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. Anand has taken a Health Insurance Policy from XYZ Insurance Company. The Policy also covers critical illness. He paid premiums continuously without any break and without any claim for 10 years. Unfortunately, he was detected with a disease which is not in the classification of diseases or fall under the definition of critical illness cover of that insurance company. Anand made a claim with the insurance company after his discharge from the hospital, after treatment of the unknown disease. XYZ Insurance Company denied the claim. Anand with much disappointment due to denial of the claim sued the web aggregator who had recommended and issued the insurance policy with critical illness cover to him.

(*a*) Is the Insurer allowed to contest the claim ? Justify the answer.

(*b*) Are there any guidelines on standardization of General Terms and Clauses in Health Insurance Policy contracts ? Explain.

(*c*) Can the corporate agents and web aggregators be sued by their clients for errors or negligence during the course of their professional duties ? What are the guidelines and its scope imposed by IRDAI to protect the professional interests of the corporate agents, brokers and web aggregators ?

(*d*) What are the limitations of the guidelines which are issued by IRDAI to protect the interests of the corporate agents, brokers and web aggregators ?

(*e*) How does the consumer get benefit with the policy ?

(*8 marks each*)

2. (*a*) Balaram purchased a Unit Linked Insurance Policy on 1st March, 2015 from ABC Insurance Company. The policy includes both term insurance coverage and estimated investment returns. He took the policy for tax deduction purpose under Sec. 80C of the Income Tax Act, 1961.

In January, 2017, his financial advisor suggested him an annuity plan which comes under Sec. 80CCC of the Income Tax Act, 1961. Balaram is totally convinced with the annuity plan and wants to discontinue the Unit Linked Insurance Policy as paying premiums for both the plans is difficult for him. He approached the insurance company to claim the fund value from the premiums he had paid from March, 2015 to January, 2017.

(*i*) Can he get the fund value immediately ? Justify the answer with the latest ULIP regulations of IRDA.

(*ii*) If he revives the policy within two years, can he get the fund value ?

(*6 marks*)

(*b*) As a Financial Planner of a client, how do you suggest to ideally allocate client's income of ₹ 1,00,000 for the saving goals, retirement or put off the debt, Housing EMI or rent and on everything else. Justify your answer with percentage of allocation of his total income.

(*6 marks*)

3. (*a*) Devender having a textile business maintains stocks to operate his business. He took a declaration fire insurance policy with the following details :

Sum insured : ₹ 1,00,00,000

Rate per thousand : ₹ 1.00

Premium paid in advance : ₹ 10,000

His monthly declaration of stock values is as under :

Month	**Amount of stock in ₹**
January	5800000
February	5600000
March	4600000
April	3000000
May	3000000
June	3000000
July	3000000
August	4000000
September	4000000
October	4000000
November	4000000
December	4000000

Calculate :

- average sum insured
- premium on average sum insured
- amount of refund of the premium.

(*6 marks*)

(*b*) Financial risks for both the insurer and insured are classified as :

- Capital risk
- Asset Liability management risk
- Insurance risk
- Credit risk

Discuss each risk separately with their sub-categories of risks.

(*6 marks*)

4. (*a*) Emmanuel sent one consignment to Ireland on 5th May, 2021. The consignment was lost in sea and did not reach the destination. Explain him the procedure for making marine insurance claim.

(*b*) Explain benefits of Aviation insurance.

(*6 marks each*)

5. (*a*) In 2011, Sony's play Station Network was breached by hackers, exposing personally identifiable information (PII) of 77 million Play Station user accounts. The breach prevented users of Play Station consoles from accessing the service, an outage that lasted for 23 days. Sony incurred $171 million in costs related to the breach. Portions of the costs could have been covered by a cyber-insurance policy but Sony did not have one in place. A court case ruled that Sony's insurance policy covered damage to physical property only, leaving Sony to incur the full amount of costs related to cyber damage.

India's Cyber Security industry nearly doubled in size amid the pandemic with rapid digitalization. After keeping in mind the rising incidences of cyber-attacks along with a growing number of high profile data breaches, the online exposures for individuals, business organizations, offices and other establishments, the Insurance Regulatory and Development Authority of India (IRDAI) on 8th September, 2021 has issued guidance document on product structure for Cyber Insurance.

Discuss the main objectives of the guidance document on product structure for Cyber Insurance.

(*6 marks*)

(*b*) Explain provisions under the Companies Act, 2013 and IRDAI regulations for control of conflict of interest of the Directors and employees.

(*6 marks*)

6. There are different types of treaty reinsurance. The arrangement between insurer and reinsurer for some types of treaty reinsurance agreements are as follows :

(*i*) Quota Share Arrangement :

- Risk assumed is ₹ 20,00,000
- Direct insurer bears 10%
- All reinsurers bear 90%

(*ii*) Surplus Treaty Reinsurance Arrangement :

- A 9 Line Surplus Treaty
- Risk Assumed is ₹ 2,00,00,000
- Direct insurer retention is ₹ 20,00,000

(*iii*) Excess of Loss Treaty Reinsurance Arrangement :

- Direct insurer decision to loss bearing is up to ₹ 1,00,000 in each and every loss
- The arrangement with the insurer is the loss amount beyond ₹ 1,00,000 with an upper limit of ₹ 80,000
- The actual loss is ₹ 2,00,000

(*iv*) Excess of loss ratio Treaty Reinsurance Arrangement :

- Direct insurer bears not exceeding 70% of the gross premium of the class.
- Reinsurer bears any balance, the ceding company's gross loss ratio is maintained at 70% but not exceeding 90% of the balance
- The ceding company's premium income is ₹ 1,00,00,000 and the total loss over the year is ₹ 80,00,000.

Calculate the appropriate amount of loss bearing for direct insurer and reinsurer for all the above treaty arrangements and fill the following table with the amounts shared by the direct insurer and the reinsurer.

Table Showing the Share of Insurers and Reinsurers

		Shares of	Amount in ₹
1.	Quota Share Treaty Reinsurance	Direct insurer	
		Reinsurer	
		Total Loss	
2.	Surplus Treaty Reinsurance Arrangement	Direct Insurer retention	
		Treaty	
		Total loss	
3.	Excess of Loss Treaty Reinsurance Arrangement	Direct Insurer Upper limit	
		Reinsurer	
		Total Loss	
4.	Excess of Loss Ratio Treaty Reinsurance Arrangement	Direct Insurer	
		Reinsurer bears	
		Total loss	

(*3 marks each = 12 marks*)

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