

PROFESSIONAL PROGRAMME
INSURANCE LAW AND PRACTICE

Model Question Paper

Time allowed: 3 hours

Maximum marks: 100

1. Please refer the below case study

The Olympics as a Story of Risk Management

A lot of things didn't happen at the Olympics this year, all of which were extensively prepared for. A terrorist incident, a breakdown of the London rail system, power blackouts, volcanic ash clouds, flooding, an outbreak of infectious disease—the London organizing committee (LOCOG) and the International Olympic Committee (IOC) spent years thinking about every scenario they could imagine. Simulations of security incidents were rehearsed, and contingency plans for mass evacuations or emergency situations were put in place.

Risk management is now at the heart of the governance model for the Olympic Games and the Olympic movement, and not only because of their growing scale and complexity. There is also the time horizon involved, which can be up to twenty years from the genesis of a host city's bid to the conclusion of the actual event. Long timelines mean greater vulnerability to emerging risks—that is, dangers with a large potential impact that are not well understood or easily quantified or which emerge as the unanticipated result of disparate causal processes interacting. These risks can emanate from the realm of security, public health, natural ecology, technology, or economics. In the run-up to the London 2012 Olympics, for example, the global financial crisis caused private developers for the Olympic Village project to withdraw, requiring a refinancing package backed by government. Consider, too, that when threats materialize at large-scale events, the damage often spills over to other parties. Even before the official opening of London 2012, a mix-up with the flag for the North Korean women's football team had organizers scrambling to resolve a diplomatic spat. Other mega-events have sometimes taken their toll in business disruption, by interrupting supply chains, altering consumption, or giving rise to workforce absenteeism. The Olympics can bring a halt to "business as usual" for the host government as well, as it diverts resources to support and police the event. Higher than normal volumes of population movements can create hazards for public health and cause traffic congestion. The influx of spectators offers a target for petty crime, and the symbolism of the Olympics presents a temptation for terrorists.

One key to effective risk management is the ability to distinguish between phenomena that cannot reasonably be foreseen and dangers that are "self-inflicted" because they could be avoided by thorough planning and careful execution. At the start of the Atlanta 1996 Olympics, it was a catalog of minor operational and logistical problems that led

journalists to start reporting on "the glitch Games." The truth is that risk is often organizational in its origins, created through poor decision-making, misjudgments in planning assumptions, or human error in operations (such as in monitoring or enforcement activities). Many threats are not unforeseeable, but lie just beyond the edge of current knowledge. In planning for the Olympics, warning signals can be imperceptible amidst the noise, due to the relative scarcity of local experience, as organizers tread an unknown path (although there is a growing Olympic professional services complex made up of firms and consultants contracted to advise on bid teams and organising committees). Managing risk involves a judicious mix of preventing the risks that can reasonably be controlled, learning to recognize the ones that can't be prevented, being prepared to react to limit damage, and having the resources to recover from the problems that do occur. Olympics organizers traditionally focused on reaction and recovery, using tools such as insurance (taken out for personal injury and property coverage), safety plans, and command and control structures. Since the 1980s, however, Games organizing committees have increasingly invested in teams and systems dedicated to the management of risk through internal controls. Risk mitigation is now integrated into decision-making and operations, and no longer treated as just an input into the calculation of insurance premiums. Ensuring readiness for Games-time (in Olympic-speak) now involves strategic pre-emption through stress-testing and scenario planning. Table-top 'gaming' exercises at the top of the chain of command and practical training of personnel through rehearsals are routine across many of the diverse functions of Olympic operations. In the months leading up to London 2012, for example, visible military rehearsals were staged on the River Thames in addition to many test events performed on the main site. Ahead of Vancouver 2010, IT planning identified around six hundred scenarios for rehearsals in a formal playbook which also documented procedures to follow in the event of an incident. The rise of Olympic risk management is certainly evident at the level of the IOC, the guardian of the Games. It is understandably preoccupied with financial risk, since the event is effectively its only commercial asset, and with reputational risk, given that the Olympic "halo" that derives from this is what makes that asset so valuable. Since the events of 9/11, the IOC has taken out insurance cover against event cancellation due to either terrorism or natural disaster (something which organizing committees had done for many years before). More significantly, though, since the 1990s it has increasingly formalized its process of evaluation of bids and its monitoring of the readiness of preparations of host cities. Bids of applicant cities must now be presented according to a standardised template, with covenants of support from the relevant public authorities and political actors. The IOC's Evaluation Commission then reports on the technical quality of the bid, prior to the vote of its membership to award the Games. After this, the monitoring of readiness is transferred to the Coordination Commission, with its inspection visits providing opportunities to identify risks in project management and operations. The other crucial aspect in which the IOC has reshaped the way in which risk is understood by Olympic organizers is through its attempts to formalize learning between events under its Olympic Games

