<PGDM (IBM) 2012-2014>

<Engineering Insurance >

<INS 404 >

Trimester – IV, End-Term Examination: September 2013

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

Q1.

Explain in brief the following **terms** with example :

(i) Quantity discount in MLOP
(ii) Extended maintenance period
(iii) FOES
(iv) Insurance of glass in CAR
(v) Cross liability

Q2.

As an underwriter, you have to explain to the client why he should cover his construction equipments (namely tippers, bulldozers and excavators) under a **CPM** policy also and not only under an automobile insurance policy . **Can you also extend the policy by removing some exclusion, which could be beneficial to the client?**

Q3.

A client has insured his 5 year old DG set for Rs 25, 00,000 under **machinery breakdown policy.** He suffers a loss which is payable under the policy. The loss involves the following items and cost of replacement is as under:

Crankshaft:	Rs 65,000

Cylinder head:	Rs 15,000
Other parts (unlimited life) :	Rs 25,000
Labor charge	Rs 10,000

Surveyor while assessing the loss found out that the new replacement cost of the DG set as on date of loss is Rs 30,00,000. Salvage value of parts amount to Rs 5,000.

Calculate the final loss payable after taking into account the various terms and conditions, **deductibles of the Machinery breakdown policy**

Q4.

What would be the critical information you would require to underwrite an ALOP policy ?

Q5. Give precise and brief reasons for the statements mentioned below (not more than two-three lines for each) :

(i) Rate for first two months for EAR policy is much higher than the per month rate for subsequent months .
(ii) Maximum refund for an equipment remaining standstill for 12 months is only 50%
(iii) There can be only a single claim under ALOP policy
(iv) Owner of the plant in operation needs to take operational covers also, even if the contractor has taken an extended maintenance extension under EAR policy
(v) Scale formation can lead to explosion of boilers

SECTION- B

Q6.

Arrive at the **final rate to be charged for a Machinery breakdown Loss of profit policy** with the help of the following risk information . The risk involved is a Brewery : **The client has opted for Time excess of 5 days and Indemnity period of 9 months .**

Factors applicable for indemnity period and time excess are as under :

- **In relation to basic rate for time excess of 7 days : 0.94**
- **In relation to basic rate for time excess below 7 days : 0.38**

Machinery	**Base rate for Time excess 7 days %o**	**Base rate for time excess < 7 days %o**	**Maximum age for basic rate**
Washing machine	1.50	0.54	20
Malt kiln	0.80	0.33	20
Filter press	2.00	0.70	20

Risk information are as under

:

Machinery	Relative importance factor	No spare parts	Technical risk factor
Washing machine	0.4	1.0	1.15
Malt kiln	0.5	1.0	0.75
Filter press	0.5	1.0	1.25

Other information are as under :

- All the machines are 25 years of age
- Filter press is a foreign machine for which repairs can be carried out locally but spare parts are available in US only ….factor 1.20
- Ignore any quantity discount
- High premium discount would be 6%

Note : Each and every step has to be explained briefly

Q7. (7 + 3)

(i) An owner of a cold storage where the chambers are used for storing vaccines wants to take a Machinery breakdown policy …Loss of profit cover along with FOES extension **What are the underwriting information which you would be collecting at the time of inspection to arrive at the rate and terms of the policy ?**

(ii) What is "exclusion k" under Contractor's plant and machinery policy ? Is it possible to waive this exclusion ?

Q8. **(5 + 5)**

(i) Calculate the premium under Boiler explosion policy for a 30 year old recovery boiler (minimum age without loading =20) insured for Rs 35, 00,000. There is no certificate from Boiler inspector and the pipes are insured for Rs 200,000. The basic rate for the recovery boiler is 1.80%o. The client also wants Third party liability cover for 1,500,000 and owners surrounding property cover for Rs 5,000,000.

(ii) A contractor dismantles his crane (which is insured under a CPM policy) after completing his work in a particular location in Noida. He has to carry the same to Delhi in a truck and reinstall the same at a site in Delhi where it will be in operation during the remaining period of the policy. Please suggest whether he is already covered for the additional risks and if not how and what additional risks can he cover as per CPM policy

SECTION- C

Q9.

A reputed contractor has been awarded a contract for constructing a residential building of RCC construction. The building would have two basements, ground floor and eight storeys above it. The building would be constructed in Delhi which falls under earthquake zone -2. The total project cost for the construction is **450 crores** and the duration of the project would be 24 months starting in December. There will be three towers of same height and the towers would be separated from each other. The site is also at an elevated area and the chances of water inundation are low

There will be some temporary civil constructions having additional cost of 5 crores .

The contractor has approached you for a CAR policy. He also requires the following Add on covers:

- *Third party liability with cross liability for 20 crores (falls under category B)*
- Removal of debris cover for 2 crores *(Falls under category A)*
- Extended maintenance cover for 12 months (Falls under category A)
- Escalation of 10% (Falls under category A)
- Earthquake

The relevant extract from rate computation table is given below:

Risk Code	Sl. No	Risk	Premium Rates (%o)		Excess - 5 % of claim amount subject to Minimum of Rs.	
			Minimum Rate up to first 3 months	Addl. Rate per month beyond 3 months	Normal	AOG/Major Perils/ Collapse
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Residential and commercial buildings, Office buildings, Schools, Universities, Hotels, Motels, Restaurants, Hospitals, Airport buildings of –						
013022	c)	RCC framed structure not more than 5 storey	1.50	0.025	5,000/-	20,000/-
014043	d)	RCC Framed structure above 5 storey and up to 10 storey	2.00	0.03	5,000/-	20,000/-
--	e)	RCC Framed structure above 10 storey and up to 15 storey	2.25	0.035	10,000/-	40,000/-

(a) Compute the **rate and the premium and prepare a quotation to be submitted to the broker**. You are free to decide on the discount % based on information provided...Broker cannot provide any further information. To make it competitive the quote must contain the free covers allowed as per erstwhile tariff.

(b) The client has considered the project duration on a higher side and expects to complete the same early. He wants to know whether he can get a refund for early completion and **what would be the tentative refund if he completes the project in 20 months?** You have to explain to him the conditions for getting refund and also the calculations