

PGDM-IBM, 2017-19
Principals of Insurance
INS-103

Trimester – I, End-Term Examination: September 2017

Time allowed: 2 Hrs 30 Min

Roll No: _____

Max Marks: 50

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 Admit Card should be followed meticulously.

Section-A

A1. Briefly Explain each of the following risk financing techniques of managing risk

- a) Retention
- b) Non insurance
- c) Insurance

A2. Define human life value. What are the steps in determining the human life value.

A3. Explain briefly the following life insurance contractual provision

- a. Suicide clause
- b. Grace period

A4. Explain the concept of adverse selection.

A5. Explain the meaning of securitisation of risk

SECTION-B

B1. What is endorsement or rider? If an endorsement conflict with the a policy provision, how is the problem resolved?

B2. Compare the risk of fire with the risk of war in terms of how well they meet the requirement of an ideally insurable risk.

B3. Describe the incontestable clause in life insurance policy. What is the purpose of incontestable clause.

Section-C

Case Study Compulsory:-

Case-1:

1. Andrew owns a commercial office building that is insured under three property insurance contracts. He has 100000 of insurance from company A, 200000 from company B, and 200000 from company C.

- a. Assume that the prorate liability provision appears in each contract. If a 100000 loss occurs how much will Andrew collect from each insurers? Explain your answer. (Marks 3)

- b. What is the purpose of the other insurance provision that are frequently found in insurance contract. (Marks 3)

Case-2:

Jake borrowed 800000 from the gateway bank to purchase a fishing boat. He keeps the boat at a dock owned by the harbour company. He uses the boat to earn income by fishing. Jake also has a contract with the white shark fishing company to transport tuna from one port to another.

- a. Do any of the following properties have an insurable interest in Jake or his property? If an insurable interest exists, explain the content of the interest.
- Gateway
 - Harbour company
 - White shark fishing company (Marks 3)
- b. If Jake did not own the boat but opened it on behalf of the white shark fishing company, would he have an insurable interest in the boat? Explain. (Marks 3)

Case-3:

A drunk driver ran a red light and smashed into Kritens car. The cost to repair the car is 8000. She has collision insurance on her car with 500 deductible.

Explain how the principle of insurance is applicable in this case and how it supports the principle of indemnity. (Marks 3)
