

PGDM (Insurance Business, 2015-17)

Liability Insurance - II

Code:- INS-505

Trimester – V, End-Term Examination, December-2016

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. Describes Exclusions under Product Recall
- A.2. Distinguish between excess and umbrella Liability Insurance.
- A.3. Describe in detail three types of Excess Liability Insurance.
- A.4. What are the 5 Pillars of Credit Insurance.
- A.5. What is the Coverage available under Pollution Legal Liability.

Part-B

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

- B.1. What are the coverages available under Cyber Risk. Explain each of coverage.

Contd/-2-

B.2. Explain the following:-

1. What is the coverage available under Reputational Liability.
2. What are the sources from where Reputation Risk can emerge.
3. What triggers a claim under Reputational Liability Insurance.

B.3. (A) Describe the Pricing Factor applicable under Trade Credit Insurance.

(B) You are working as Management Trainee in ITGI Company. One Proposal has come to you for Trade Credit Insurance. The details of their business is as under:-

Proposer Name: ABC Trading Establishment

Address of Proposer: Nehru Place, New Delhi, India

Insurable Turnover 250,00,00,000/-

Rate of Premium: 0.575%

Minimum Premium to be charged – 90 % of Premium

Maximum Limit of Liability – 60 times of Minimum Premium

Pl. calculate:-

Premium

Minimum Premium

Maximum Limit of Liability

Part-C

Case Study : Compulsory question.

**Carries 15 marks
(10+5)**

Case 1

INTRODUCTION

Collection 2000 Cosmetics, Inc. is a manufacturer and marketer of personal care and perfume products targeting women. Although their products are made and branded for consumers, their buyers are distributors and resellers. Based in Florida, the company is a small business fully owned and operated by women and currently has customers in 29 countries.

THE CHALLENGE

Collection 2000 had long been a customer of the Export-Import Bank of the U.S.(EXIM) and used Multi-Buyer Export Credit Insurance to send dozens of shipments to foreign buyers. This insurance policy allowed them to sell to customers in many different countries, mitigating the risk of nonpayment, while equipping them to provide their customers open account terms.

Then it happened. Collection 2000 shipped more than \$100,000 worth of products to a longtime customer in Trinidad and Tobago. Up until that point, the buyer had always been diligent about paying on time. As with previous orders, the buyer was given 60-day credit terms. However, the invoice due date came and went and the payment never arrived.

Contd/-4-

Collection 2000 made several attempts to contact the buyer to collect the outstanding debt to no avail. The buyer kept saying it would wire the funds the next day, but never transferred the payment as promised. In a last ditch effort to collect the payment, Collection 2000 commissioned a law firm to follow up with the buyer one last time.

With the invoice four months past due, Collection 2000 filed a claim with EXIM. Through EXIM's policy, Collection 2000's invoiced amount was covered at 95 percent against buyer default, with no deductible. After carefully assessing the situation and reviewing the supporting documents, EXIM approved and paid Collection 2000's claim less than a month after filing.

In view of the captioned case, answer the following:-

- What is the scope of Cover under Export Credit Insurance.
- What are the advantages to Collection 2000 for purchasing this Policy.
- Is there any progression in their business, pl. describe.

Contd/-5-

Case 2

Layered Liability Insurance Programme – You need to layered the entire Programme in a graphical form. The Details are as under:-

Name of Insured: M/s River Inc.

Type of Liability Policy	Primary Coverage	Buffer Layer	Umbrella Coverage	Excess Coverage
General Liability	1,000,000.00	-	5,000,000.00	5,000,000.00
Auto Liability	500,000.00	500,000.00	5,000,000.00	
Employers Liability	500,000.00	500,000.00	-	5,000,000.00
Aircraft Liability	5,000,000.00	-	-	5,000,000.00
D&O Liability	5,000,000.00	-	-	5,000,000.00
