

PGDM (IBM), 2015-17
Principles of Insurance
INS-103

Trimester – I, End-Term Examination: September 2015

Time allowed: 2 hrs 30 min

Max Marks: 50

Roll No: _____

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**. In case of rough work please use answer sheet.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	50

Section A

1. A) Does principles of indemnity apply to life insurance contract? Justify your answer.
B) What can be the different methods of indemnification in general insurance contracts?
2. A) What are agreed value policies? Give example
B) What is deductible? How deductibles can be useful for insurance company as well as for the policyholder?
3. A) Which principle of insurance prevents the insured for collecting twice for the same loss.
Explain
B) Explain "knock for knock agreement" with examples
4. A) How can the insurance company apply the principle of subrogation against its own insured?
B) What can be the different types of groups that can apply for group insurance?
5. Explain the following for group insurance contracts:
 - a) Actively at work provision
 - b) Probationary provision

Turn Over

Section B

1. You have got the proposal of a group insurance plan for Star Technologies Ltd (an IT company) to cover their permanent employees. What are the factors which you would consider while deciding whether to accept their risk or not? Explain in details.

2. a) Explain the principle of insurable interest?

B) When should the insurable interest exist in the case of (Give justification for each of them)-

- a) life insurance contract
- b) marine insurance
- c) Other general insurance contract

3.1. Mr .Ram bought a life insurance policy on 01/01/2000, after running his policy till 1/1/2003. After 1/1/2003 he stopped paying the premium and the policy lapsed. On 1/1/2004 he wanted to revive his policy .In such scenario, which principle of insurance will operate? Explain. How insurance company will take this case for revival.

3.2 Will you suggest revival of the policy or you would ask the person to take a new policy and let the current policy in lapsed condition? Justify.

Section C

There is a building named as –“A”, this building catches fire and it is damaged because of fire. There is a building –“B” near to building A , the building B gets damaged as some of the burning material of building A falls on it .Also, there is an office near building A, in which the insured furniture and fittings are damaged due to the heat of the fire in building A. A shop of garments which is quite near to the building A has got its stocks damaged due to water used by fire brigade which was sprinkled on building A. The remaining undamaged stocks of the shop are taken out and kept in open on the road. After 3 days, these stocks are damaged due to rain and some of them were stolen during these 3 days.

Building A, B, office and the shop have their fire insurance policies.

a) What is the proximate cause of damage for building A, B, the office and the garments shop? Justify.

b) The insurance policy of building A is worth Rs 50 lacs, while the price of the building is Rs 85 lacs. And the damage caused due to fire is of Rs 20 lacs. Will the insurance company pay the claim? If Yes, how much would be paid?

c) The building B is covered with three insurance companies-X,Y and Z for Rs. 10 lacs, 20 lacs and 30 lacs each. The building B suffered a loss of Rs 8.5lacs. The owner of the building filed the claim with all the insurance companies. How much would be the total amount payable? Also calculate the liability for each insurance company.