

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 7

NOTE : 1. Answer **ALL** Questions.

2. Suitable assumptions, if considered necessary, may be made while answering a question. However, such assumptions must be stated clearly.

3. Working notes should form part of the answer.

1. Dalbir Singh aged 40 took a policy on 5th August, 2014 for a sum insured of ₹ 10 lakh from a private Indian Insurer on the basis of the solicitation made by an agent of the insurer. The agent had indicated to Dalbir Singh that in the event of death, twice the amount of the sum insured will be paid under the policy by the insurer on the payment of a small additional premium at the inception of the policy. Dalbir signed the proposal form on the strength of the advice of the insurance agent who guided the proposer in answering the questions in the proposal form and getting it completed.

One of the specific questions in the proposal form was on the subject of recent health condition of the proposer, viz, “whether the proposer had within six months of the date

of the proposal had any disease or disorder of the respiratory system like asthma, tuberculosis, fever etc. To this question the proposer had indicated “No” as the answer. The proposal was put through the normal process in the insurer’s office and after a medical examination of the proposal and on the payment of the first annual premium and the additional payment of the sum assured, the policy was issued. Dalbir Singh nominated his wife Smt Pushpa to secure the benefits under the policy.

On 28th December, 2014 the insurer received an intimation from the beneficiary through the insurance agent that Dalbir Singh had died on 20th December, 2014- apparently by natural causes. A medical report from a doctor was filed along with the claim. The beneficiary asked for the double payment under the conditions of the policy.

Since the claim by death arose within six months of the inception of the policy the insurer was surprised by the shortness of the time lapse between the dates of issue of the policy and the death claim. It instituted an investigation into the claim.

The investigator went through the proposal form etc. and made enquiries in the neighbourhood where Dalbir had lived. He found out that hardly a fortnight before the proposal, Dalbir had been hospitalised for about a week in the end of July, 2014. He then proceeded to check with the hospital where Dalbir had received the treatment and found that around 20th July, 2014 Dalbir had vomited blood and had suffered from a stomach ailment probably caused by an infected liver. Dalbir had stayed in the hospital for a week and had been discharged on 31st July, 2014.

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On the strength of the investigation report the insurance company repudiated the claim for non-disclosure of material facts and purposely giving a wrong and misleading information in the proposal form viz that he had not suffered from any disease during the period of six months prior to issue of the policy.

The beneficiary appealed to the Dispute Resolution Board of the insurance company but was not successful. She then proceeded against the insurer in the District Consumer's Forum which decided in her favour considering the fact that Dalbir had suffered from a minor stomach upset and the answer contained in the proposal form was not incorrect. The insurer then took up the matter to the State's Consumers' Council which confirmed the view of the District Forum. On this, the insurance company filed an appeal in the Supreme Court of India contending that there was a material non-disclosure of the facts and the proposal form did not indicate the real state of health of the proposer. There was breach of contract terms and the insurer wanted the Supreme Court to set aside the decision of the Council.

On the basis of the above facts, answer the following questions :

- (a) The insurer contended before the Supreme Court that "there was breach of terms of contract". Indicate what the insurance company meant by this statement ?

(10 marks)

- (b) In an insurance contract what does constitute a material fact ? What are the provisions of the law that enable an insurance company to avoid payment under a policy ? Is there any time limit for the operation of any such provision ? Discuss.

(15 marks)

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(c) In the given case the Proposal form was signed by the proposer under the guidance and help from the insurance company's own agent. Can this be questioned by the insurance Company ? What are the agent's liabilities to an insured in such a case ?

(10 marks)

(d) Are the consumer forums the proper agencies where an insured or beneficiary can agitate issues like this ? Briefly discuss the dispute settlement procedure outlined by IRDAI and regulations in this regard.

(5 marks)

2. The business of insurance was opened up in India in 2000 for participation of new companies with the establishment of the new regulator IRDAI.

Has this development in your assessment resulted in the growth of business and development of good market practices and the creation of customer care ?

Explain the issue in an analytical manner.

(12 marks)

3. (a) What is Reinsurance ? How is Reinsurance controlled by IRDAI ?

(b) Are the concepts of deductibles and co-insurance in the insurance industry the same ? Discuss.

(6 marks each)

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4. (a) An individual proposed to buy a new car for ₹ 40 lakh. The dealer of the vehicle wants the individual to pay an additional sum of ₹ 3,40,000 for a comprehensive insurance cover. There is a hesitation on the part of the individual to pay this additional cost and he wants to avoid it to the extent possible.

As a professional insurer what will be your advice to the individual who wants to buy the car and does not want to pay for insurance cover ?

- (b) S, an individual has a health insurance policy with X Health Insurance Company Limited. The sum insured is ₹ 15 lakh and the policy has a floater option of ₹ 5 lakh. The policy was first taken in 2017 and has been current from then with S paying the renewal premium by due dates. In the currency of the policy with X, S has made some claims—small and big but all these have been rejected by the insurer. The policy is due for renewal on 15th December, 2021. S has been approached by Z, an agent of a different company, Y Health Insurance Company Ltd. with a proposal that sounds attractive to S. He wants to change over to Y from X.

Indicate the option to S and the process involved. Does X Health Insurance Company Ltd. have any role to play in this move ? Discuss.

(6 marks each)

5. (a) A life insurance policy has been taken by B, an individual on his life for a sum assured of ₹ 25 lakh from an Indian Insurer on 15th July, 2018. B has opted

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to pay the premium due on the policy on an annual basis and the policy is current. B approached his current insurers in January, 2021 for the issue of a second policy for a sum assured of ₹ 15 lakh. The insurer made due enquiries and investigations. It found that in the proposal form for the second policy, B has given a set of information and data that did not match with those given in the existing policy and the insurer concluded that there were some material mis-statements made by B in his proposal form of 2018.

Indicate options open to the insurance company to deal with the situation arising out of the investigation for the second policy.

(8 marks)

- (b) Life Insurance Corporation of India was set up in 1956 under a special Act of Parliament to carry on Life Insurance business in India. On the formation of IRDAI, LIC was brought under the regulatory control and guidance of the regulator viz IRDAI.

The present owner of LIC-The Union Government wants to list LIC on the stock exchanges in India and in the process permit some element of private holding of shares in the newly formed organisation.

Indicate clearly whether the process of listing of LIC has to go through the regulatory process of IRDAI ? What changes are to be made in the present structure of LIC to have this effected ?

(4 marks)

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6. In Property and Fire Insurance, what is a declaration policy ?

From the following information, ascertain the claim due under the policies taken to cover for a fire loss.

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Value of the stocks at the time of fire	3 Crore
Loss assessed	30 lakh
Sum insured under Standard Policy A	1 crore
Sum insured under Standard Policy B	60 lakh
Sum insured under Standard Policy C	1 crore

(12 marks)

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