Expenses = \$8500

Commission = \$5700

net claims Incurred amt. = \$150000

net written premium = \$50000

net premium earned = \$75000

$$\text{Combined Ratio} = \frac{\text{GIC} + \text{expenses} + \text{commission}}{\text{GWP}}$$

$$\frac{150000}{75000} + \frac{8500}{50000} + \frac{5700}{50000}$$

$$= 2.284$$

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7. Motor Insurance add ons:
These add ons enhance the coverage of the base policy. These riders should be purchased from the Same Insurance provider by paying an additional amt. Some of them are:
i) Zero depreciation cover
ii) Engine protection cover
iii) Return to invoice cover (RTI)
iv) Loss of personal belongings cover
v) No claim Bonus (NCB) protect cover
vi) Personal accident cover for the passengers - by opting for this rider.
vii) Key replacement cover.
viii) Roadside Assistance cover
ix) Consumables cover
x) Daily Allowance cover

8. Documents required to claim Health Insurance:
i) Health card
ii) Duly filled claim form
iii) Medical certificate / Form which is signed by treating doctor
iv) Discharge summary or card (original), availed from the hospital
v) All bills and receipts (original)
vi) Prescription and cash memos from pharmacies / hospital
vii) Investigation report
viii) If it is an accident case, the FIR or Medico Legal Certificate (MLC) is required.

9. Third Party Liability Insurance Cover:

→ In India, third party liability Insurance is mandatory for a vehicle to be safe and secured. One has to buy third party liability cover for the mandated purpose under the motor vehicle act, 1988. The cover protects your against the loss and damage that occured to the 3^{rd} party vehicle or property that causes someone's death or injury due to your vehicle. It would be easier to deal with this situation when we already have a third party insurance cover; and if not then we would have to incur the loss expense from our own pocket.

It does not cover loss and damage to your own vehicle which is responsible for the damage of the third party's vehicle. For insurance of our car, an own Damage Insurance is supposed to be bought by us. It doesn't process claim for stolen or vandalized vehicle.

10. 7 types of Health Insurance Products:

1 ~~a~~) Based on Payout:

a) Indemnity based products → Reimurses the covered person for incurred medical expenses.

Eg → Retail Health Insurance
→ Group Health Insurance Products

b) Based on Fixed Benefit → Lumpsum is paid under the policy on occurence of covered perils.

Eg → Personal Accident
→ Critical Illness
→ Hospital cash

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2) Classification → based on segment
a) Retail
b) Group
c) Employer - Employee
d) Other groups