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Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 8

NOTE : Answer **ALL** Questions.

1. Answer the following questions as per the given situation :

- (a) Rampant malpractices are bleeding public sector insurance companies and they need to restructure their activities so as to bring about change in the sector. Claims ratio is as high as 150 percent and there are too many malpractices in the health sector.

The structural inefficiencies are hampering the development of the sector. Insurers need to develop a framework for collecting statistics and databases, develop comprehensive products which are transparent and user-friendly. Health insurance should be made mandatory for all jobs and employees should be encouraged to go in for CGHS schemes as well as policies provided by insurance companies.

The health care sector is estimated at ₹ 80,000 crore and is expected to grow by ₹ 10,000 crore every year. Expenditure on health insurance is expected to touch six percent of household income up from the current two percent. Government spending accounts for less than 25 percent of expenditure on health while in developed countries the figure is in the range of 40 to 60 percent. Although the insurable population is placed at two million the potential market is placed at 315 million people. Insurance companies are keen to resolve the stalemate as they do not make money from health insurance. Another key area where business is impacted is in the area of mergers and acquisitions.

: 2 :

A survey on health insurance was carried out and nearly 37 percent of respondents opined that corruption could impact the valuation of a company thereby denying shareholders of a fair price. Moreover, this could also make it difficult for them to find a suitable business partner, thereby seriously impacting the growth prospects of the business.

What are the ethical aspects of claims management particularly in the case of health insurance ?

What are the procedures followed by the insurance companies in close proximate claims cases ?

(5 marks each)

- (b) Barun Ojha, as a bachelor, took a life policy "Poorna Suraksha" from ABC Life and named his father Tarun as his nominee. During the tenure of the policy, he married Sujata Jha, but he did not change the nomination in his policy. Subsequently, Barun died of a heart attack when the policy was still in force. His wife Sujata lodged a claim with the insurance company; simultaneously Barun's father Tarun also filed a claim as the official nominee of the deceased.

Insurance company found the claim under the policy justified but does not want a confrontation with the two parties staking the claim, as they do not want to take any risk of being questioned for the wrong payment from their behalf if they make payment to any one of them. They wanted that both the parties should amicably settle the issue off the court or get it settled through a legal process before it can make any payment to any one of them.

What do you mean by Nomination ? In which case the provisions of Section 39 of Insurance Act, 1938 do not apply. Do you think that the stand taken by the insurer is correct in the circumstances of the above case ?

(10 marks)

: 3 :

- (c) On 21-02-2014 a sale deed was executed between Srivastava and Kulwant and Srivastava sold his house to Kulwant and the ownership was transferred by registration in the name of Kulwant. Just before selling the property Srivastava had taken a fire insurance cover for his house taken with insurer XYZ Ltd. and the period of insurance was 18-8-2013 to 17-8-2014. Kulwant and Srivastava came to mutual understanding and according to that 75% of the sale money was paid by the former to the latter at the time of execution of the sale deed and the balance was to be given within one year, which was agreed by means of a promissory note executed by Kulwant in favour of Srivastava.

On execution of the sale deed, Kulwant obtained a fire insurance cover for the house in his name from his insurer ABC General Insurance Co. A fire accident took place on 13-5-2014 in which the whole house was destroyed by fire.

When Kulwant filed a claim for the loss of the house with his insurer ABC General Insurance Co. and after insurance surveyor investigated the whole case, the insurer agreed to pay the loss to the extent of 75% of the value of the house only saying that as on the date of loss Kulwant has not paid 25% of the value of the house to Srivastava, so the claim cannot be paid to that extent and that the same has to be recovered by Srivastava under his policy.

Define the principle of Insurable Interest and also explain how the same ensure legality to an Insurance contract. Discuss the eligibility of claim recovery under both the policies in the above case.

(10 marks)

(d) Savita got her Honda City car insured under Motor Comprehensive policy from ABC General Insurance Co. for the period from 1-6-2017 to 31-5-2018 for a value of ₹ 3.75 lakh. On 15-10-2017 she sold the car to Gautam. The car met with an accident on 10-12-2017 and was extensively damaged. A pedestrian was also injured in the accident. The repair to the car had cost Gautam ₹ 1,39,500 and he filed the claim with the insurance company. The pedestrian also claimed damages for the injury.

(i) Discuss the admissibility of the claims.

(ii) What are the legal aspects of third-party motor insurance ? Are there any exemptions to the concept of compulsory third party insurance ? Discuss.

(5 marks each)

(e) Ram Kumar was highly successful sales manager in XYZ Life Insurance Co. An expert salesman, he was often approached by his agents for help in finalizing high sum assured policies. During one of his high profile get-togethers, one of the film stars showed a keen interest in taking an insurance policy. The film star was looking for a high sum assured covers i.e. ₹ 50 crore. Ram Kumar was keenly interested because he had not dealt with such a big value policy so far.

After coordinating with one of his agents. Ram Kumar played a key role in finalizing the deal. All his energies were now focused on getting this proposal passed by the underwriting department. All special medical reports required were quickly secured and filed with that department. Ram Kumar also recommended the company to issue the policy.

