

PGDM (IBM), 2020-22

Liability Insurance

INS-401

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

Please attempt all the 3 questions

Max Marks 30

CILO 1

1 a. The "neighbourhood principle" talks about a general duty of care. Explain the case citing the judgement with special reference to Lord Atkins. (5)

1 b. Is it true that the PLI Act was formulated to take care of CSR activities? Please quote relevant cases to support your arguments. (5)

OR

CILO 2

1 c. The mobile manufacturing company ABC has received a complaint that due to voltage fluctuations, there are instances of the battery not being charged correctly. The company is very ethical and would like to ensure that the clients are not put to difficulties. Will you suggest a Product Recall exercise? If yes, what are the necessary steps, expenses that you would need to account for? If no, how do you propose to remove the grievances of the clients? (5)

1 d. The theorists talk about various types of Liability policies and how the claims are triggered. How and when do we have a loss under the Liability policies? Explain with examples. (5)

CILO 2,3

2 a. "The primary task of the Professional Indemnity policies is to ensure that the common man gets justice for wrongs done to him under the ambit of the law". Cite case studies to argue your views. (10)

OR

2 b. "The role of a Chief Risk Officer in an organization is ornamental in nature". Keeping in mind the Risk Management concepts, please discuss and cite relevant examples to strengthen your responses. (10)

CILO 1,2,3

3 a. The deceased was a security guard employed by the Airport at its aerodrome in Safdarjung, New Delhi. He was on night duty on the night of July 28th 1999 as usual. His normal hours of duty were 8 p.m. to 8 a.m. At 2 a.m. on July 29th the deceased complained of severe pain in his chest and was helped to lie down. His condition deteriorated and at about 5 a.m, he died. The medical evidence showed that the deceased was suffering from heart disease and that the death was brought about by the strain caused by the deceased being on his legs for a certain period of time.

The learned Commissioner held the view that

- a) the deceased was not a workman within the definition and meaning of the WC Act,
- b) and that the deceased did not meet with his death because of an injury by an accident arising out of and in the course of the employment.

Please argue the case as you deem fit citing case studies and judgements as example.

(10)

OR

3 b.

The case of Satyam Computers is well publicized. Satyam had a US\$75 million D & O insurance policy.

This is one of the biggest frauds in India's corporate history, when Ramalinga Raju, founder and CEO of Satyam Computers, announced on January 7, 2009 that his company had been falsifying its books of accounts for years, overstating revenues and inflating profits by US\$1 billion.

When Ramalinga Raju has accepted that all the wrong doings were his **deliberate** actions, and he is serving prison time for the wrong doings, why have the Insurers not rejected the claims under the D & O policy?

Please explain the dichotomy with reference to the D&O policy and suitable examples.

(10)

Section B

Compulsory Questions. Each question carries 10 marks.

2*10 =20

CILO 3,4

B-1

The facts of the case - a chemicals manufacturing company wants a Public Liability Act only cover for a limit of liability at Rs. 7.50 crores. The AOA: AOY stands at 2:1.

The company is a new one with 100 employees working on the factory floor and 10 in the admin role.

The turnover is Rs. 15 crores and there are only 2 locations, both on the banks of a river. There are fire extinguishing appliances spread across the factory. There have been 2 fire incidents in the past 6 months and 1 marine claim reported but not yet settled.

The Broker has suggested a premium rate of 0.725 per mille, with an option of loading the premium for adverse claims.

PTO.....3

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|--|---|
| (a) Will you load the premium --- Yes / No and why | 2 |
| (a) Please compute the premium with explanation. | 4 |
| (b) A claim of Rs.20 crores has been reported. How is the claim apportioned? | 4 |

B-2

LIC of India is coming out with a red herring prospectus followed by a IPO.

A) Begin with an explanation of the prospectus insurance.

B) To explain better, please prepare a letter to the Chairman, explaining your proposition including the various steps to be taken and the benefits of those steps being explained. If a peril is being left uncovered, please explain it to the Chairman, as to why is it being done.

3+7
