

Roll No.....

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) Mr. Vikrant, as a sole proprietor of rice mill running under the head and style of “M/s. Vikrant Enterprises”, at village H in Tehsil B, District S, which was financed by PBZ Bank. Mr. Vikrant is also a depot holder and authorised to distribute kerosene oil (highly flammable) in the nearby areas to poor villagers as per requirement. Sometimes, the excess stock of oil is also stored in the premises of rice mill.

As per the terms and conditions of the financial assistance, M/s. Vikrant Enterprises got the building, plant, machinery and stock insured with the ULP Insurance Company Limited, covering the risk of earthquake, fire and floods, for which two separate insurance policies were taken, one in respect of the building, plant and machinery and another in respect of stocks of paddy, rice, rice bran, rice husk and bardana etc., lying in the factory premises. The total risk covered was for ₹ 500 lakh. The terms and conditions of the policy were explained to Mr. Vikrant and he agreed in totality. The period of validity of such insurance policies was w.e.f. 24th September, 2019 to 23rd September, 2020.

During the intervening night of 16th/17th January, 2020, the factory premises gutted into fire. On account of devastation of fire, stock to the tune of ₹ 150 lakh got destroyed. Its information was given to the Insurance Company and the necessary claim was lodged. After carrying out the survey, the company decided not to pay the claim. Mr. Vikrant filed an appeal with State Commission and lost it.

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- (i) In your opinion, what are the considerations which led the insurance company and the State Commission not to settle the claim ? Also list some examples of such type under which insurance companies can take shelter to rebut a claim.
(10 marks)
- (ii) What are the implications of concealment of information by the insured and by the insurer ?
(10 marks)
- (b) TLP Ltd. is engaged in the business of manufacturing of garments and has been in this business since 1995. The Company has recently got its new building constructed and inaugurated the same. TLP Ltd has borrowed working capital from BBB Bank Ltd. As per terms and conditions of sanction, the company was required to insure all its primary and collateral security. Accordingly the insurance policy was obtained from an insurance company and bankers/financier's name duly incorporated in it.
As per routine requirements, bank appointed Mr. D as stock auditor. The Stock auditor visited the factory premises and carried out the stock audit. Everything went well except the following observation of the stock auditor :
The Fire extinguishers installed by the company are not up to the mark and Employees are not well trained to handle the same. He further stated that, tomorrow if something unwanted happens, insurance company will be well within its right to reject the claim.
Management of the company fails to understand as to how the said observation can affect them.
Discuss the observation of the stock auditor in reference to insurance laws.
(5 marks)

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- (c) Commencing operations in 2006 as Standalone Health Insurance provider, HK Insurance Co. Ltd is providing Insurance services in Health, Personal Accident and Overseas Travel Insurance etc. HK Insurance Co. Ltd has underwritten an average gross written premium of ₹ 5,000 crore during the last three financial years and has built up a promising path with an appreciable net worth of ₹ 500 crore as on 31st March 2020.
- Company has products to cater to everybody, be it individuals, families or corporates and work directly as well as through various channels like agents, brokers, online etc., and is also into bancassurance having long standing relationship with various Banks. Currently Company has 12800+ employees and 640+ branch offices all over India.
- The company has set up a target of achieving premium income of ₹ 6,000 crore and increase in net profit by at least 10 basis points. Accordingly the target was given to everybody involved. But to its surprise, the financial parameters for the current financial year were showing downward trend and the fall in premium income has been observed. Also the increase in customer complaints, returning of policies (reason being false selling of policies), and filing of complaints with insurance ombudsman (delay/rejection of claims) has become the normal routine. Management of the Company fails to understand the reason behind the same. After Investigation, it was pointed out that company is not handling the customers carefully, agents are selling the policies without understanding, the requirements of customer and even in some cases, problems and delays in settling the claims, timely intimation of renewal premiums and consequently there is a need to improve the image and reputation of the company.
- The Consultants involved in guiding the management suggested them to implement some code/principle which must be followed under all circumstances and ensure that changes will benefit consumers and increase their confidence in the company.
- Guide the management in devising such code and list some areas where it can deliver the required results.

(10 marks)

(d) Mr. Deep, resident of Ambala, Haryana, after getting his first job bought new car on 1st Dec. 2020 for ₹ 10 lakh. He got the same insured from the leading insurer after satisfying himself about the claim settlement ratio and other factors.

After one year, renewal premium was paid on time for continuing the policy. One fine evening after returning from office parked the car in front of his house and went inside. His kids were waiting for him to come and take them for a ride. When the happy family came outside the house, they were shocked to see that the car was not there. Everything kept in the car like mobile cover, toys of kids, important documents, duplicate keys of house and car, driving licence etc. also went missing. Immediately they informed the local police station and started searching nearby areas and enquiring from neighbours to get some information. But all in vain and the happiness got converted into sadness. Mr. Deep filed the first information report and informed the insurance company about the car lost. Insurance Company asked Mr. Deep to submit all the documents for claim processing. Considering the given circumstances :

- (i) Mention the process/documents which need to be submitted by Mr. Deep
(5 marks)
- (ii) Discuss the Admissibility of the claim
(2 marks)
- (iii) In case any dispute arises, how the same can be resolved ?
(3 marks)
- (e) M, 30, is an accountant earning ₹ 60,000 a year. He's married to S, 29, and they have two children aged four and two. S currently stays at home caring for the children. M and S have ₹ 1,40,000 mortgage, ₹ 40,000 owing on credit cards, and a car loan of ₹ 6,00,000. M's superannuation includes ₹ 5,00,000 of life insurance cover. M is worried that if something happened to him, his family would be in financial difficulty.

