

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. (a) Arvind while taking the Life Insurance Policy had informed in his proposal form to XYZ Insurance Company that he is a smoker. He also submitted special reports of his diabetes and blood pressure, which were asked by the company. The proposal was accepted with extra premium and was informed on 10th January, 2019. He was hospitalised on 17th January, 2019 due to chest congestion and breathlessness. He was under treatment from 17th January. However, he died on 1st October, 2019 due to heart failure. The claim was repudiated on the grounds of suppression of material facts based on certificate of treatment, prescription, letters of doctors and hospital. It was observed that all the diagnosis/treatment commenced after 17th January. All the documents proved that the deceased was not aware of his ailment at the time of taking the proposal.
- (b) Bharti was working as a supervisor in postal department. While taking the life insurance policy on 5th January, 2008 she had produced a voter ID card as the age proof

: 2 :

- and the agent filled up the proposal form. Date of birth mentioned in that voter ID was 01-01-1950 though her actual date of birth was 01-08-1943. However she passed away on 20th December, 2008. The insurer has repudiated the claim based on the allegation of wrong age proof.
- (c) Eeswar Prasad purchased a Unit Linked Insurance Policy from ABC Insurance Company on 8th August, 2018. He was under the treatment of High BP prior to the issue of the policy. He did not reveal this information to the insurance company. Within one year of the commencement of the policy, on 1st May, 2019 he died due to Coronary Arterial Disease (CAD). The insurer produced the evidence, which proved that the life assured died due to uncontrolled hypertension, which led to CAD to death. Due to non-disclosure of the material fact the SA claim was repudiated.
- (d) Chandra Shekhar, his wife and her brother were travelling in a two-wheeler from Vijayawada to Guntur at night and they met with an accident due to hit and run by a lorry. The wife and her brother died in the accident. The FIR and PIR had concluded that it was breach of law since 3 people were travelling in a 2-wheeler in which only 2 are allowed to travel. Though the life assured was only pillion rider, she was travelling as one of the passengers on the Motor Cycle (as per MVAct only two persons are permitted), which amounts to breach of law. The insurer refused to pay the accident benefit sum assured since the accident was caused due to breach of law.

: 3 :

(e) Durga Prasad the life assured submitted proposal on 30.03.2005. Policy commenced from 28.04.2005. The life assured died of road accident on 13.05.2005. The insurer refused to pay the accident sum assured since the life assured was under the influence of alcohol at the time of accident. The claimant argued the life assured was not driving the vehicle and hence the double accident benefit claim cannot be rejected. The insurer contended that as per Medico-Legal Manual if the alcohol content is 100 to 300 MG % the person would have some mental confusion, emotional instability, loss of critical judgement, impaired memory, sleeplessness, slowed reaction time, loss of muscular co-ordination etc. As the policy conditions of DAB, if death of the life assured is caused by intentional self-injury, attempted suicide, insanity or immorality or when the life assured is under the influence of intoxicated liquor, drug or narcotic, the insurer is not liable pay the additional sum assured.

(i) In all the cited cases (a to e) justify or reject the stand taken by the insurance companies.

(8 marks)

(ii) With reference to the first two cases (a and b), explain the following :

- (a) Warranties
- (b) Representation
- (c) Misrepresentation
- (d) Concealments.

(8 marks)

: 4 :

(iii) Based on the third case (c) discuss the factors that has to be considered while underwriting lives and the difference between medical and non-medical underwriting.  
(8 marks)

(iv) With reference to the fourth case (d), describe the basic principles of motor insurance.  
(8 marks)

(v) Based on the fourth case (d) explain :

(a) Third Party Insurance

(b) Liability only Policy Coverage

(c) Comprehensive Coverage

(d) Can Chandra Shekhar claim death benefit from the above coverages ?

(8 marks)

2. (a) A owns a restaurant, which he had bought three years ago for ₹ 20 lakh. He had bought fire insurance worth ₹ 16 lakh (which is the written down value of his insured property). His restaurant caught fire and the amount of loss suffered was ₹ 5 lakh. What is the liability of the insurance company to settle the claim ? On what principles of insurance contract, the settlement of claim takes place in the fire insurance products. Discuss other features of fire insurance policies also.

(6 marks)

(b) On August 20, 2008 a Span Air MD 87 crashed on take-off at Barajas Airport in Madrid. This crash resulted in 154 deaths and 18 survivors. The Official version of the accident claiming pilot error alone, there may be some additional factors contributed

: 5 :

to the plane crash. Aviation insurance offers protection against a wide array of perils, dangers, risks and damages to policyholders. Identify such risks, damages due to aviation. Explain the different aviation insurance policies which cover such risks.

*(6 marks)*

3. (a) Explain IRDAI's corporate guidelines to insurance companies in addition to the applicable provisions of the Companies Act, 2013/1956.
- (b) The Bhopal Gas Tragedy, which arose on account of leakage of the methyl isocyanate gas from the Union Carbide Plant in Bhopal on 2nd and 3rd December, 1984 resulting into a liability of US \$ 470 million for Union Carbide. This incident led to the enactment of an Insurance Act in 1991. What is that Act ? Explain how that Act imposes no fault liability.

*(6 marks each)*

4. (a) Is there any insurance policy to cover the liabilities of Directors and Officers of a Company ? If yes, explain the features of such policy.
- (b) Discuss different types of Marine Fraud.

*(6 marks each)*

5. (a) What is money laundering ? What are the macro-economic consequences of money laundering ? Discuss Anti-Money Laundering guidelines.

(b) Describe the salient features of New Pension Scheme (NPS).

*(6 marks each)*

6. (a) What is IFRS17 ? Discuss the areas of applicability of IFRS17 in insurance contracts.

(b) What do you mean by Takaful Insurance ? Explain the different models of Takaful insurance.

*(6 marks each)*

————— o —————