Knowledge Management program. This integrated framework of services and documentation (made available to cities after a candidature fee has been paid) consists of an observer and secondment program for officials from future host cities, workshops, technical manuals, a Games evaluation process, and debriefing. Olympics organizers and the IOC have wisely leveraged the business world's growing understanding of risk management. "Risk-based" approaches to planning for the Vancouver 2010 Winter Olympics and the London 2012 Summer Olympics (confirmed through research interviews with senior officials) reveal the strong influence of the ideas and practice of risk management, for example in the creation of risk registers (i.e. databases) and monitoring systems put in place to spot issues that pose potential dangers further down the line. The rise of Olympic risk management has touched not only on the most visible fields of finance and security, but a wide range of activities, such as in procurement and contract management, health and safety, the assessment of environmental impacts, and public health planning. In turn, as organizers of Olympic games have become more sophisticated in risk management over the past thirty years, the broader discipline and profession of risk management has benefited from its example. As the concept of risk itself has taken hold in modern societies and organizations, the Olympics provide a compelling case study in the evolution and promise of risk management.

On the basis of above case study, answer the following questions.

- a. List out the risk exposures from the experiences of the Olympic Games. **(10 Marks)**
- b. What do you mean by speculative Risk and pure risk? Categorise the risk identified above under speculative risk and pure risk. **(10 Marks)**
- c. Discuss how have the organizers become more professional in managing the risks and explain about the "risk-based approaches" adopted by the organizers of the games. **10 Marks)**
- d. What do you mean by risk based Planning? How can risk based planning help an organisation in combating with risk discussed in above case study? **(10 Marks)**
- e. Discuss different risk management techniques with special emphasis on Insurance. **(10 Marks)**

2. Answer the following:

- a. Discuss the product approval process for non linked insurance products. Highlight the main provisions of laws/regulations governing the approval process for non linked insurance products. **(10 Marks)**
- b. What do you mean by Micro Insurance? State the salient features of Micro insurance in detail along with highlighting the IRDA Regulation on Micro Insurance in its effort for financial inclusion. **(10 Marks)**

- c. Who can be an Insurance Surveyor and Loss Assessor? Highlight the relevant provisions relating to registration, regulation and supervision of Insurance and loss surveyors in India? **(10 Marks)**

3. Mr. Vinod had availed a Hospitalization Insurance cover from XYZ Insurance Company for self and the details of the same were as under:

	Rs.
Sum Insured	3,00,000
Limit Per Illness	3,00,000
Sub Limits per illness	
Room Rent including special nursing charges per day	5,500
Consultation /Visits by Doctor	5,000
Test/Examination	5,000
Surgical Expenses	75,000
Medical expenses	15,000
Domiciliary Hospitalisation per day	2,000
Cover Excluded Domiciliary Treatment	

Mr. Anand has a sudden attack of acute jaundice and was advised by the Doctor for immediate hospitalization and treatment, but had to wait for two days as there was no hospital accommodation available in any of the registered hospitals in the city. On both the days Doctor visited him at home and at his instructions a nurse also attended him at home. On the third day he was admitted in a hospital near his residence and underwent hospital treatment for 15 days before being discharged. The expenses incurred by him in the hospital were as below:

	Rs.
Room Rent per day	5,000
Special Nursing per day for three days	800
Five visits by the Doctor at Rs. 1,250 per visit	6,250
Test/examination	4,000
Injections and Medicines	22,000
Extra Bedding Charges for attendant for all the 15 days	7,500
Food expenses for Mr. Anand (During the Hospital Stay)	7,500

As there was no cashless facility extended under the policy Mr. Anand had to pay the Hospital bill first and had to seek reimbursement under his insurance policy. Adjust the amount that he would be able to recover under his insurance policy. **(5 Marks)**

4. Why is it said that “a Proposal is the basis of insurance”. Which insurance principle substantiates this statement? Give illustrative examples. In some of the cases, while filling the proposal form, material facts are not disclosed by the Insured. State the implications of concealment of Material facts by the insured. **(5 Marks)**
5. Discuss the need and growing importance of Liability insurance policies in India quoting relevant examples with specific reference to Professional indemnity liability policy in the backdrop of the recent corporate scams. **(5 Marks)**
6. “Claims handling requires specialized skills.” Do you agree? What makes insurance claims processing difficult and complicated and unpleasant especially in general insurance. Refer to the relevant IRDA guidelines for speedy settlement of claims. **(5 Marks)**