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Non Life Insurance Assignment

1. a.) True
2. Reinsurance is insurance for insurance companies. A contract of indemnity, where an insurer transfers a part of risk on a particular insurance by insuring it another insurer or insurers.

→ Types: Proportional & Non Proportional Insurance

a.) Quota Share Reinsurance: In this proportional insurance, both insurer and reinsurer share the premium and claim in fixed proportion, whatever the claim size

⇒ Eg: If Company A & B decide to share premium and claim in 40:60 ratio, ~~for a prem~~ then.

Premium : 100 → ₹40 with A, ₹60 with B

Claim: ₹1 Crore → ₹40L by A, ₹60L by B

b.) Surplus Share: In this proportional insurance, insurer decides to handle/pay all claims upto a certain limit. Any claim above that limit, shall be then divided in a proportion

Eg: Max Insurance Value : ₹25000 for Comp A.

i.) When IDV = ₹25000, all premiums are recieved by A, and any loss/claim to be borne by A only

ii.) When IDV = ₹1,00,000 : Comp A assures ₹25K only Remaining whole 75K with Comp B. Now both A & B share premium and claim in 25:75 → 1:3 ratio So, if premium is ₹1000, A will keep ₹250 and remaining ₹750 with B.

Claim = ₹10,000, A pays ₹2500 & B pays ₹7500

Non-
B. Proportional Insurance
i) Individual Excess Loss: In this, if claim amount for an individual claim exceeds a specific limit, then remaining is paid by reinsurer.
This works more on individual policy only.
Eg: Out of 30 claims, just one claim exceeded ₹5 crore limit. If claim was of ₹7 cr, ₹5 cr will be paid by A and remaining ₹2 cr by B.

ii) Stop Loss: When, with ~~coming~~ happening of claim, the loss ratio of company exceeds a decided specific limit the remaining amount then will be paid by reinsurance comp.
Eg: If for ₹3 cr claim, loss ratio exceeds 80% when claim paid is more than ₹2 cr, the remaining ₹1 cr is paid by B, and ₹2 cr by A, at fixed premium.

Q3 Various Ratios used are:
i) Expense Ratio: Total Expenses / Gross Written Premium
ii) Commission Ratio: $\dfrac{\text{Total Commission Received} - \text{Commission Ceded to Reinsurance}}{\text{Net } \cancel{\text{Gross}} \text{ Written Premium}}$
iii) Loss/Claim Ratio = $\dfrac{\text{Claims Given (Loss occurred)} - \text{Claim paid by reinsurer}}{\text{Net } \cancel{\text{Gross}} \text{ Written Premium}}$

iv) Combined Ratio = $\dfrac{\text{Expense Ratio} + \text{Loss Ratio} + \text{Commission Ratio}}{\text{Gross Written Premium}}$

v) IBNR: Reserve Account used in industry as a provision for claims/events transpired but not yet reported to insurance company.

vi) Incurred Loss Ratio: Percentage of losses incurred to premium earned.

Q4 Exclusion from Motor Policy:

i. Not having valid Driving License
ii. Under influence of intoxicating liquor / drugs.
iii. Accident taking place beyond Geographical limits
iv. Vehicle was in use for unlawful purposes
v. Electrical / Mechanical Breakdown
vi. Damage to tyre tubes unless vehicle is damaged at same
vii. Consequential loss, wear & tear, depreciation.

Q5 History of GI:

General Insurance Corporation was formed in the persuance of Section 9(1) of GIBNA. It was incorporated on 22 November, 1972, under Companies Act, 1956 as a private company limited by shares.
GIC was formed with the purpose of superintending controlling and carrying the business of general insurance.

Q6: Expense Ratio: $\dfrac{\text{Total Expense}}{\text{Net Written Prem}} = \dfrac{85\cancel{00}}{500\cancel{00}} = 0.170$

Commission Ratio: $\dfrac{\text{Net Comm}}{\text{NWP}} = \dfrac{57\cancel{00}}{500\cancel{00}} = 0.114$

Net Claim Incurred Ratio: $\dfrac{\text{Net Claim}}{\text{Net Earned Prem}} = \dfrac{150\cancel{000}}{75\cancel{000}} = 2$

→ Combined Ratio: ER + CR + NCI
$= 0.17 + 0.114 + 2 = \boxed{2.284} \rightarrow$ CR

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Q.7 Add ons in Motor Policy:

i.) Zero Depreciation Cover: Nil Depreciation / Bumper to Bumper Policy. ~~If the~~ At the time of claim, if there is this add on, then the insurer would bear the expenses for depreciation of vehicle parts.

ii) Engine Protect Cover: Offers protection to engine, which is generally not covered.

iii.) Return To Invoice Cover: At time of total loss (theft) actual invoice of vehicle, without depreciation charges are given.

iv.) Loss of personal belongings Cover:

v.) No Claim Bonus: Discount in premium for not ~~of~~ claiming in one year.

vi.) NCB protect cover: With this, the NCB can be preserved even ~~with~~ after raising a claim

vii) Key Replacement Cover: Reimburses Cost of Replacement of keys.

viii) Roadside Assistance Cover:

ix.) Consumable Cover

x) Daily Allowance Cover

Q.8. Documents for Health Ins. Claim:

- Health Card
- Duly filled Claim form
- Medical Certificate signed by doctor treating
- Discharge Summary / Bill from Hospital
- All Original Bill & Receipts
- Investigation report
- Prescription & Cash Memo from pharmacies / hospital
- If Accident Case, then FIR or Medico Legal Certificate (MLC) is required

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Q.9 Third Party Insurance is a mandatory insurance cover for your vehicle to be safe & secured, under Motor Vehicle Act.
- Cover protects you against loss & damage to third party, injury or death, damage, due to your vehicle
- If we have the cover, we need not incur any expenses.
- But TP, does not protect ~~th~~ your own vehicle against damage which is responsible for TP vehicles.
- It does not claim for stolen or vandalized vehicle.
- Personal Damage is covered under TP. as an add-on.
- Referred to legal liability Cover

Type 1: Bodily Injury Liability → Covers cost resulting from injuries to a person like hospital cost, pain, wages.
2: Property Damage: Covers Cost resulting from damage ~~to~~ or loss to property eg mailbox, wall.

Q.10 7 types of Health Insurance Products

i) Individual Health Insurance: Health plan for an individual.
ii) Family Health Insurance: Secures entire family under single cover
iii) Critical Illness Insurance: Plans offers lump sum for life threatening disease.
iv) Senior Citizen Health Insurance: Covers people with 65 yrs & above ie. Cost of Hospital, medicines due to health / accident
v.) Top Up Health Insurance: ~~If~~ One can take this policy if one seeks higher coverage.
vi) Group Health Insurance: Bought by employer for it's employees
vii) Personal Accident Insurance: Provides lump sum amount to victim's family as support.
Also for damage of loss to owner / driver.