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After speaking to his financial adviser, M decides to take out ₹ 10,00,000 life insurance policy and ₹ 2,00,000 trauma and disability insurance. When combined with the existing life insurance he has under superannuation, if M dies unexpectedly S and the children will have sufficient amount to live on after all debts are paid. Also, if M was to suffer from one of the medical conditions specified in his trauma insurance policy or suffer a total and permanent disability, the lump sum he receives would help meet his medical treatment costs, hopefully without the need to dip into the family's savings or go further into debt. So he bought the policy. But after receiving the policy documents, he observed that conditions in policy are different as compared to conditions informed by the agent of the insurance company. So he filed a complaint with Grievance officer designated by the insurance company on 01.01.2020. The company rejected the customer grievance on 15.01.2020 (intimating him on 20.01.2020) and closed the complaint on 31.01.2020.

(i) What conditions need to be fulfilled so that grievance can be considered closed as per insurance regulations ?

(4 marks)

(ii) Do you think the company did the right thing by closing the grievance in the given circumstances ?

(1 mark)

2. (a) GN Ltd. is engaged in the manufacture and sale of metalized and coated films and papers. Company is planning to start new manufacturing facility for which project planning has already begun. Project team is working day and night to procure land, financial arrangements, procuring orders and procurement of machinery from various places, storing machineries purchased and delivered etc.

The company agreed to purchase one Machinery from M/s VG Limited, England for a total value of ₹ 5 lakh. The machinery purchased was to be installed at the company's

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Plant at Jammu and in order to ensure, secured and safe delivery, the company took a marine cargo (Specific Voyage Policy) for a total assured sum of ₹ 500 lakh against any loss/damage occurring to the machinery during transit from Port to Jammu. The company paid the insurance premium due, to complete the contract.

GN Ltd. bought the same policy from other insurer also for the same sum insured and on almost the same terms and conditions. The machinery had arrived at Mumbai Port and was delivered at the petitioner's warehouse at Jammu. However, on opening the packed cases, it transpired that the machinery had got damaged during the course of transit. Both the diffusion pumps of the vacuum metallizer had cracked and the elbow of one of the pumps had bent and was damaged beyond repair. Consequently, insurers were informed about the damage and also sought for conducting a survey for assessment of loss estimated at ₹ 50 lakhs.

Answer the following questions considering the above :

- (i) Is it possible that GN Ltd can take multiple marine insurance policies for the same cargo ? In insurance terminology, what do we call GN Ltd ?
(4 marks)
- (ii) Discuss about the admissibility of claim and which insurer will bear the loss ?
(6 marks)
- (iii) Do you think any insurance product covers the project before it starts operations ? Discuss.
(5 marks)
- (b) True Ltd is engaged in the business of manufacturing of garments and has its office in New Delhi. The company is operating from rented premises. Management of the company decided to have its own building/premises considering the requirement of more space and also to reduce the fixed expenses in the future. Accordingly the plan was made and

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fund arranging exercise begun. The funds available with the company were enough considering the current cost of construction. But management fears that construction cost will rise in the times to come and then company may face financial crunch. Management of the company seeks your guidance as to whether there is any way out that the risk of future price rise in construction cost can be handled/mitigated. Guide them suitably.

(5 marks)

- (c) Rohit proposed to purchase Life Insurance Policy (Unit Linked) from XYZ Insurance Co. Ltd. The company asked him to get his medical done for which expenses were borne by the proposed insurer. After receiving the medical reports, the insurer accepted the proposal and consequently the policy documents issued. Policy documents contained some wrong information like the name of insured, date of birth, details of the riders attaching to the property. Rohit got annoyed and decided to cancel the policy and claim the refund of premium paid by him.

- (i) List the rules of Interpretation of a policy.

(5 marks)

- (ii) Calculate the refund amount considering the given information :

Sum Insured : ₹ 100.00 lakh

Premium Paid : ₹ 1,00,000.00

Units allotted at the time of Policy Issuance : 8,000 @ ₹ 10.00 per unit

Medical Expenses : ₹ 5,500

Proportionate Risk premium for the cover period : ₹ 12,500

Stamp Duty Charges : ₹ 800

Fund Manager Charges : ₹ 1,200

Unit Price as on the date of cancellation : ₹ 9.50 per unit.

(5 marks)

3. Give brief notes on :

- (i) Actual Total Loss
- (ii) Constructive total loss
- (iii) General average
- (iv) Particular average
- (v) Hit and Run motor accident.

(5 marks)

4. ABC Insurance Co. Ltd. appointed Mr. X, CEO of the company, as a member of the audit committee. Do you think it is allowed ? Also inform the various functions to be performed by Insurance Co.'s audit committee.

(5 marks)

5. List out the circumstances under which the life insurer may apply, to pay the amount into the court to obtain a satisfactory discharge for the payment of amount payable under the terms of the policy or otherwise.

(5 marks)

6. (i) What are various courses of action available to the underwriter when a proposal for insurance is received ? Whether underwriter can make any modifications while accepting a proposal of insurance ?

(3 marks)

(ii) If a person wants to assign the policy to another person without a valid consideration, what conditions must be fulfilled for an assignment to be valid ?

(2 marks)

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