Topic :

Non Life Insurance - PPP
Assignment - 1

1. True

2. Reinsurance is "insurance for insurance companies" which it bought to mitigate the risk on ~~other~~ insurance companies. ~~and~~ The insurance company passes on some amount of it own insurance liabilities to the other insurance company. There are several types of reinsurance. It is first classified under 2 categories Proportional and Non-Proportional

I Proportion Reinsurance → The direct writer (i.e the original insurance company) and the reinsurer share the cost of all claims for each risk.
Proportional is further divided in 2 types i.e:-

(i) Quota Share Reinsurance - In this the reinsurer pays a fixed proportion of the claim.
e.g. If "A" company decides to pay ~~₹20,000~~ for 15% of the loss and the original insurance company 'B' decided 85% then the claim & the premium will be distributed in the same ratio i.e. 85% ~~&~~ and 15%.

(ii) Surplus Loss Reinsurance - In this the ceding insurer retains a fixed amount of policy liability and the reinsurer takes responsibility for what remains. It is most commonly used with property insurance.
e.g. 'A' & 'B' comes under an insurance contract which states that 'A' will pay only ₹2,00,000 and rest amount should be paid by the company 'B' i.e. reinsurer.

II Non Proportional Reinsurance → The direct writer pays a fixed premium to the reinsurer. The reinsurer will only be required to make payments when part of the claim falls in a particular reinsurance layer. 2 types:-

(i) Individual excess loss - Reinsurer makes a payment when the claim amount for an individual claim exceeds a specified excess point of retention.
e.g Company 'A' & 'B' sign an insurance contract in which reinsurance

layer is fixed 10,00,000 to 25,00000 then

(ii) Stop loss reinsurance — This ~~part~~ protects the insurer from suffering loss that exceed a certain limit over the course of year. The amount covered by the direct insurance company is called "deductible". The direct writer agrees to carry the full burden of the loss upto a limit. e.g. Company 'A' & 'B' enter a reinsurance contract which states that company 'A' will pay upto ₹2,00,000 and company 'B' is liable to pay the amount exceeding.

3. There are various ratios used in profit analysis of reinsurance. They are as follows:—

(i) Combined Ratio → It indicates ~~part~~ profitability of an insurance company from its business. It does not include the impact of investment income impact.

Combined Ratio = Loss Ratio + net commission ratio + expense ratio.

(ii) ~~Net~~ Loss Ratio → $\frac{\text{Incurred losses}}{\text{earned income}}$.

(iii) Net commission Ratio → It indicates the cost of obtaining the insurance business and includes broker/agent commission and several expenses etc.

Net commission ratio = $\frac{\text{Acquisition cost} - \text{RI commission}}{\text{Net written premiums}}$.

(iv) Expense Ratio = $\frac{\text{Operating expenses}}{\text{Net written premiums}}$.

4. The general exclusion under a motor insurance policy are:-

(i) Under Influence of intoxicating liquor / drugs.

(ii) Accident taking place beyond Geographical limits.

(iii) Not having a valid driving license.

(iv) Vehicle used while driving was for unlawful purpose.

(v) Damage to tyres and tubes unless the vehicle is damaged at the same time.

(vi) Consequential loss, depreciation, wear and tear.

5. The first insurance company in India was "Triton Insurance Company Ltd" which was fostered in Calcutta (now Kolkata) in 1850 AD. ~~It is~~ After several years in 1907 'Indian Mercantile Insurance Company Ltd' was set-up in Bombay. There were the ~~among~~ most popular general insurance companies among all. Then 107 insurance companies were ~~amalg~~ amalgamated and grouped into 4-companies i.e National Insurance Company Ltd, the New India Assurance Company Ltd, the Oriental Insurance Company Ltd and the United India Insurance Company Ltd, In 1971 the General Insurance ~~Company~~ Corporation of India (GIC) was incorporated and commenced it's business on January 1st 1973.

6. expense cost - \$8500

Net written premium - \$50000

Net Premium earned - \$75000

Commission - \$5700

net claims incurred - \$150000

Net loss Ratio $\Rightarrow$ 150000 : 75000 $\Rightarrow \boxed{2:1}$

Expense ratio $\Rightarrow$ 8500 : 50,000 $\Rightarrow \boxed{17:100}$

Commission Ratio $\Rightarrow$ 5700 : 50000 $\Rightarrow \boxed{57:500}$

Net combined ratio $\Rightarrow \frac{2}{1} + \frac{17}{100} + \frac{57}{500} \Rightarrow \boxed{\frac{571}{250}} \Rightarrow \boxed{571:250}$

7. The various add-ons available on a motor insurance policy are:-

(i) Zero Depreciation cover — It offers significant savings at the time of claim. It is also known as "nil depreciation cover" or "bumper to bumper policy". The amount is paid with respect to the depreciation of the vehicle but if the company agrees then it will only the entire cost including depreciation.

(ii) Engine protect cover — A comprehensive insurance company does not cover the vehicle from mechanical or electrical damages to the engine. However ~~p~~ purchasing such an add on is offered so that your engine can be protected.

(iii) Return to Invoice cover — It protects your vehicle from total loss expenses. If there is a car theft it ~~pr~~ provides you the actual invoice value of the vehicle without considering depreciation.

(iv) No Claim Bonus protect cover — It is a significant bonus amount provided ~~to~~ the owner of the vehicle ~~to~~ for not claiming in a policy year. This amount can also be preserved.

(v) Key Replacement cover — The insurance company reimburses the cost of replacement of the vehicle key if ~~to~~ it is lost or misplaced

(vi) Personal accident cover — A normal policy can be made efficient and more beneficial by protecting ~~of~~ the passengers by opting for this addon.

8. The documents required ~~for~~ to claim health insurance are:-

(i) Health card

(ii) Duly filled claim form

(iii) Medical certificate / form which is signed by treating doctor

(iv) Discharge summary or card

(v) All bills and receipts (original)

(vi) ~~Presp~~ Prescription and cash memos for medication.

(vii) Investigation report

(viii) In case of accident, FIR or Medico Legal Certificate

9. Third Party Liability Insurance Cover — It is mandatory to purchase a Third Party Cover for the vehicle we are to be safe and secured. It is stated compulsory in the law of motor vehicle act 1988. It protects you against the loss and damages that occurred to the third party i.e the person injured because of you, that causes death or injury. It does not cover losses and damages to your own car which is responsible for damage of someone else's car.

10. 7 types of health insurance products are:—

(i) Individual Health Insurance
(ii) Family Health Insurance
(iii) Critical Illness Insurance
(iv) Senior Citizen Health Insurance
(v) Mediclaim
(vi) Hospital Daily Cash
(vii) Group health insurance