

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 4

**NOTE** : Answer **ALL** Questions.

1. Ashwini, aged 30 years, was employed as a supervisor in a bank. On 4<sup>th</sup> June, 2012, he took two life endowment insurance policies on his life for ₹50,000 each from Prudent Life Insurance Co. Ltd. Each policy had a different maturity term and period. Both the policies had accident claim benefit of an equivalent amount, viz. in the case of death of the insured due to an accident, the amount payable by the insurer would be twice the amount of the sum assured. Ashwini made his wife Smt. Asha as his nominee under the policies and also the legal assignee, since the couple had no issues then.

On 31<sup>st</sup> May, 2014, Ashwini while going to his office on his two-wheeler was involved in a head-on collision with a motor car coming from the opposite direction and was severely injured. He was admitted to a hospital, but succumbed to the injuries and died in the hospital on the morning of 2<sup>nd</sup> June, 2014.

Smt. Asha filed a claim under the policies with the insurer for payment of the sum assured together with the accident benefits. The company, after processing the claim, informed her on 15<sup>th</sup> July, 2014 that they were rejecting the claim on the ground that Ashwini, while taking the policies, had suppressed material facts.

The insurer indicated that Ashwini did not mention in the proposal form, the fact of an earlier ailment of having suffered from para-typhoid in June – July, 2010 and having been away from his employer on medical leave between 6<sup>th</sup> June, 2010 and 5<sup>th</sup> July, 2010.

The nominee filed a complaint on 18<sup>th</sup> August, 2014 with the District Consumer Forum stating that the repudiation of the claim was not justified. The insurer reiterated its argument that the non-mention of the previous ailment to it was a suppression of material facts and affected the fundamental nature of the contract. The District Consumer Forum on consideration of the arguments before it held in favour of the insurer agreeing with it that the deceased had suppressed material facts at the time of the proposal.

Smt. Asha, not accepting the decision of the District Consumer Forum, filed an appeal with the State Forum. Her counsel contended before the Forum that even if the deceased had suffered from para-typhoid less than two years prior to obtaining the policies and did not give the necessary information in the proposal form, it did not amount to a material suppression of facts. His main argument was that the cause of death was the accident with the motor vehicle and the cause had no nexus whatsoever with the alleged ailment. Thus, there was no suppression of facts.

The State Forum after hearing the arguments of both the parties, allowed Smt. Asha's appeal and held that the cause of death was accident and not illness. The non-mention of the fact of illness and hospitalisation did not amount to any non-disclosure of material facts. The Forum granted the relief asked for and directed the insurance company to pay Smt. Asha ₹2,00,000 under the policies. The decision taken on 6<sup>th</sup> January, 2015 also entitled the nominee with interest at 9% per annum from the date of filing the claim, viz. 18<sup>th</sup> August, 2014.

From the information given above, answer the following questions —

- (a) Was the State Forum justified in its conclusion in terms of the conditions of life policies issued by Indian insurance companies ? Give reasons for your answer. Cite relevant case law, if any. (15 marks)
- (b) If Ashwini had died on account of an illness, and not in an accident, will the decision of the State Forum be different ? Give reasons. (10 marks)
- (c) What are the provisions of the Insurance Act, 1938 regarding the time-limit beyond which the terms of a life insurance policy cannot be questioned ? (5 marks)
- (d) What do you mean by 'guaranteed surrender value' in a life policy ? (5 marks)
- (e) Can a discontinued life insurance policy be revived by the insured and if so under what circumstances and on what terms ? (5 marks)

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(f) Can a disputed claim under a small value life policy (e.g. ₹2,000) be settled in a quick manner ?

(5 marks)

(g) If death of the insured under a life policy takes place within two years of its commencement, by way of suicide, will the beneficiary get a claim ?

(5 marks)

2. (a) Hari took a fire insurance cover on his stock of oil-seeds, oil-cakes, *etc.*, while stored in a godown of Class-I construction, for a sum assured of ₹1,50,000 with Zenith General Insurance Co. Ltd. The risk was inspected by the insurer's representative. After the inspection, he collected the premium due and issued a cover note. The official receipt for the premium was received after three days by Hari. The cover note issued by the insurer's representative indicated that "the stock of oil-seeds and oil-cakes, *etc.* are covered for a period of 12 months effective from 26<sup>th</sup> February, 2015, subject to terms, conditions, exceptions, *etc.* of the insurer's printed policy against the risk of fire whilst stored in a godown of Class-I construction."

Despite several written requests and reminders by Hari, the policy document was not issued till the end of May, 2015. In the meantime, on 10<sup>th</sup> May, 2015, a major fire broke out in the godown damaging a large part of the insured's stock.

The insurer appointed a licensed surveyor who assessed the loss of oil-seeds and oil-cakes to the tune of ₹1,15,000. He also held that the fire was on account of 'spontaneous combustion'.

In the course, Hari filed a claim for loss with the insurer. Zenith Insurance Co. Ltd. informed him that the fire having occurred due to an excluded peril, *viz.*, spontaneous combustion, no claim would be payable.

How will you advise Hari to proceed to support his claim ? Discuss in your answer, the sanctity of a cover note issued by an insurance company or its representative.

(15 marks)

- (b) Inder had purchased a bus by taking a hire-purchase loan from Swami Financiers. The bus was used as a private service vehicle and not as a public transport. It was insured under a comprehensive motor policy issued by Sun India Insurance Co. Ltd. The bus met with an accident and an insurance claim was lodged. The insurer appointed a licensed surveyor who assessed the loss at ₹1,26,500. Out of this, the company deducted ₹33,125 on the ground that the driver of the bus did not have an endorsement on his driving licence to drive a transport vehicle. The balance of the amount was paid by the insurer to Swami Financiers. Aggrieved by this, Inder filed a complaint before the Consumer Forum.

You are required to answer the following —

- (i) Can an insurance claim be paid to the financier and not to the insured ?
- (ii) What are the exclusions under a comprehensive motor insurance policy ?
- (iii) What are the common reasons for the repudiation of claims under motor insurance policies ?

(5 marks each)

3. What are the conditions precedent to and subsequent to a fire insurance contract ? Discuss. (5 marks)
4. What is a unit-linked insurance plan (ULIP) ? What is the difference between a protection-cum-savings plan and ULIP ? (5 marks)
5. Outline the Insurance Regulator's guidelines with respect to financial inclusion. (5 marks)
6. Explain the maxim *caveat emptor*. Does this apply to insurance contracts ? (5 marks)