

PGDM (IBM), 2019-21

Property-I (Fire & Consequential Loss)

INS-203

Trimester-II, End-Term Examination: December 2019

Time allowed: 2 Hrs 30 Mins
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**. All other instructions on the reverse of the Admit Card should be followed meticulously.

SECTION A

(10 marks * 3 questions) = 30 Marks

Answer 3 questions. Each question carries 10 marks

A-1a Reinstatement Value of the property is based on the Principle of Indemnity. Please explain your response with examples. **CILO 1**

OR

A-1b For a fire to occur, a source of ignition is necessary. What are the other factors ? Please discuss.

A-2a The SFSP policy covers a number of perils. What are they ? **CILO 2**

OR

A-2b What constitutes Standing Charges ? Please explain with examples.

A-3a Please explain the life cycle of a Fire Claim, beginning with the issuance of the SFSP policy for a Mechanised workshop. **CILO 2**

OR

A-3b A sample Risk Inspection report discussed the shortcomings of a Detergent Manufacturing Unit. What is a Risk Inspection Report ? Design a sample for this unit under discussion.

P.T.O

SECTION B – CASE STUDY

(CILO 3 and 4)

Answer both the questions. Each question carries 10 marks.

2*10 =20

B 1 Please compute the premium for the following risk- Plastic Module Manufacturing Unit

S No	Description	Sum Insured
1	Factory Building	1,20,00,000
2	Plant & Machinery	95,00,000
3	Furniture, Fixtures & Fittings	15,00,000
4	Raw Material	20,00,000
5	Goods in Progress	20,00,000
6	Final Goods	60,00,000

The client wants an SFSP policy without STFI extension, but wants to include a cover for EQ.

The EQ zone is III.

Due to the availability of FEA, the client is entitled to an FEA discount of 10%, and a Tariff discount of 50%.

Minimum STFI rates to be charged:

Occupancy	Rate (per mille)
Dwellings other than Co-operative Hsg Society	0.075
Non Industrial – Co-operative Hsg Society, Hotels, shops as per Section III of erstwhile Tariff	0.15
Industrial including utilities located outside the manufacturing and tank farm/gas holders Section IV, V,VII of erstwhile Tariff	0.25
Standalone Storage (outside manufacturing premises) Section VI of erstwhile Tariff (in Godown)	0.35
Standalone Storage (outside manufacturing premises) Section VI of erstwhile Tariff (in open)	1.5

Earthquake rates to be charged

For Earthquake, the rates have been adopted zone wise and Industrial and non-industrial wise which is as under. The Zones are classified as per the current zones in the erstwhile tariff.

Zone	IV	III	II	I
Dwellings other than Co-operative Housing Society	0.05	0.05	0.05	0.05
Non-Industrial - Co-operative Housing Society, Hotels, Shops as per Section-III of erstwhile Tariff	0.05	0.10	0.15	0.25
Industrial – including Standalone Storage outside the manufacturing units, Utilities outside the manufacturing units.	0.05	0.10	0.25	0.50

The base Tariff premium rate is 2.75%0.

Compute the premium.

B-2 The above client also wants an FLOP cover for a gross profit of Rs. 70,00,000 with an indemnity period of 4 months. The discounting structure remains same. 10

P.T.O

		Percentages of the Basis Rates		
Period of Indemnity	Sum to be Insured	Continuous Process Plants(excluding Petrochemical risks)	Other than continuous process Plant	Tea Factories
3 months	Annual Gross Profit	89.06%	72.50%	53.44%
6 months	Equivalent	93.75	75	56.25
Or less 9 months	of Annual Gross Profit	112.5	90	67.5
12 months		125	100	75
15 months	One & Quarter times the Annual Gross Profit	121.875	97.5	73.125
18 months	One & a half times the Annual Gross Profit	118.75	95	71.25

What is the basis rate and the premium for FLOP cover?
