PGDM (Insurance Business, 2015-17)

Property-I (Fire and Consequential Loss)

Code:- INS-301

Trimester – III, End-Term Examination, March 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.

A1. While arriving at the sum insured of a FLOP policy, careful examination of the audited books of accounts of previous year is carried out. How would you calculate the sum insured of a FLOP policy with necessary adjustments for a progressive industrial company, with the help of an example? **(5)**

A2. Instead of issuing one STFSP policy and then supplement it by FLOP policy, a large industrial insured is interested to have one package policy having Fire & special perils, MB, BP, FLOP, etc. Can you offer him such a policy? What is that policy and enumerate its salient features? **(5)**

A.3. Plant & Machinery imported from Germany in the year 6/2012 for Euro 65,00,000 (1Euro/Rs.60)and duty of 40% paid. It was capitalized for Rs.55.00 crores. Now Policy to be taken for the year 6/2015-2016 on RV or on DV/MV. **(5)**

Current price of similar new machine now is NA. International Index in country of origin in 2012 was 110 and in the year 2015 is 130; current Custom duty to be levied on such a P&M is 60% on the landed value at port in India; the exchange rate is 1Euro/Rs.70.

Pl calculate the RV if further handling and installation charges are 5% of the landed cost of the machinery at the port.

A.4. Briefly explain 05 perils covered by a STFSP policy other than Fire. **(5)**

A.5. (a) What is the relevance of 'Spoilage Material Damage cover' clause **(2.5)**

(b) What is the relevance 'Reinstatement' condition in standard fire policy? **(2.5)**

Part-B

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

B.1. (a) What are the six common add-ons granted with Standard Fire policy? **(3)**

(b) Explain the exposure hazards in a Building? **(7)**

B.2. As a Corporate underwriter what should be the underwriting factors for fire insurance business of your insurance company? **(10)**

Contd/.-2-

B.3. (a) In a Standard Fire Policy with a period 1.4.2012 to 31.3.2013 and Sum insured Rs. 10 cr. had 'Omission to insure clause' to the maximum. During the policy period it added new Machinery valued Rs. 30 lacs on 30.6.2012 and another machinery valued Rs. 20 lacs added on 30.9.2012.

Yet another machinery valued Rs.25 lacs was added on 1.11.12. Unfortunately, the last machinery was totally damaged in a fire on 14.02.2013. Calculate how much should the claim be paid? **(2)**

(b) An insured covered his factory under standard fire policy for period 01.04.2014-31.03.2015 with details as under: **(8)**

Building – 3yrs old insured for	Rs. 45 lacs;
Plant & Machinery of same age for	Rs.200 lacs
Stock of raw material & finished goods	Rs.100 lacs

In addition the insured had also opted for 15% escalation and had paid the premium for the same.

In a Fire on 25.05.2014 the Building was extensively damaged and Machinery was partly damaged. The insured submitted a bill of Rs. 77 lacs for the entire 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.
The replacement cost of the damaged portion of machinery was assessed for Rs. 50 lacs. The replacement value of the entire machinery on the DOL was Rs.2,30,00,000.
Salvage value of damaged Machinery was assessed for Rs.5,000.
Calculate the claim payable on market value.

Part-C

Case Study : Compulsory question. **Carries 15 marks.**

(a) Alexander Pharma Co. to be insured for STFSP policy with details as under. In addition EQ and Terrorism are also desirable. The tariff rate is 3.00%o with discount of 70% for good features and EQ zone is IV. The insured also wish to take corresponding LOP policy to cover GP of Rs.50 crores for an indemnity period of 06 months and an audit fee of Rs.3lacs in LOP policy. Please calculate the premium for both the policies when service tax chargeable is 14.50%. **(10)**

Description	Sum insured (INR)
Factory Building	200,000,000
Plant & Machinery & Accessories	1,100,000,000
Furniture & Fixtures	14,500,000
LAB Equipments	7,500,000
Stock in Process	200,000,000
RM, FG and other stocks	350,000,000
Add: Removal of Debris	500,000
Add: Spoilage material damage	200,000,000

Contd/.-3-

(b) X Ltd. has insured itself under a loss of profit policy for Rs 3,60,000. The indemnity period under the policy is six months. On 1st September, 2014 a fire occurred in the factory of X Ltd. and the normal business was affected up to 1st March, 2015:
The following information was found out from the books of the insured for the year ending on 31st March, 2014:

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Sales	20,00,000
Insured standing charges	2,40,000
Uninsured standing charges	20,000
Net profit	1,20,000

Following further details of turnover are furnished:

(a) Turnover during the period of 12 months ending on the date of fire was Rs 22,00,000;

(b) Turnover during the period of interruption was Rs 2, 25,000;

(c) Actual turnover during the period from 1.9.2013 to 1.3.2014 was Rs 7, 50,000;

X Ltd. spent an amount of Rs 40,000 as additional cost of working during the indemnity period. On account of this additional expenditure:

(a) There was a saving of Rs 15,000 in insured standing charges during the period of indemnity;
(b) Saving in turnover made possible by ICW was for Rs.100,000.

Calculate the claim amount payable. (5)

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