

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 4

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. ABC Ltd. is a Public Limited Company, engaged in the business of exports of rice. It uses godowns of the Port Authorities for storage of the rice stocks meant for exports. The company has taken a Fire Insurance Policy cover from XYZ Insurance Ltd. which is a Public Sector Company. Satish who is a Development Officer with the Insurance Company has been assigned the account of ABC Ltd. to service and cater to all its requirements of service. The policy is effective from July of one year to June of the subsequent year.

On 21st and 22nd July, 2015, there were heavy rains with cyclonic storms, due to which the Port Authority's Godowns were severely flooded. On ceasing of the rains on 26th July, 2015, ABC Co. Ltd. found that most of the bags stored in the Port's Godowns had been washed away. Except for some clusters of rice here and there, all the stocks had been damaged and destroyed by the rain. The Company lodged a claim with the Insurance Company, asking for compensation under the Fire Insurance Policy. The Insurance Company while examining the claim, observed that :

- The policy was due for renewal on 1st July, 2015 and the Insurance Co. had already sent a notice for payment of renewal premium to ABC Limited.
- ABC Ltd. had handed over a cheque for the premium as per the premium notice received from XYZ Insurance Ltd.
- The cheque was given to Satish, Development Officer on 27th June, 2015. The receipt of the cheque was duly acknowledged by Satish who had also issued a Cover Note for the period from 1st July, 2015 to 30th June, 2016.

: 2 :

- Satish however went on an official trip and deposited the cheque with his company branch on 16th July, 2015 after returning from his official trip.
- The accounts department deposited the cheque with the bank of the Insurance Company on 21st July, 2015 which was credited to the XYZ Ltd. account on 25th July, 2015.
- The Insurance Company however did not issue the regular policy till the event of the loss.
- ABC Ltd. was insured with XYZ Insurance Ltd. since the inception of its business 12 years back and no claims had been made so far by the Company.

On receipt of claim from ABC Ltd. the Insurance Company analysed the claim papers and sent a reply to ABC Ltd. repudiating the claim on the following grounds that :

- ABC Ltd. Co. was not covered on the date of loss, as no premium was paid for the cover.
- The premium was received by XYZ Insurance Co.'s accounts department on 25th July, 2015 after the loss had occurred and hence no insurance policy can be granted.
- Loss due to floods is not covered under Fire Insurance Policy.
- XYZ Insurance Co. was not bound by the Cover Note issued by Satish, Development Officer.

ABC Ltd. Co., on receipt of reply from XYZ Insurance Ltd. has approached you as an Insurance Expert to advise them for resolution of the dispute. They have also appraised you with the following additional facts about the case :

- Goods stored in the Godowns included 22000 tons of Rice acquired at a cost of ₹ 200 crores. The quantum of stocks was supported by the stock registers of the Port Authorities, which is also a Third Party record for confirmation.
- The stocks in the godown were covered by a Fire Insurance Policy of ₹ 250 crores.
- The stocks were pledged to a Nationalized bank for a loan of ₹ 75 crores. The outstanding amount on the date of fire was ₹ 60 crores.
- The Bank has also sent a claim to the Insurance Co. to pay the claim amount directly to the bank as the name of the bank was also endorsed on the earlier policies.
- The District Collector of the area appointed by the State Government, as Relief Commissioner had also certified that the goods in the godown were lost in the floods and there was no salvage.

: 3 :

Based on the above facts of the case, as an Insurance Expert, kindly advice ABC Ltd. Co. on the following issues :

- (a) Validity of the Fire Insurance Policy on the day of the accident ?
- (b) Tenability of the claim of Banker and ABC Ltd. for flood loss under Fire Policy.
- (c) Claims settlement process as laid down by the Insurance Act, 1938.
- (d) Liability of XYZ Co. Ltd. under the provisions of the Fire Insurance Policy.
- (e) Role of IRDAI and Insurance Ombudsman in dispute resolution and settlement in the light of the given case.

(8 marks each)

2. (a) “Risk is inherent in nature.” Discuss the different categories of risks encountered by Insurance companies.

(6 marks)

- (b) As a Compliance official, how would you ensure *Own Risk and Solvency Assessment (ORSA)* requirements by Companies as a part of Enterprise Risk Management ?

(6 marks)

3. Ajay purchased a bus on a hire purchase loan from XYZ Finance Limited. The bus was used as private service vehicle only. The vehicle was insured under a comprehensive motor policy issued by ABC Insurance Limited. The vehicle met with an accident. Ajay filed a claim with ABC Insurance Ltd. who appointed a licensed Surveyor to assess the claim. The loss was assessed at ₹ 1,65,000. The insurance company deducted ₹ 46,000 on the ground that the driving license of the driver was not endorsed for driving of transport vehicle. The insurance company paid the balance amount of claim of ₹ 1,19,000 directly to the financiers XYZ Finance Ltd. Ajay filed a complaint before the Consumer Forum. As an Insurance Expert, you are required to advice on the following :

- (a) Is the insurer justified in repudiating the claim ? Comment also on the actions of the insurer in the case cited.

(6 marks)

- (b) Discuss the scope of coverage available in a comprehensive motor insurance policy. Why is motor insurance mandatory in India unlike in other countries ?
(6 marks)
4. (a) Life insurance penetration is still dismally low in India. Why ? Do you believe that “Keyman Insurance” can help in improving the situation ? If yes, then how ?
(6 marks)
- (b) “The digital economy will make usage-based, on-demand and all-in-one insurance lifestyle products more relevant”. Explain the role and impact of technology in insurance business.
(6 marks)
5. (a) Evaluate the pros and cons of portability feature introduced in health insurance policies in India.
(6 marks)
- (b) What is your opinion in linking insurance buying to Income tax sops ? Discuss the tax benefits available to an individual for life insurance policies.
(6 marks)
6. With the deferment of applicability of IFRS in insurance business by IRDAI to year 2021, discuss relevant provisions and implications as applicable to insurance contracts from a CS perspective. Will this accounting reform bring in a positive stride for insurance business in India ?
(12 marks)