NEW SYLLABUS

442

Roll No. .....

OPEN BOOK EXAMINATION

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.

1. The following policyholders have taken medical insurance from different Public Sector insurance companies as par details given below :

— Bhima Singh obtained the mediclaim policy from the XXX General Insurance Co. Ltd. in April, 1995 and renewed annually upon payment of the requisite amount of premium. After over three years namely, in July, 1998, Bhima Singh suffered a coronary disease and was admitted in the Escorts Heart Institute and Research Centre where he underwent 'Angioplasty'. A claim made by him was paid by the Insurance Company. In January, 2001 he was once again admitted to the Escorts Heart Institute and Research Centre and once again underwent 'Angioplasty'. The amount claimed was duly reimbursed by the Insurer. In May, 2002 he was hospitalized in Holy Family Hospital for a minor operation and the medical expenses claimed to that effect were reimbursed by the Insurer. In April, 2002 he underwent a bye-pass surgery. Bhima Singh submitted his claim which, however, was not paid. On 3rd April, 2003, Bhima Singh approached the Insurance Company for renewal of the policy and issued a cheque towards payment of the premium for the purpose of renewal of the policy w.e.f. 6th April, 2003, which was refused on the purported ground of 'high claim ratio'.

— Rajesh entered into a contract of mediclaim insurance in 1990 for a sum of ₹ 90,000 from 1992 to 2002. He had been making payments of the premiums regularly. His policy had been renewed every year. It was also renewed for the period 4-10-2001 to 3-10-2002. The insured's wife, son and daughter-in-law have also entered into such policy since 1992. Their policies had also been renewed from time to time without any change in terms. On 9-9-2002, Rajesh handed over a cheque for a sum of ₹ 6,377 by way of renewal of insurance policy. As no action thereon was taken, a reminder was sent. A legal notice was also issued. The legal notice was refused to be accepted by the Divisional Manager. In response thereto, only on 30-9-2002, the appellant stated that the policy would be renewed by loading of 300% premium. A sum of ₹ 18,982 was deposited. A receipt acknowledging the sum of ₹ 6,377 was also issued. Despite issuance of the said sum, the policy was not renewed. Strangely enough, only on October 3, 2002, the Insurer stated that the said policy could be renewed subject to exclusion of the diseases specified therein.

— Mahesh who is a practicing consultant neurologist and physician since 1961, had taken mediclaim insurance for himself, his wife and his family members since 1992-1993. He was diagnosed with Hypogamglobulinemias in August-September 1999. Despite the same, the policy was renewed. By a letter dated 26-7-2002, the Insurer informed him that his mediclaim policy which was to expire on 13-8-2002 would be renewed subject to the exclusion of the disease Septioemia with Hypogamglobulinemias and was advised that the next premium will be accepted after loading of 100% with 5% excess for each and every claim.

— Suresh had taken a mediclaim policy and accident insurance policy in 1988. By a letter dated 15-1-2002, the mediclaim policy for the year 2002-2003 was refused to be renewed and he was asked to renew his policy in another company. The policy was cancelled.

Answer the following keeping in view the details above :

(*i*) In all these cited cases, justify or reject the stand taken by insurance companies. Are the renewals of the mediclaim policies not automatic ?

(*ii*) How is a Personal accident insurance policy different from a mediclaim insurance policy ?

(*iii*) Discuss the provisions and grounds on which companies can cancel the mediclaim insurance policy ?

(*iv*) Do you agree that the policyholders should be informed about all the provisions through a prospectus ?

(*v*) What are the guidelines issued by IRDAI regarding prospectus ?

(*8 marks each*)

2. (*a*) "Insurance too is a contract but with a difference". Explain.

(*6 marks*)

(*b*) The complainant Sneha the proprietress of M/s Tungabhadra Agro Industries, purchased a burglary policy and cash insurance policy for the period 14-04-2004 to 13-04-2005 to cover money in a locked safe in her premises for a sum insured of ₹ 2,50,000 and stock-in-trade of ₹ 7,50,000. There was an alleged burglary in the premises on 19-04-2004. 22 to 24 bags of Bengal gram; 2 to 4 bags of fried gram; cash amounting to ₹ 73,000 were alleged to have been stolen. The theft was informed

to the insurers. Surveyor was deputed and the claim was closed, as requirements as demanded by the insurer/surveyor were not furnished. The complainant contended that the police authorities seized the account books etc. The insurer was directed to send the surveyor to police authorities and peruse the said documents and give his report within one month from the date of hearing. The police categorically denied having taken the account books etc. The Final Investigation Report highlighted the fact that the complaint was intentionally registered on account of financial burden on the complainant as she had taken a loan to start the factory and could not make payment regularly.

Based on the facts of the case, identify the category of hazard. Differentiate between risk, peril and hazard.

