

PGDM (Insurance Business) 2016-18
Property-II (Engineering Insurance
INS-401

Trimester-IV, End-Term Examination, September, 2017

Time allowed: 2½ Hours

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.

Note : - Please be relevant and brief in your answers.

- Section C is compulsory.

- Do not write anything on this question paper except your roll no.

Section-A

There are 5 questions in this section. Attempt any 3 questions. Each question carries 5 marks.

- A-1. (a) Explain the coverage provided under Machinery Insurance policy. What do you mean by Prime movers ? (3)
(b) What is the coverage provided under Boiler and Pressure plant policy? (2)
- A-2. (a) Enumerate the material damage and consequential loss policies available under Engineering Insurance (3)
(b) What are the underwriting aspects being considered by engineering underwriter under annual policies as per the pre acceptance inspection report (2)
- A-3. (a) What are the usual plant and machinery used in any major manufacturing industry to be considered for machinery insurance (3)
(b) Explain the difference between Partial and Total loss. What is the liability of the Insurer in Machinery insurance for a partial loss of a machine? (2)
- A-4. (a) Explain the coverage provided under Machinery breakdown insurance (2)
(b) Explain the exclusion relating to faulty design/ faulty erection under machinery insurance and when such losses are covered (3)
- A-5. (a) Explain the Coverage under Electronic equipment insurance (2).
(b) Why the perils covered under SFSP are usually excluded under EEI insurance and how it benefits the Insured (3)

Section-B

[Note: Answer 2 out of the 3 Questions below. Each Question carries 10 marks.]

B-1. (a) In a New power plant (green field project) to be taken up for execution the Proper ABC Power Corporation will be having 5 major contractors and the sub-contractors engaged by them working for the project. The main power generating equipments will be imported. The Corporation will be having financing arrangement with a consortium of Banks headed by SBI. They want to know what the advantages of Principal arranging project insurance are. They also want to know all the insurance covers to be arranged by them. Please advise them.
(5)

(b). ABC Company also wants to know what are all the add-ons they need to avail under the project insurance to ensure comprehensive insurance protection. Advise them suitably. (5)

B-2. (a) A contractor has come to you seeking project insurance for the tender which had been awarded to him. His nature of work is the construction of a bridge across a river for NHAI .. According to the contract agreement he needs to arrange all risks cover for the project in the joint names of the Principal for 36 months for the contract value of - However he informs you that work had been going on for the past 6 months and foundation work has started. According to him 10% of the project value has been done and for the balance work he will need another 30 months to complete the project Inform him how the insurance cover could be provided. The contractor is also having 12 months defects liability period under his agreement with the Principal. (5)

(b) What is the basis of declaring the sum insured under Business Interruption policy. Explain standing charges and how reduction in turnover is arrived at and used for assessing the loss suffered by the Insured. (5)

B-3. The major production machinery is covered for Rs. 50 Lacs under a Machinery insurance policy from 1-1-2017 to 31-12-2018. There was a major damage following a breakdown due to which the machine had been damaged. The Insured has got an estimate of repair of .10 Lacs . The machine was capitalized in Jan 2015. Surveyor has agreed for the repairs but feels that the PDRV on date of loss is 60 Lacs. He also feels the salvage may fetch Rs. 50000/. The insured was not interested in retaining the salvage for which Insurer is agreeable.. The salvage value obtained by Surveyor is 60,000/ from salvage dealers. Due to urgency the Insured has brought the spares by airfreight for which he paid 50000/ and surveyor feels the freight would have been if brought by road (which was done while the machinery was procured) would have cost only 20000/ . Policy was having any air freight add on for one Lac. There was a shaft damaged which according to the surveyor is a part of limited life since supplier had recommended replacement of the shaft after 50000 hours of working. On the day of loss the machine has worked 20000 hours of working. The excess under the policy is 5% of the claim amount subject to a

minimum of Rs. 5000/ Work out the liability of the Insurer.
(10)

Section-C

Case Study

15 Marks

ABC Corporation has plans to put up a green field plant to have production capacity for manufacture of consumer durables and they necessary land. The estimated cost is Rs 500 Crores and project completion may take about 30 months.

They feel that various contractors will be working at site and wish to know the advantages of themselves placing a project insurance policy covering all activities at site instead of each of the main contractor going in for project insurance for their portions of contract work.

They have also borrowed funds from a consortium of banks to the extent of 400 Crores.

They need your advice as to arranging project insurance with your views on

Arranging the various policies required for the project

Declaring the sum insured after taking out all one time charges.

Getting maximum coverage under various add-ons

What will be the basis of declaring sum insured under ALOP.

They also wants to know what precautions to be taken to avoid losses and to avoid extension of the policy due to delays.
