

PGDM-IBM, 2019-21
Sub.: Insurance Laws and Regulations
Paper Code: INS-102
Trimester-I, End Term Examinations: September-2019

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	Total Marks
A	Minimum 3 question with internal choices and CILO (Course Intended Learning Outcome) covered	3*10	30
	Or Maximum 6 questions with internal choices and CILO covered (as an example)	6*5	
B	Compulsory Case Study with minimum of 2 questions	20	20
			50

Section-A

A1. Discuss the “special features” in insurance contracts as well as the basic components of an insurance contract. (CILO1)

Or

A1. Discuss the Principle of Utmost Good Faith and the legal doctrines supporting it.

A2. Discourse on the power exercised by Ombudsman in grievance redressal of a complaint and the rules governing the Award. (CILO2)

Or

A2. Discuss the salient features of consumer redressal mechanism under the Consumer Protection Act available to citizens and what are the recent changes made in it?

A3. (a). Discuss the broad objectives of insurance regulations how are these met Cite some examples.

(b). Discuss Prudential Norms and Market Conduct Regulations of IRDAI creating few examples.

(CILO3)

Or

A3 Discourse on the IRDAI guidelines with regard to investment of funds by life and non-life companies in India.

Contd..2/---

Section-B

Case Study Compulsory:-

Caselet-I

Kesharben Kanjibhai Cham of Porbandar owned a ship name DM SV Chanstra, which was insured with National Insurance, under a policy valid from February 12, 1996 to February 11, 1997. On April 10, 1996, while returning from Dubai to Mumbai, the vessel accidentally hit a rock and sank at Khasab in Oman. When the accident occurred, there was no cargo in the vessel. However, 19 crew members and the cargo were on board. To save themselves, they boarded a lifeboat. They were found by the Oman Navy and arrested. After being in custody for four days, their release was arranged, and they were repatriated to India. When the insurer was intimated about the loss, it hired Salvage Association as the surveyor, which reported that though it appeared probable, it was not possible to conclusively determine whether Chamstar had sunk. So the insurer appointed ICIC International Maritime Bureau to carry out further investigations, and their report gave a similar finding. The opinion of G P Dave an authority was also sought, who also gave a similar opinion.

The insurer finally sought the opinion of W K Webster & Company, which reported that the only way to give a conclusive report would be by sending down divers to locate the wreck and verify the damage. As for whether the vessel had been deliberately sunk, Webster opined that this was unlikely as it would put the lives of the entire crew at risk. It also ruled out a clandestine sale of the ship. It pointed out that documents pertaining to statutory compliances had sunk, Webster concluded that though it was probable the vessel had sunk, this could not be stated with certainty.

In view of the claim being considered on the basis of probability instead of certainty, the insurer repudiated the claim. Keshaben, through her son and constituted attorney Premji bhai Cham, filed a complaint before the National Commission seeking reimbursement worth Rs. 1.2 crore. The insurer justified the repudiation as the loss was not conclusively established. The National Commission observed that all the surveyors and investigators had accepted that there were 19 crew members and tinsel on board at the time of the accident. The unanimous opinion was that the claim ought to be paid on the basis of the probability that the incident was genuine. The letter of the assistant officer commanding, Coast Guard Police Division of Oman confirmed the incident. The Commission noted that the Government of India's Inquiry officer had submitted a Marine Casualty Report accepting the vessel had

sunk. On its basis, the vessel had been deregistered by the Government of India, Ministry of Surface Transport, and Mercantile Marine Department.

By its order of August 30, 2019, delivered by justice V K Jain, the National Commission concluded that the claim was payable and ordered National Insurance to pay Rs. 1.2 crore. Since the claim was not settled within nine months as required by Insurance Regulatory and Development Authority of India regulations, the commission also awarded 9 percent interest from January 1, 2003 onwards, with three months to comply with the order.

Questions:-

- (i) What were the drawbacks in claims consideration and processing by the insurer? (5)
- (ii) What precautions should be taken by the insurance company to ensure satisfactory processing claims of similar nature? (5)

Caselet-II

The Chandigarh Consumer Disputes Redressal forum holding a city-based automobile agency EM PEE Motors in Industrial Area, Phase I, because of deficiency in service, has slapped a fine of Rs 15,000 and directed it to repair the car in question free of cost or give Rs 1 lakh to the complainant.

Background:

According to the complaint filed by Punjab University through its registrar, Punjab University (PU) had bought a Toyota Corolla Altis car in September, 2009, for over Rs. 11 lakh, but within a couple of months the vehicle started giving problems.

A PU official said, "From the first day of purchase, the car started giving problems. There was a persistent noise from the rear side. We pointed out this defect through four different letters, but the company officials did not rectify it. They said the non-genuine window curtains, installed by the complainant, on the rear doors was the reason for the noise."

In their reply, the opposition party said the car was received in December, 2009, and the problem regarding noise from rear side was checked and properly attended to the satisfaction of the complainant. The problem occurred because of normal wear and tear as well as due to non-adjustment of wiring of curtains, which were fitted by the complainant.

The Counsel on behalf of the opposition argued that "Car was properly attended and noise problem might have occurred due to some accident."

Verdict:

The Forum, after listening to the arguments, held that there was deficiency in service on the part of opposing party and directed the firm to fix the problem permanently. "It should be done totally free of cost within a month, failing which they shall be liable to pay Rs 1 lakh to the complainant. Besides, the company will also pay a fine of Rs 15,000 as cost of litigation to the complainant," the forum said.

Question:

What standard operating procedure should have been adopted by the Motor Car distributor to avoid penalties in the future? (5)

Caselet-III

Delhi State Consumer Commission has ordered an insurance company to pay over Rs 2 lakh as damages to a man injured in a road mishap involving his Honda City car, dismissing the firm's contention that it was a case of drunken driving. A bench of Justice Barkat Ali Zaidi and member Kanwal Inder, while upholding the Delhi district consumer forum's order, ordered New India Assurance Company to pay a total compensation of Rs 2,14,528 to vehicle owner Ravi Narang.

Narang had met the accident on national highway near Gurgaon in 2004. The mishap had resulted in injuries to him, besides damages to the car. The company (Honda) workshop had estimated a loss of over Rs 7 lakh as damages, while Narang had claimed a loss of Rs 3.32 lakh from the insurance company.

The consumer commission asked the insurance firm to pay damages to Narang dismissing its appeal, which contended that he was drunk while driving the car. The bench noted that none of the purported medical reports of the complainant, placed on record by the insurance firm, contained the name of the injured person or patient. "Therefore how can it be said that they relate to the complainant. No affidavit has been filed by the doctor to prove these reports in evidence," the bench said.

"For these reasons, it can be safely said that these documents do not help in any manner to substantiate the contention of the appellant (insurance company) that the complainant was driving the vehicle at the time of accident in a drunken state and his case therefore falls under the Exception Clause of the Insurance Agreement," it said. The company had contended that the 'Exclusion Clause' of the insurance policy stipulated that if the owner of the vehicle is driving vehicle in a drunken state, he is not entitled for insurance claim.

Question:-

What were the drawbacks committed by different stakeholders in the handling of the claim?

(5)