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The underwriting department was headed by Anshuman, who was more concerned for quality than quantity of business. Anshuman thought it was his duty as the underwriter to have strict control over new business flowing into the organization. Ram Kumar and his people, on the contrary, believed that new business was important for the growth of the company and therefore the underwriters should not be allowed to affect the flow of new business by being rigid.

When the proposal came back from Head Office after scrutiny, Ram Kumar found that the proposal for a cover of ₹ 50 crore had been modified to ₹ 50 crore on a short term plan basis.

State :

- (i) Whether an insurer should follow strict underwriting procedure and whether the points of view between the marketing and the underwriting departments should not be identical.**
- (ii) The consequences that could be faced by an under-writer by adopting flexible and easy underwriting control.**

(5 marks each)

2. Sudhakar Gupta has taken a life insurance policy on his life on 7-2-2018 for ₹ 1 lakh. But to get the benefit of lesser age premium the date of commencement of the policy is given as 7-4-2017. His yearly premium is ₹ 10,305 and the second yearly premium was due on 7-4-2018.

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Sudhakar Gupta and Sachin Agarwal were partners in a business. Sachin Agarwal has also insured his life for a premium of ₹ 2,486 per annum. They issued a joint cheque towards combined premium on 7-5-2018. The insurer issued a stamped receipt on 25-5-2018 and sent the cheque for collection.

The cheque for the premium amount was dishonoured and the cheque was sent back by the bank on 8-6-2018. The intimation of the dishonoured cheque was sent by the company on 21-7-2018 which was posted by it on 30-7-2018. It was posted to Sudhakar Gupta's residence and was received at his residence on 1-8-2018. The intimation required that Sudhakar Gupta is to pay the premium with interest by 16-8-2018. But the insurers were not aware that in an uneventful incident of an accident on 28-7-2018, Sudhakar Gupta had already expired. Anita Gupta, the wife of Sudhakar Gupta claimed the insurance and also the accident cover. She said that the insurer was deficient in the services and did not intimate about the dishonour of the cheque in time. To support her statement, she quoted the insurer's circular that stated that the intimation of the dishonoured cheques should be intimated immediately by the concerned staff by contacting the policyholder, which is not done in this particular case.

Required : State whether Anita Gupta will get the insured money from the company, i.e. is her claim maintainable ?

- (i) Discuss with reference to :
- (a) Deficiency of service
 - (b) Payment of premium and grace period
 - (c) Revival of discontinued policies
 - (d) Forfeiture.

(4×5=20 marks)

- (ii) Explain in brief the impact of lapsation of life insurance policies to the insurers.

(10 marks)

: 7 :

3. Raghuvir, a farm owner holds 50 acres of land at Badli Village in Haryana. His main cultivation was mustard seeds for which he uses a separate irrigation facility. He uses to buy fertilizer from a nearby fertilizer factory adjacent to his land. The waste products from the fertilizer factory flow to a nearby lake through a cement pipe and the pipe runs through the agricultural land of Raghuvir. The waste products were the various chemicals used by the fertilizer company during the manufacturing process and are poisonous. One fine day, Raghuvir found out that the cement pipe has developed a crack and the waste products are accumulating in his land which is resulting in a poor yield from his land in that year.

After analyzing the liability insurance concepts, determine whether the farm owner is justified in claiming compensation for the loss of income due to the cultivation of mustard seeds.

(5 marks)

4. The Term, whole life, endowment, annuity policies or the combination of policies are available in the market. The best policy is the one that best meets your financial needs. You have to select the policy according to your needs.

Suggest suitable life insurance policies for the given situations :

- (a) You are at the age of 25. You just joined an organization. You are recently married. Now you cannot spend more on life insurance.
- (b) You are the only earning member in your family. You purchased a flat by taking a loan from housing finance. As long as you are there you can pay EMIs regularly. You want to retain the house for your family members even in your absence.
- (c) You are at the beginning of career; you want to combine both insurance and saving. But the combination of this saving and insurance is costly. Right now you cannot invest much, having dependents and you want to invest later after settling in the career.

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- (d) You want to leave an estate to your family after you. But you cannot pay the premiums after retirement. You are undisciplined in your saving habits and you are not financially savvy.
- (e) You want to set up a saving stream, beyond term plans.

(1×5=5 marks)

5. Subhash is running a business of footwear and insured all his factory machinery on a market value basis with three different insurers as per details below :

Insurer	Policy taken	Sum Insured ₹ in Lakh
A	Standard Fire and Special Perils Policy	31.25
B	Standard Fire and Special Perils Policy excluding flood cover	18.75
C	Standard Fire and Special Perils Policy Excluding Riot and Strike cover	12.50

Recently there was a heavy shower which resulted in heavy flood in the area, ₹ 10 lakh worth of the machinery was damaged. How do insurers share this loss ?

(5 marks)

6. **Hyderabad Air Show Tragic :**

“Two pilots and a civilian were killed after a naval aircraft crashed on a nearby residential building near Begumpet airport during an air show in Hyderabad on Wednesday morning” city police said. “Seven others were also injured in the mishap”, the police added. “The pilots were identified as Commander and Lt. Commander”, a navy spokesman said in New Delhi. “Lt. Commander belongs to Delhi”, he added.

Identify and discuss, how risks involved in the above event can be managed by insurance and who should be taking insurance.

(5 marks)

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