

PGDM (IBM) 2017-19

Reinsurance

INS-407

Trimester -IV, End-Term Examination, September- 2018

Time allowed: 2 Hrs 30 min

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.

Section-A

There are 5 questions in this section. Attempt any 3 questions. Each question carries 5 marks.

- A1. What are the objectives of a reinsurance programme ? Please explain with suitable examples.
- A2. a) A new Insurance company is looking for the reinsurance arrangements to protect its portfolio. What kind of reinsurance market or reinsurers they should look for and why? (3)  
 b) Identify 2 reasons why a reinsured might not place its entire reinsurance programme with one reinsurer. (2)
- A3. A programme design can be successful if its evaluation and follow up exists in full measure. Please elaborate.
- A4. Please explain and compute the Retention and the Quota share in the illustration given below for a 90% Quota share.

	Total	Reinsured	Reinsurer
Sum Insured A	\$ 100,000	.....	.....
B	\$ 200,000	.....	.....
Premium A	\$ 1,000	.....	.....
B	\$ 2,000	.....	.....
Claims A	\$ 20,000	.....	.....
B	\$ 30,000	.....	.....

- A5. What is a Bordereaux ? What information is available here ?



**Section-B**

**Answer 2 out of the 3 Questions below. Each Question carries 10 marks .**

B1. What is the principle objective of F.A.I.R. pool ?

B.2 M/S ABC Company Ltd is interested to know the reinsurance arrangements undertaken by your insurance company as a part of their risk management. Please explain the following:

- a) the proportional method of reinsurance; (3)
- b) the non-proportional method of reinsurance; and (3)
- c) advantages and disadvantages of using a proportional method compared to a non-proportional method. (4)

B3. Please fill in the gaps in the following illustration.

Company XYZ has arranged an Excess of Loss Ratio Treaty with reinsurers whereby it will bear losses up to an amount not exceeding 70% of the gross premium of the class. The reinsurers have agreed to bear any balance so that the ceding company's gross loss ratio is maintained at 70%, but not exceeding say 90% of the balance. Ceding company's premium income is \$10,000,000 and the total loss over the year is \$8,000,000.

The implication of loss distribution will be as follows :

Ceding Co. bears	= \$.....
Reinsurer pays	= \$.....
(which is the balance of loss)	
Ceding Co. again bears balance	= \$.....
	\$.....
Therefore,	
Ceding Co. bears:	\$.....
Reinsurers pay :	\$.....
	\$.....



Section-C

Case Study

Marks: 15

Compulsory question

Please compute the profit commission in the following case.

Alabama Insurance Company Ltd  
First Surplus Fire Treaty

Profit Commission Statement for the period 01-01-12 to 31-12-12

Premium		25,00,000
Portfolio Entry as at 01-01-12	Premium	7,50,000
	Loss	4,50,000
	Total	37,00,000

Outgo

Commission @ 30%		????
Claims Paid		7,00,000
Taxes and Charges		9,000
Management Expenses @ 3%		????
Portfolio Withdrawal as at 31-12.12	Premium	8,60,000
	Loss	6,00,000
	Total	?????
Profit for the year '12		?????
Loss for the year '11		60,000
Profit for the year '10		5,00,000
	Total	????
Average Profit		????
Profit Commission @ 20%		????

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