

PGDM-IBM, 2018-20

Sub.: Principles of Insurance

Paper Code: INS-103

Trimester-I, End Term Examinations: September-2018

Time Allowed : 2½ hrs.

Roll No.: \_\_\_\_\_

Marks: 50

**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**. All other instructions on the reverse of Admit Card should be followed meticulously.

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

**Section-A**

- A1. Certain requirements ideally should be fulfilled before a pure risk can be privately insured. Explain the six requirements of an insurable risk.
- A2. Private insurance provides numerous coverage's that can be used to meet specific loss situations. For each of the following situations, identify a private insurance coverage that would provide the desired protection.
- Emily, age 28, is a single parent with two dependent children. She wants to make certain that funds are available for her children's education if she dies before her youngest child finishes college.
  - Danielle, age 16, recently obtained her driver's license. Her parents want to make certain they are protected if Danielle negligently injures another motorist while driving a family car.
- A3. Define the meaning of underwriting.
- Briefly explain the basic principles of underwriting.
  - Identify the major sources of information available to underwriters
- A4. Briefly describe the sales and marketing activities of insurers.
- A5. Explain the following legal doctrines:
- misrepresentation
  - concealment

**Section-B**

- B1. Insurance contracts have certain legal characteristics that distinguish them form other contracts. Explain the following legal characteristics of insurance contracts.
- Conditional contract
  - Personal contract
  - Contract of adhesion
- B2. Jake borrowed \$800,000 from the Gateway Bank to purchase a fishing boat. He keeps the boat at a dock owned by the Harbor Company. He uses the boat to earn income by fishing. Jake also has a contract with the white shark fishing company to transport tuna form one port to another.
- do any of the following parties have an insurable interest in jake or his property? If an insurable interest exists, explain the extent of the interest.

(1) Gateway Bank

(2) Harbor Company

(3) White shark Fishing company

b. if Jake did not own the boat but operated it on behalf of the white Shark Fishing Company, would he have an insurable interest in the boat? Explain.

B3. a. Define the Human Life Value.

b. Describe the steps in determining the Human Life Value of a family head.

### Section-C

#### **Case Study Compulsory:-**

**Case-1:** Dr. Mukesh has a personal insurance policy with Ace Insurance for ₹20 Lac. During the policy periods, he submits three claims of ₹20,000, 30,000 & 40,000 respectively in a very short span of time. During the claim process, it was found that the claimant had given false documents to raise his first claim. However, the documents submitted for the last two were genuine.

The Policy contained the following general condition on mis-description which stated "This Policy shall be void and premium paid shall be forfeited to US in the event of misrepresentation, mis – description or non- disclosure of any materials facts by you.

What will be the fate of all claims? Are they Payable?

**Case-2:** Mrs Sudha purchased a senior citizen personal accident policy on 10.10.2002. She indicated in the proposal form that she wanted protection for herself and her husband. The proposal form was duly signed by her. The insurers issued a policy covering both Sudha and her husband. In February 2003 Sudha's husband had an accident which rendered him permanently disabled. Sudha submitted a claim for permanent met with disability benefit which was declined by the insurers on the ground of non-disclosure of pre-existing medical condition. According to the medical report Sudha's husband had history of heart disease and diabetes and these facts were not disclosed in the proposal form.

Sudha contended that the proposal form was only signed by her and not her husband and the declaration therein was her declaration and not that of her husband.

In the matter under reference the proposal form contained only one declaration which is worded as follows: "I am in good health...". There was no indication at all that the declaration was to apply to all persons to be covered under the policy. The word 'I' was used in the declaration and it required the signature of 'insured person'.

Considering the above situation, discuss whether insurance company should pay for Sudha's husband or not.

**Case-3:** Mr. Amit, a software engineer, has a passion for playing and watching cricket match. The 20-20 fixture was going on and somehow he managed to get the tickets for the match. He paid Rs3,000 for it. It was a match between Royal Challengers and Knight Riders. He was very excited and reached the stadium an hour before the start time so that he could have a seat with a good view. As he had ample time, he read the ticket very thoroughly. On the back of his ticket there was the following statement: "*The Owners Of These Premises Do Not Accept Responsibility For Bodily Injury To Any Visitor, Or Loss Or Damage To The Property Of Any Visitor, Whether Caused By Their Negligence Or Not.*" While he was watching the match, Amit's seat collapsed. This caused injuries to Amit's leg and he spilled a pint of beer over the expensive suit that he was wearing, ruining it completely. He claimed compensation from the owners of the stadium but they refused to pay him anything, referring to the exclusion clause on the back of his ticket. Advise Amit of his legal rights, making particular reference to the effect of the exclusion clause

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