

**PGDM-IBM, 2022-24 Batch**

**<Principles of Insurance>**

**<INS-107>**

**Trimester – I, End-Term Examination: September 2022**

Roll No: \_\_\_\_\_

Time allowed: 2 Hrs

Max Marks: 40

**Instruction:** Students are required to write Roll No on the cover page of the Answer Sheet. All other instructions on the question paper / Admit card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Total Marks
A	Minimum 4 questions with internal choices and all COs (Course Intended Learning Outcomes) covered in the Question Paper	4* 5	20
B	Compulsory Case Study	2*10	20
			<b>40</b>

**SECTION A** – (5 marks \* 4 questions ) = 20 Marks

**A1** What is the difference between objective probability and subjective probability?

**OR**

**A1XYZ** Company is a petroleum refinery company, operating in Southeast Asia. The management decided to expand its commodity-based business to countries in Asia and Europe. What types of risk may be faced by the company? What are the techniques that can be used to manage those risks? (CILO 1)

**A2** Explain the term adverse selection? Identify the ways that insurers use to control adverse selection during underwriting.

**OR**

**A2** Mr X, 36, owned the Prince and Princess Pet Boutique in Las Vegas. Lee and her husband were facing huge financial problems and were bankrupt. In an attempt to resolve the situation, Mr.X and her boyfriend, Kirk Bills, attempted to burn down the store and use her insurance money. However, the security cameras in the store captured the event and foiled her attempt at insurance fraud. Fortunately, the sprinklers doused the flames and no animals were killed. Lee was tried and was given a sentence of 5 to 14 years.

Explain which of the requirements of an insurable risk are met and which are not met by the arson peril? (CILO2)

**A3** A drunk driver ran a red light and smashed into Kristen’s car. The cost to repair the car is \$8,000. She has collision insurance on her car with a \$500 deductible.

a. Explain how the principle of subrogation would be relevant in the above case.

b. Explain how subrogation supports the principle of indemnity.

**OR**

**A3** Insurance contracts have certain legal characteristics that distinguish them from other contracts. Explain the legal characteristics of insurance contracts. (CILO3)

**A4** Mr. Y owns a commercial office building that is insured under three property insurance contracts. He has \$100,000 of insurance from Company A, \$200,000 from Company B, and \$200,000 from Company C.

- a. Assume that the pro rata liability provision appears in each contract. If a \$100,000 loss occurs, how much will Andrew collect from each insurer? Explain your answer.
- b. What is the purpose of the other-insurance provisions that are frequently found in insurance contracts?

**OR**

**A4** If risk is distasteful, how do you account for the existence of gambling, a pastime in which the participants indicate that they obviously prefer the risk involved to the security of not gambling? (CILO 4)

### **SECTION B – CASE STUDY**

- a) The plaintiff is the widow of one K. Srinivasaiya who died on 8-9-1945 at Koppa. He had insured his life with the defendant company for Rs. 3000/- and the plaintiff sued to recover that sum after the death of the insured. The defendant company denied their liability to pay any sum under the policies on three grounds: first that the insured had suppressed certain material facts and had made some false and fraudulent statements in his proposal and personal declaration forms, which circumstance vitiated the policy (statement in the Proposal: Under column 8, the insured was asked to state whether his life had ever been insured in any other company and to give particulars. He has answered that query by stating that he had done so in the Empire of India Life Insurance Co. Ltd., under four endowment policies aggregating Rs. 6000/- and that they were accepted as proposed at ordinary rates without any extra premium being charged or lien or condition imposed. The insured has made a formal declaration at the end of the proposal form that the particulars given by him in the proposal forms were true and that he agreed that the said proposal and any declaration to be made before the Medical Examiner should be the basis of the contract between him and the defendant company.); secondly, that the insured had committed suicide and as the same was within 13 months of the date of insurance the contract under the insurance policy had become void and could not be enforced: and thirdly, that the insured had speculated on his life by insuring for much larger sums than he could afford and his taking up the insurance policies of the company in those circumstances was not a 'bona fide' act on his part. The Additional Subordinate Judge, Chickmagalur, who tried the plaintiff's suit decreed it. On appeal, the District Judge of Shimoga reversed that decision and dismissed her claim. The plaintiff has now come up in second appeal. Is the three plea stated to deny the claim correct.

Should the widow be not paid? Is it misrepresentation or concealment of the facts. Are the facts material. (10 Marks )

- b) Mr. A was involved in a motor vehicle accident caused by his negligence. Decedent suffered a bruised chest and fractured ankle. It was revealed that decedent had a history of coronary disease and insulin-dependent diabetes and was at risk of suffering another heart attack. Just days after the accident, decedent expired. The attending doctor testified that he viewed the accident and the resulting medical problems as the cause of the death. The

executor requested an instruction on the eggshell plaintiff rule, which was refused. Such an instruction would have advised the jury that it could have found that the accident aggravated the decedent's heart condition and caused his fatal heart attack. The jury returned a verdict for the executor, but determined defendant's negligence in connection with the accident did not proximately cause the death. Defendant contended that the executor's proposed instruction was inappropriate because it concerned damages, not proximate cause.

Will the Claim be paid and what is proximate cause of Death in the case? Justify your answer. (5 Marks )

- c) Macaure v. Northern Insurance Company . Mr Macaura is a owners a timer house in Agra. He also has interest in investing in small companies. Macaura has purchased fire insurance for the timber on his property. He sold the timber to a business (XY ltd.) in which he held the 80% of the stock. Following that, the majority of the timber of XYZ Ltd. was lost by fire, and he asked that he be compensated. The insurance was successful in resisting the demand.

Can insurance company deny the class? If Yes, why and If No, Why? (5 Marks )