

PGDM (IBM), 2019-21

Reinsurance

INS-405

Trimester-IV, End-Term Examination: September 2020

Time allowed: 2 Hrs 30 Mins
Max Marks: 50

Roll No:-----

Instruction: Students are required to write Roll No on every page of the question paper, Writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of the Admit Card should be followed meticulously.

Please attempt all 3 questions **Section A**

30 Marks

A-1 (a) Reinsurers provide to the insurer the benefit of expertise on technical underwriting matters, actuarial rating, reserving, and claims handling. Is this what Reinsurance is all about ?

10

OR

A-1 (b) Reinsurance was indirectly referred to in legal texts, in 1681 in the ordinances of Louis XIV and directly in 1746. We understand that the history of Reinsurance can be talked about. What is the significance of history of Reinsurance ?

CILO 2

10

A-2 (a) The reinsurance cycle begins when I purchase an Insurance policy. Please discuss with specific examples.

10

OR

A-2 (b) The reinsurance contract could be of different "flavours" ! Please analyse the scope and limitations of the various "flavours" of Reinsurance.

CILO 1

10

A-3 (a) The procedures for accounting and settlement may vary based upon the concept of the accounting year. How do the various treaties stand on this ? Case studies or examples should be used to elucidate the concept.

10

OR

A-3 (b) An effective reinsurance program should primarily achieve specific objectives. How far is the statement correct? Cite examples to illustrate your case.

CILO 3,4

10

PTO

Section B

Compulsory Questions. Each question carries 10 marks. CILO 2,3,4 2*10 =20

B-1 Please calculate the recovery and reinstatement of premium

Assumptions: Cover 500,000 XS 500,000 EEL & Premium 50,000 2 full Reinst. 1 st @ 25% & 2 nd @ 50% AP Pro rata as to amount only.				
Formula: $\frac{\text{Claim Amount}}{\text{Cover}} \times \text{Premium} \times 50\%$ 1st $\times 100\%$ 2nd			MDP 50,000	
	FGU Loss	Recovery	Cover Reinstated	Additional Reinst. Premium
1 st Loss	1,000,000			
2 nd Loss	1,000,000			
3 rd Loss	800,000			
4 th Loss	1,000,000			
Total	1,700,000			

10

B-2	Sum Insured	Retention	1st Surplus 5 Lines	2nd Surplus 10 Lines	3rd Surplus 10 Lines
	Rs. 5,00,000	Rs.5,00,000	??	??	??
	Rs. 75,00,000	Rs.5,00,000	??	??	??
	Rs.127,00,000	Rs.5,00,000	??	??	??

The retention of the ceding insurer is a limit for his maximum retention.
Please compute the ?? for the Surplus lines.

10
