

October, 2011

**FELLOWSHIP EXAMINATION
REINSURANCE**

FG-85

Reg. No.

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[Time : 3 Hours]

[Total Marks : 100]

Answer any **FIVE** questions only.
All questions carry 20 marks each.

- Q.1 Elaborate :- 5 Marks each
- a) Reinstatement
 - b) Umbrella cover
 - c) Stop loss reinsurance
 - d) Cash Call facility
- Q.2 Distinguish between :- 5 marks each
- a) Pure Burning cost and Loaded Burning Cost.
 - b) Written premium and Earned premium
 - c) Minimum and Deposit Premium
 - d) Losses occurring and Risk attaching basis
- Q.3 a) Explain the need for an Arbitration clause in Reinsurance contract. Briefly outline the procedures. 10 Marks
- b) German Commercial Law states that “Reinsurance is the insurance of the risk assumed by the insurer” - Discuss the role of Reinsurance in modern global economy faced with complex nature of risk demanding special types of covers. 10 Marks
- Q.4 a) What is proportional reinsurance ? Explain with examples. 10 Marks
- b) “Risk attaching” as opposed to “Loss occurring during” can change the complexion of a reinsurance cover. Explain 10 Marks

Q.5 Reinsurance negotiations can be long and hard. What are its key considerations ? 20 Marks

Q.6 "Fixing of retention for different risks forms an important part of reinsurance"
- Elucidate enumerating various factors influencing Retention. 20 Marks

Q.7 Discuss the role of significance of statistics in global Reinsurance negotiations ? 20 Marks

Q.8 Calculate the project commission, on sliding scale, payable on i) annual basis
ii) 3 years average basis on following treaty results for 2010 - 20 Marks

- Premium Rs. 10,00,000/-
- Portfolio Entry
 - Premium Rs. 2,50,000/-
 - Loss Rs. 1,00,000/-
- Commission 40%
- Claims paid Rs. 3,50,000/-
- Portfolio withdrawal
 - Premium Rs. 3,00,000/-
 - Loss Rs. 2,00,000/-

Information : Management expenses, for profit commission calculation is 3%

Profit commission 25% on profit upto 10% of premium and 50% on balance profit

Profit for 2008 Rs. 4,80,000/-

Loss for 2009 Rs. 1,00,000/-

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