

Roll No. ....

OPEN BOOK EXAMINATION

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 6

**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. Sanjay an individual, wanted to insure his household goods against fire, theft and burglary. He approached a general insurance company for a policy. The insurance company officer had detailed discussions with him and the following values of the assets were agreed for fire and burglary insurance.

	(₹ In lakh)
Value of flat to be covered	75
Flat's contents	
Jewellery	10
Paintings and art features	20
Furniture & Fittings	5
Other miscellaneous assets	10
TOTAL	<u>120</u>

The insurer quoted premium of ½% on the premises, 2% on jewellery, 5% on art features and paintings and 1% on other items.

: 2 :

Sanjay felt that the premium rates were too high. He also thought that the likelihood of a fire accident at his flat was very minimal. However he wanted to have a cover and decided to take an insurance cover for the following values :

	<b>(₹ In lakh)</b>
Value of flat to be covered	50
Flat's contents	
Jewellery	5
Paintings and art features	15
Furniture & Fittings	1
Other miscellaneous assets	4
TOTAL	75

The premium was paid to the insurance company based on the above values. The insurance company accepted the proposal and a policy was issued accordingly.

A fire accident took place during the currency of the policy and the flat was damaged.

The fire fighting force was able to control the fire and retrieve some of the assets.

Sanjay lodged a claim of ₹ 75 lakh with the insurance company. The insurer appointed a qualified surveyor to inspect the damages and submit a report. The surveyor in his report mentioned that the flat did not suffer any material and substantial damage and with an expenditure of ₹ 20 lakh, it could be restored to its original position. As regards other assets insured, he reported that jewellery was kept in safety boxes and was intact and did not suffer any damage at all. Paintings and artefacts had suffered extensive damages along with furniture and other miscellaneous assets.

: 3 :

The surveyor raised question on admissibility of claim under the policy by stating that the fire was caused due to overhanging electrical wires which was due to the negligence of the insured.

Sanjay got the copy of the survey report and represented to the insurance company that there was no negligence on his part and the electrical wire was left hanging by the builder. He also stated that the paintings and artefacts were total loss and they cannot be repaired or set right. The other items affected by the fire and salvaged by the fire fighters were sold for ₹ 40,000 with the concurrence of the insurance company. Sanjay wanted the insurance company to pay him the full insured value.

On the basis of the above facts provide your answers/observations to the following issues :

(a) Who is a surveyor and in what circumstances does an insurer appoint him ? Is the surveyor report binding on the insurer and the insured ?

(8 marks)

(b) Is the opinion of the surveyor that the accident was due to the negligence of the insured and hence no claim was payable under the policy sustainable ?

(6 marks)

(c) If the insurer were to accept the claim under the policy, what would be the amount payable to Sanjay ? Indicate in your answer the methodology of settlement that could be suggested by the insurance company.

(16 marks)

(d) In case Sanjay was not in a position to accept the insurer's settlement, what course of action is open to him to establish his claim ?

(10 marks)

2. (a) What are the participating policies in life insurance business ? Can a life insurance company declare a bonus to the policyholders when participating fund is in deficit ? Discuss.

(b) A, an individual, has taken a life insurance policy for ₹ 5 lakh on his own life and nominated C as the nominee under the policy. Subsequently A assigned interest under the policy to S from whom he had borrowed ₹ 2 lakh. Both the assignment and the nomination were duly reported to the insurer.

A died after about 2 years of taking the policy. The amount borrowed from S had remained unpaid on the date of his death.

Who will get the insured amount on A's death ? Decide.

*(6 marks each)*

3. (a) X is a director of an insurance broking company. C, a general insurance company, wants to induct him on the Board of the company as an independent director.

You are the company secretary of the company C. How will you proceed for the appointment of X as an independent director ? What is the procedure to be complied with by a person who wishes to be appointed as a director on the board of an insurance company ?

*(6 marks)*

: 5 :

- (b) S is a limited liability company carrying on a business in manufacture and sale of hazardous products. It has insured its risks under a general insurance contract with one of the Indian insurer. In course of the currency of the policy, an explosion occurs in the factory and 20 members of the public are killed while 40 suffer from permanent total disability. Amongst the injured were 5 minors who were hospitalized and then discharged.

Calculate the amount of relief that members of the public will be entitled under the policy taken with the insurer.

(6 marks)

4. (a) Under what conditions imposed by IRDAI, can insurance products be marketed by web aggregators ? Discuss.
- (b) What is the role of a “with profits committee” of a life insurance company ? How is it constituted ?

(6 marks each)

5. Is a health insurance policy taken by an individual from a health insurer ‘A’ transferrable to another health insurer ‘B’ ? Discuss the modalities of such a transfer if it were to be possible.

(12 marks)

6. R Insurance Inc. is a life insurance company having its headquarters in the USA. It has many subsidiaries and associates that are engaged in the financial sector.

R entered into the Indian insurance market in 2004 by taking a 26% equity interest in an Indian insurance company. On liberalisation of the rules, its equity participation was increased to the permitted level of 49%.

Sensing that it could contribute to the growth of the Indian insurance market, R wanted a further participation in the equity of another Indian insurance company either in its name or any one of its US subsidiaries. It carried on negotiations with an Indian company proposing to set up a new life insurance company in India and agreed to take equity in the new life insurance company to the extent of 26% in the first stage.

Can R hold equity in two different insurance companies in India ? Discuss.

*(12 marks)*

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