

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 4

NOTE : Answer ALL Questions.

1. Mr Ajay a Company Secretary is also a fellow member of The Insurance Institute of India. He joined ABC Limited as a Manager in 2006 and got promoted as a Senior Manager in October, 2011. His promotion entitled him to buy a car. He bought a Hyundai EON car. He took lessons from a driving class and got a Learner's Driving licence. The car purchased and registered in October 2011 was insured with FG Insurance comprehensively. During December, 2011 while reversing his new car (EON) parked on a gradient facing west east inside the company's car shed lost control over the vehicle and dashed the rear of an Esteem Vehicle (parked East West). Due to the impact ESTEEM vehicle had also touched another car Santro nearby. Esteem car was insured by the owner comprehensively with TAIG Insurance. Mr Ajay immediately informed the security of the company ABC Limited as the parking shed belonged to ABC Limited and the executives and managers were authorised to park their vehicles in the big parking shed partly open and partly covered with asbestos sheets. Mr Ajay the insured had only a LLR (Learner's Licence) and yet to get a permanent driving licence. However at the time of accident he was accompanied by Mr. Sanjay who was having a permanent driving licence and sitting adjacent to Mr Ajay while he was driving. Mr Sanjay drove the vehicle after the accident to the dealer cum repairing centre and left the vehicle at dealer's garage to have the vehicle repaired. As there was no injury to any person and the accident happened inside the parking shed owned by ABC Limited, it never occurred to Mr Ajay that he should lodge a FIR/Panchnama. Mr Ajay took moral responsibility in taking the lead and reported the claim to TAIG Insurance (Insurer of ESTEEM) after ascertaining the name of the insurer and the insured from the records available with ABC Limited. As the ESTEEM vehicle was very old vehicle, total repair expenses exceeded the assessment of the surveyor and Mr Ajay had to reimburse Rs.10000/- to the extent repair expenses exceeded the claim assessment of the surveyor and reimbursed by the insurer to the owner of ESTEEM vehicle.

The owner of Santro Vehicle did not prefer a claim with his insurers but claimed the repair expenses from Mr Ajay, the owner of EON vehicle. Mr Ajay reimbursed Rs.5000/- to the owner of the Santro vehicle.

Mr Ajay got the repair expenses of EON from FG insurance. Repair expenses to the ESTEEM vehicle were reimbursed partially by TAIG Insurance to the extent assessed by the surveyor and repair expenses over and above the surveyor's assessment was borne by Mr Ajay (Rs. 10000/-) and similarly he had also paid Rs. 5000/- to the owner of Santro vehicle as stated above.

Mr Ajay got his EON car repaired and wanted FG insurance.

(i) To reimburse Rs. 10000/- the excess of repairers' bill over and above what had been admitted by TAIG Insurance.

(ii) To reimburse Rs.5000/- the amount of repair expenses paid to the santro owner.

The policy issued by FG Insurance for EON car was comprehensive and showed TPPD of Rs. 750000/- and obtained premium for the same in addition to collecting OD premium for the car.

Mr Ajay contended that it was not any compromise to the third party(ies) (owners of ESTEEM and Santro vehicles) but had reimbursed the excess of the repairer's bill over and above allowed by TAIG Insurance for ESTEEM and since Santro owner did not prefer a claim with the insurers. Please answer the following :

- (a) Explain the principles of insurance with reference to Motor underwriting in detail explaining the different types of cover. Comprehensive, ACT only. (10 marks)
- (b) Why did the owner of SANTRO vehicle did not prefer a claim with his insurers ? (5 marks)
- (c) What is NCB in Motor underwriting parlance ? Will Mr Ajay be entitled to NCB during the renewal of policy for EON ? What are the various slabs of NCB in motor insurance ? (10 marks)
- (d) Why did FG Insurance admit the damages to the EON car while Mr Ajay the owner cum driver had only a Learner's licence (LLR) and not a permanent licence ? (5 marks)

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- (e) What is TPPD ? What prevented Mr Ajay from filing a FIR/Panchnama ?  
(5 marks)
- (f) Explain the process of preferring a Third party property Damage claim. (5 marks)
- (g) Explore the possibility of FG Insurance repudiating/admitting the claim of Rs.15000/- for reimbursement to the respective third parties for the property damage to their vehicles.  
(10 marks)
2. (a) United Industries insured its factory assets as detailed below with Star General Insurance Company for the values given below under a Standard Fire Insurance and Special Perils Policy.
- The insurance was on market value (indemnity) basis.
- Building Rs. 6,75,00,000
- Machinery (Other than Boiler) Rs.18,76,00,000
- Boiler : Rs. 1,75,00,000
- The boiler being subject to a loan agreement with National Bank was also insured by the bank under a separate Standard Fire and Special Perils Policy from Satellite Insurance Company for Rs. 2,75,00,000 which was the current replacement value of the boiler. This policy was also obtained on the market value basis only.
- The policy deductible in respect of any one claim was Rs. 25000/- under each of the two policies.
- In a major fire accident the insured factory was heavily affected. All the three assets namely Building, Machinery and Boiler were heavily damaged.
- The surveyor appointed by the Star General Insurance Company whose appointment was also concurred by the Satellite Insurance Company assessed the loss on indemnity basis as below after taking into account the applicable depreciation.
- Building Repairs : Rs. 1,25,00,000
- Machinery Repairs and replacements : 2,50,00,000
- Boiler Repairs : Rs. 75,00,000

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As assessed by the surveyor the market value as on the date of loss of respective assets were as below :

Building : Rs. 9,00,00,000

Machinery other than boiler : Rs. 26,80,00,000

Boiler : Rs. 2,75,00,000

Work out the recovery obtainable from each of the two insurers under their respective policies based on the assessment done by the surveyors as above. (20 marks)

- (b) Ricky has a personal accident policy that covers death by accident but excludes death by disease. He falls from his horse and suffers leg injuries. He is admitted to hospital but his leg wound turns septic and one week later he dies as a result of the disease septicaemia.

Explain whether the personal accident insurers are liable under the policy referring to relevant case law in support of your answer. (10 marks)

3. Outline the areas on which the Statutory Auditor is required to express his opinion during Certification of Financial Statements of Insurance Companies. (5 marks)
4. In aggressive sale of business, insurance companies are experiencing a severe problem of "Lapsation" (non-continuation of premium payment), which is hindering the growth of life insurance business. Identify some (any five external or internal) causes of the Lapsation of Life Insurance Policies. (5 marks)
5. Give a brief note on each of the following :
  - (a) Doctrine of contra proferentum
  - (b) Doctrine of good faith and fair dealing
  - (c) Reasonable expressions doctrine
  - (d) Presumption of death and disappearance
  - (e) Insurer's liability for delay, improper rejection or failure to act (5 marks)
6. Explain to what extent a valued policy modifies the principle of indemnity. (5 marks)