

- Reinsurance Risk
- Investment risk
- Operational risk
- New business strain risk {20}

Question 4

Define each of the following terms and explain their significance in analyzing insurers' financial strength

- Financial Base ratio
- Claims cash cover ratio
- Times cover ratio
- Combined ratio and expense ratio
- Solvency margin {20}

Question 5

When insurers present their financial statements, they normally include a provision for IBNR reserve. Identify four methods that are normally used in deriving IBNR and how each of the four methods work. You need to support your answer by giving hypothetical examples {20}

Question 6

What is the significance of qualitative measures in the analysis of insurers' financial capacity and their ability to meet their obligation when called upon to do so? You are expected to support your solution with practical examples {20}

Annexure- Income statement

OPERATING REPORT FOR THE PERIOD ENDED – 31 MAY 2009

ALL BRANCHES

UNAUDITED

	ACTUAL	BUDGET	VARIANCE
	\$	\$	
Gross Premiums Written	2,760,420	4,591,979	1,831,559
Reinsurance Premiums	1,387,280	2,749,212	1,361,932
Net Premiums Written	1,373,140	1,842,767	469,627
Increase/(Decrease) in UPR	365,274	276,415	(88,859)
Premiums Earned	1,007,866	1,566,352	558,486
Other Underwriting Income	-	-	-
Total Net Premiums Earned	1,007,866	1,566,352	558,486
Gross Claims Paid	256,626	781,452	524,826

Claims Recovered	222,546	380,243	157,697
Net Claims Paid	34,080	401,209	367,129
Increase/(Decrease) in Outs. Claims	131,992	296,010	164,018
IBNR Provision	68,640	92,138	23,498
Net Claims Incurred	234,712	789,357	554,645
Commissions Paid	526,109	561,602	35,493
Commissions Received	418,227	760,465	342,238
Net Commissions Paid	107,882	(198,864)	(306,746)
<u>OPERATING EXPENSES</u>			
Personnel	236,555	180,970	(55,585)
Travel and Representation	64,315	102,730	38,415
Premises	22,232	41,623	19,391
Communication	29,588	5,350	(24,238)
Office Supplies and Expenses	15,648	17,250	1,602
Service Fees	60,429	67,215	6,786
Depreciation/Amortisation	7,098	38,500	31,402
Insurances	10,890	10,500	(390)
ZWD Write Off	(67,641)		
Other Expenses		-	-
Operating Expenses	379,114	464,138	17,383
Total Expenses	486,996	265,274	(289,363)
Underwriting Profit/(Loss)	286,158	511,720	293,203

Investment Income	3,797	33,170	21,523
Realised Gain/Loss - Shares	-	83,477	62,680
Unrealised Gain/Loss - Shares	165,638	1,247,913	789,446
Exchange Gain/Loss - FCA	(16)	25,062	18,832
Profit/(Loss) on Disposal of Fixed Assets	(7,444)	-	542
Profit Before Taxation	448,133	1,901,343	1,186,227
Taxation	44,813	190,134	118,623
Profit/(Loss) After Taxation	403,320	1,711,208	1,067,604
Dividend Paid	-		
Transfer to General Reserve	-		
Retained Profit/(Loss) for the Year	403,320	1,711,208	1,067,604

Operating Report for the Period Ended 30 June 2009 for XYZ Insurance Company

Gross Premiums Written	3,193,369
Reinsurance Premiums	1,535,063
Net Premiums Written	-
Increase/(Decrease) in UPR	1,658,306
Premiums Earned	1,284,730
Other Underwriting Income	373,576
Total Net Premiums Earned	1,284,730
Gross Claims Paid	-
Claims Recovered	426,982
	336,801

Net Claims Paid	90,181
Increase/(Decrease) in Outs. Claims	68,032
IBNR Provision	82,891
Net Claims Incurred	241,104
Commissions Paid	612,794
Commissions Received	448,681
Net Commissions Paid	164,113
<u>OPERATING EXPENSES</u>	
Personnel	225,671
Travel and Representation	71,560
Premises	23,813
Communication	40,695
Office Supplies and Expenses	18,303
Service Fees	59,353
Depreciation/Amortisation	48,065
Insurances	10,890
Other Expenses	-
Operating Expenses	498,350
Total Expenses	662,463
Underwriting Profit/(Loss)	381,163
Investment Income	10,595
Realised Gain/Loss - Shares	(134)
Unrealised Gain/Loss - Shares	243,391
Exchange Gain/Loss - FCA	(58)
Profit/(Loss) on Disposal of Fixed Assets	(7,444)
Profit Before Taxation	627,513
Taxation	62,751
Profit/(Loss) After Taxation	564,762
Write Off ZWD	(67,638)
Dividend Paid	-

Transfer to General Reserve	-
Retained Profit/(Loss) for the Year	632,400