

PGDM (Insurance Business Management), 2020-22
Reinsurance
INS-405
Trimester – IV, End-Term Examination: September 2021

Time allowed: 2 Hrs 30 Min
Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the Answer Sheet. All other instructions on the question paper / notifications should be followed meticulously.

Section A

Answer all the questions

Total Marks = 30

CILO 1

1 a. What are the factors that you would examine before deciding upon a Reinsurance Programme Design? 5

OR

1 b. Reinsurance is a relationship between a cedent and a ceded. How does it help an Insurance Company? Please elaborate with examples. 5

CILO 2

2 a. How does the Reinsurance process work? Please explain the process for a new Insurer which wants to specialize in the Commercial Lines of Business, with examples. 5

OR

2 b. What are the various types of payments which the Reinsurer receives? After identification, please narrate their features. 5

CILO 3

3 a. The basis of accounting years has always been a challenge with the reinsured. Please discuss the various treaties in this context. 5

OR

3 b. Indian Insurance Companies Association initiated the formation of Reinsurance Pools in 1966. Why? 5

CILO 3,4

4 a. There are various methods of Reinsurance. How does one distinguish between the methods? 5

OR

4 b. Each and every Insurer has separate parameters for determining its Retention. Discuss the parameters for retention. 5

PTO.....2

5 a. "The best form of Reinsurance is a Quota Share method". Please argue with relevant examples.

OR

5 b. The credit ratings have an important role to play in the selection of a reinsurer. Discuss.
10

Section B

All questions are compulsory

Total Marks 10*2=20

B 1

CILO 1,2,3,4

Please solve the numerical and compute the Commission on Sliding Scale Basis:

- The Reinsurance Treaty arrangement: Fire Surplus Treaty
- Earned Premium – Rs. 1,80,000
- Incurred Claims - Rs. 90,000
- Provisional Commission: 35%
- Commission: Min. 25% Max 45%
- Terms:
 - Claim ratio is < 40%, Commission max 45%
 - Claim ratio between 40-50, commission 40%
 - Claim ratio between 51-60, commission 30%
 - Claim ratio > 60, commission 25%

10

B 2

Given the relevant details for a Reinsurer, please compute the Profit Commission for the year 2015.

Details	Year	Amount (Rs.)
Premium	2015	Rs 2,500,000
P/F Premium entry	2015	Rs. 700,000
P/F Premium Withdrawal		Rs. 1,200,000
P/F Loss Entry	2015	Rs. 800,000
P/F Loss Withdrawal		Rs. 600,000
Commission	2015	@ 20%
Claims Paid	2015	Rs. 900,000
Management Expenses		@ 4% on Premium
Loss of Previous Year	2014	Rs. 500,000
Profit Commission @ 20%	2015	losses till extinction

10
