

MAY, 2011

FG-85

FELLOWSHIP EXAMINATION
REINSURANCE

Time: 3 Hours]

[Total Marks : 100

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

	Marks
1. Distinguish between : a) Treaty and facultative methods of Reinsurance b) Claims control and claims co-operation c) Hard and Soft markets d) Written and Earned premium.	5 each
2. Discuss : a) Cut through clause b) Clean cut method of RI accounting c) Line d) Securitisation	5 each
3. a) The reinsurance scenario in India Post Liberalization has seen a special role of the National Reinsurer – GIC Re. Comment. b) Differentiate between “Accounting Year Basis” and “Underwriting Year Basis” in Reinsurance Accounting.	10 each
4. a) Discuss the crucial role of reinsurance in addressing the limitations to the law of large numbers, preserving the income from investment and insulating shareholders’ funds from unpredictable loss scenarios. b) Explain the need for reinstatement provisions under excess of Loss Treaties.	10 each
5. What are the objectives and considerations while designing a reinsurance programme.	20
6. Prepare 1 st Quarter, 2010 Reinsurance Account for First Surplus Fire Treaty from the following data :-	20
Premium	₹ 50,000
Portfolio Entry	-

		₹
Premium	—	60,000
Loss	—	30,000
Commission	—	40%
Taxes & Charges	—	1,500
Common a/c XL Premium	—	1%
Claims Paid	—	30,000
Common a/c XL recovery	—	10,000
Premium Reserve retained	—	40%
Premium Reserve released	—	15,000
Interest on Premium Reserve	—	300
Tax deducted on interest	—	30
Credit for cash loss paid	—	5,000
Reinsurance Share	—	1%

7. Discuss Reinsurance after liberalization of Insurance industry in India. 20
8. How premium rating for Excess Loss programme on exposure basis is determined? Explain with Pareto Loss Distribution analysis. 20

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