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Non-Life Insurance
Assignment-1

Q1) a) True

~~Q2)~~

Q2) Reinsurance is an insurance which is purchased by an insurance company in order to minimize the risk they bear

reinsurance is mainly divided into two general catogaries being Propotional and Non-Propotional reinsurance

→ Propotional reinsurance refers to the arrangement wherein the direct writer (i.e. the original insurance company) and reinsurer share the cost of all claims for each risk.
For eg: a building insured against fire, the direct writer might retain 75% of the premium and will be liable to pay 75% of all claim, large or small.

• Propotional reinsurance is divided into two types.
◦ Quota Share - where premiums and claims are split in fixed percentage.

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- Surplus share - wherein the reinsurance reinsurer takes liability of the amount that exceeds a certain limit until which the insurer is liable

→ Non-propotional reinsurance - in this agreement the direct writer pays a fixed premium to the reinsurer. The reinsurer will only be required to make payments where part of claim amount falls in a particular reinsurance layer (eg between £1m and £5m)
Two types of Non-Propotional reinsurance are
- Individual excess loss (XOL) wherein the reinsurer will be required to make a payment when the claim amount for any individual claims exceeds a specified excess point or retention
For eg: the reinsurer might agree to pay the excess when any claim from a motor policy exceeds £50,000, but within upper limit of £2 million.

- Stop loss reinsurance - where the reinsurer is required to make payments for claims incurred by the

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insurance company over a period of time that exceeds a certain amount or percentage of business measure.

Q3) The profitability of an insurance company is measured by combined ratio

Combined ratio = Loss ratio + Expense ratio + Net commission ratio.

If the combined ratio has a value greater than 100% the company paying out more than it is taking and vice-versa where the ratio is <100%.

$$\text{Loss ratio} = \frac{\text{Loss incurred}}{\text{earned premium}}$$

$$\text{Expense ratio} = \frac{\text{operating expense}}{\text{NWP}}$$

$$\text{Net commission ratio} = \frac{\text{Acquisition cost} - \text{RI commission}}{\text{NWP}}$$

Q4. General Exclusions under a motor insurance policy would be

→ not having a valid drivers licence
→ accident beyond geographical limits
→ electrical / mechanical breakdowns
→ driving under the influence of intoxicating liquor and drugs.
→ consequential depreciation, loss, wear and tear
→ damage to tyre / tubes of the vehicle is damaged at the same time (eg: punctures)

Q5) The history of general insurance in India is

- The first general insurance company was Triton Insurance company Ltd. established in calcutta in 1850.

- Indian mercentile company Ltd. started in Bombay in 1906-07 107 insurers were amalgated and grouped into four companies namely

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> New Indian Insurance company Ltd
> oriental insurance company Ltd
> united India insurance company LTD.

Q6) Net claims = $ 150,000
NWP = $ 50,000
expenses = $ 8,500
Net earned premium = $ 75,000

combined ratio = loss ratio + expense ratio + net commission ratio

$$= \frac{150,000}{75000} + \frac{8500}{50,000} + \frac{5700}{50,000}$$

$$= 2.284 = \boxed{228.4\%}$$

Q7) Add-ons available in a motor insurance policy are as follows

- key replacement cover
- Daily allowance cover
- consumables cover
- Roadside Assistance cover
- personal accident cover for the passanger
- Return to Invoice (RTI) cover
- No claim bonus (NCB) cover
- Engine protect cover

→ loss of personal belonging cover
→ zero depreciation cover.

Q8) The documents required to claim a health insurance are

→ all bills and receipt.
→ Discharge card / summary (original) from the hospital
→ prescription ~~of cash~~ and cash memos from pharmacies and hospitals
→ ~~Heat~~ Health card
→ medical certificate / form signed by doctor
→ Duly filled claim form
→ In case of accident,
  • investigation report
  • FIR or MLC.

Q9) Third party liability insurance cover is mandatory all all four wheelers.
It protects us against loss and damage that occurd to a third party vehicle or property it could also causes someones death or inflict an injury. due to our vehicle

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But it does not cover the damage to one's own vehicle. It also doesnt claim for stolen or vandalized vehicles

Q10) 7 types of Health insurance products are.

→ mediclaim
→ Individual health insurance
→ senior citizen health insurance
→ family health insurance
→ Top-up health insurance
→ Hospital daily cash
→ critical illness insurance