(*6 marks*)

3. Rajeshwar Nath Gupta filed an appeal against the decision of ABC Life Insurance Company relating to non-settlement of death claim of his sister's pension policy. The claimant stated that his sister had purchased a Deferred Annuity policy from the insurance company on 24-2-2005 which matured on 24-2-2011 and he was the nominee in her policy. His claim was rejected by Divisional Office Agra on the ground that his sister had not given the name of her "spouse" at the time of annuity. The complainant stated that since his sister was unmarried, hence, the question of spouse as nominee does not arise. It is possible that the time of maturity, wrong annuity option was ticked by his sister. His claim was genuine and should be paid by the Insurance Company in the shape of annuity or sum assured. The Insurance Company submitted that the policy matured on 24-2-2011 and annuity started @ 5949 on yearly basis. The total Notional cash option under the policy was ₹ 66023. After receipt of five annuity installments, the assured died on 10-6-2016. Since it was an annuity plan, the deceased had opted for option "I" which means Annuity for life with provision of 100% annuity to Spouse for life on death of Annuitant. Since the annuitant did not provide the name of her spouse, the claim was rejected by the insurance company. However, later

on it was observed that the annuitant was unmarried and had nominated her brother in her policy. The matter of fact is that the deceased had wrongly ticked option 'I' (Annuity for life with a provision for 100% of annuity to the spouse of the annuitant for life on death of annuitant) instead of option 'F' (annuity for life with return of purchase price).

Based on above facts, answer the following :

(*a*) What is an annuity ? Explain the various types of annuity policies. Explain how, in Life Insurance Policies unlike General Insurance Policies insurable interest is not necessary after the Policy is issued. Discuss the provisions of the Insurance Act, with regard to nomination of Life Insurance Policies.

(*b*) Is the insurance company justified in denial of the claim in the given case.

(*6 marks each*)

4. Jagveer Singh filed a complaint against the decision of BB Life Insurance Corporation of India relating to rejection of death claim in respect of his wife on the ground of *Suicide clause*. The complainant stated that his wife had taken the said policy from BB Life Insurance Co. Aligarh Division. She died on 27-3-2016 due to burn injury during the treatment at J.N. Medical College, Bulandshahr. The Complainant submitted the claim with all documents before the Insurance Company but his claim was rejected by the Company on the ground of *suicide clause* of the policy. The complainant stated that it was a case of accident and not of suicide and his claim was genuine and should be paid by Company. The Insurance Company stated that the deceased falls under category III female live as per underwriting norms of Insurance Company. The insured expired due to 90% thermal burn during treatment at J.N. Medical Hospital Aligarh on 27-3-2016 i.e. only after 8 months 28 days from the date of proposal and the claim was under the category of very early claim. Hence the matter was investigated by Insurance officer, during investigation the statements of two neighbors were taken into consideration and in their written statement, ex-pradhan informed that the deceased had committed suicide. Insurance company could not produce any other proofs as the FIR was lodged but no action/enquiry was made by the police as both the parties had reconciled the matter between themselves. Police Report mentioned that death is due

to burn injuries, because of bursting of stove while cooking. The Reports of Postmortem also endorsed the Police Report. But the insurance company repudiated the claim on the ground of suicide clause under policy condition, which states "if the life assured (whether sane or insane) commits suicide at any time within 12 months from the date of commencement of risk, the corporation will not entertain any claim under this policy except to the extent of 80% of the premium paid excluding any taxes, extra premium and rider premiums, if any, provided the policy is."

Based on above answer the following :

(*i*) Is the repudiation of the claim by the insurance company is justified in this case ?

(*ii*) Discuss the provisions for *suicide condition* under a life insurance policy.

(*6 marks each*)

5. On 11-4-2016 Avtar Singh the grandson of the Life Assured had lodged a complaint against SBI Life Insurance Co. for payment of repudiated death claim for ₹ 9,99,000. The complainant had stated in his complaint that his grandfather (father's Uncle) Bhura Singh died on 9-6-2015. He submitted all the required documents with the insurance company for payment of death claim but insurance company had repudiated the claim on the ground that the life assured had understated his age at the time of taking policy from the insurer. He was 73 years of age and not 57 years of age as declared at the time of taking policy and he had concealed material fact of age.

Actually, the policy was issued on 29-10-2013, with initial yearly deposit of ₹ 99,900 for 10 years term policy. The date of birth of insured was taken as 2-5-1956 and age 57 years, on the basis of PAN card mentioned in the proposal form. Bhura Singh died on 9-6-2015. The policy was in force on date of death and life assured died within 1 year 7 month time from date of commencement (DOC) of the policy. After investigation it was found that the life assured was much older than what was declared in the proposal form. In view of the understatement of age by the insured the death claim was repudiated.

Answer the following on the basis of facts given above :

(*a*) "Proposal is the basis of insurance". Explain. What are the facts from the proposal form that are considered for *underwriting* a life insurance policy ? When the insurance company has issued the policy based on the proposal and PAN-card as proof, is the repudiation justified ?

(*b*) Is this a case of misrepresentation or concealment ? Discuss the governing principle which requires full declaration of material facts.

(*6 marks each*)

6. (*a*) Rajesh alleged that he purchased Home contents insurance covering household goods from the DIY insurance company w.e.f. 16-02-2017 to 15-02-2018. He got his jewellery covered along with other household goods for SI of ₹ 10 lacs. An incidence of theft took place on 10-03-2017 at his house and thieves broke wooden gates and stole two silver idols from the place of worship along with two silver coins. The matter was reported to the police and he raised a claim bill for ₹ 21750 but the insurance company denied the claim. During the course of hearing, the insurance company stated that Idols in question were not covered as per policy schedule stating that Section III of the policy covers only Jewellery and not other valuables like Silver statues and silver coins as these do not fall under the definition of jewellery.

Discuss the coverage available under a Householder's policy. Justify the denial of claim in the given case with supportive provisions.

(*b*) Discuss the regulatory provisions framed by IRDAI with special focus on "Protection of Policyholders interests" in respect of claims under life insurance.

(*6 marks each*)

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