

PGDM (Insurance Business), 2013-15
Fire Insurance and Consequential Loss

Code:- IN-206

Trimester – II, End-Term Examination,
December - 2013

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.

Part-A

Attempt any 3 questions. Each question carries 5 marks. No answer should have more than Two Hundred Fifty words.

- A- 1. What are the Tariff Rules governing Fire Declaration Policies? What are its advantages?
- A- 2. How is the principle of Utmost Good Faith applicable to Fire Insurance? Explain with examples.
- A- 3. a. Discuss the provisions of Agreed Bank Clause attachable to a Fire Policy.
b. What is omission to insure clause?
- A- 4. What are the duties of the insured in the event of a loss as per the relevant fire policy condition?
- A-5 a. What is escalation clause? Explain its utility, explain with an example.
b. What are the standing charges, give examples. Why it is insured in a FLOP policy?.

Part-B

Attempt any 2 questions. Each question carries 10 marks. No answer should have more than Five Hundred words.

- B-1. What is a Re-instatement Value Policy and what are its provisos? Compare it with condition No. 9 of Fire Policy relating to re-instatement as a mode of indemnification?
- B-2. What kinds of losses are excluded under a Fire Policy? Can they be included by paying additional premium?
b. Sum insured of a garment manufacturing company with kucha construction is Rs. 01 cr. The customer would like to have addons – STFI, EQ(zone-2) and terrorism cover. If the Tariff rate is Rs.2%o; EQ @ 0.25% and the discount allowed by insurer was 90%, calculate the premium for a standard fire policy.

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B-3. a. What is meant by the condition of 'contribution'? How does Contribution differ from Co-insurance?

b. A 5 yrs old Building insured for Rs. 55 lacs, under standard fire policy, destroyed in a fire. The insured submitted a bill of Rs. 77 lacs for the building to be reconstructed with 10% larger area, ie. 2200 sq.ft and better construction @ 3500 per sq.ft. thereby an increase of Rs.500 per sq.ft. on the DOL

If Depreciation @ 5% per yr. for the building, Calculate the loss payable on Market value and reinstatement value.

Part-C

Compulsory question.

Carries 15 marks.

a). An oilseed trader had 5 godowns in the same city where he stored soya bean seeds in bags. He took a floater declaration policy from 1-4-09 to 31-3-10 for a Sum Insured of Rs. 20,00,00,000/- . The basic premium (without extra for floating) was quoted @ 1.00‰. The declarations of stock value received from month to month were as under:- (7)

April, 09	Rs. 19,00,00,000/-
May, 09	Rs. 18,00,00,000/-
June, 09	Rs. 14,00,00,000/-
July, 09	Rs. 11,00,00,000/-
August, 09	Rs. 4,00,00,000/-
September, 09	Declared as nil
October, 09	No Declaration given
November, 09	Rs. 4,00,00,000/-
December, 09	Rs. 19,00,00,000/-
January, 10	Rs. 17,00,00,000/-
February, 10	Rs. 16,00,00,000/-
March, 10	Rs. 14,00,00,000/-

Work out the premium adjustment. Would it make a difference if no declaration was made for August, 09 and September, 09?

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b). FCL produces 30,000 lap tops annually and sold @ Rs.20,000 per laptop; had a FLOP policy with sum Insured of Rs. 15 cr. for an indemnity period of 06 months. The Selling price of each lap top consist of:

- Cost of production 70%
- Standing charges 20%
- Net profit 10%

There was a fire under Material damage policy and the claim was admitted. However the Interruption period lasted 3 months. During the interruption period the company could attain actual turnover 2500 units, incurring Increased cost of working of Rs. 10,00,000. The savings in insured standing charges could be managed for Rs. 50,000. If the Standard output was 2500 units per month, what is the liability of the Insurance company under FLOP policy?
