

Sr. No. of Question Paper : 1826 Roll No.
 Unique Paper Code : 2923062006
 Name of Paper : Insurance (DSE)
 Name of Course : Bachelor of Management Studies (BMS), NEP : UGCF-2022
 Semester : III
 Duration : 3 hours
 Maximum Marks : 90

Instructions to Candidates:

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Use of Simple Calculator is allowed.
3. Attempt any FIVE questions.

Q1 Answer the questions from the following caselets

(a) Mr. Amarnath lost his factory machinery valued (market value) at Rs. 20,00,000 as on the date of fire. He wanted to recover a claim of Rs 25,00,000 for he had a policy of Rs 50,00,000. On enquiry, it was found that the same new machinery's cost is Rs 17,50,000. If you were the insurer, what amount of claim would have been passed for Mr Amarnath? Explain the principle governing your answer.

(b) Ratnam Manufacturers got their stock insured against fire during the year. During Diwali celebrations, accidentally, a burning cracker caused fire in the warehouse and firemen were able to remove undamaged stock from the burning building to avoid its involvement in the fire. It was stacked in the open yard and subsequently got damaged by rain. What was the proximate cause of the damage, the fire or rain? Also, explain the principle of proximate cause.

(c) Mr. Ranjith made a proposal to an insurance company for an insurance policy on his life for Rs.8,00,000. He truthfully answered all questions on the proposal form and had disclosed all relevant facts. A few days later, but before the proposal was accepted, Mr. Ranjith fell ill with pneumonia. The proposal was accepted by the company the next day. Two days later Mr. Ranjith died of pneumonia and the company learnt for the first time of his illness. Is the insurance company liable to make the payment? Explain your answer with reference to the basic principle of insurance applicable in this situation. (3 x 6 = 18)

Q2. Define Insurance. Based on your definition, identify and explain the basic characteristics of insurance and characteristics of ideally insurable risk. (18)

Q3. Bharat Limited has been a manufacturing company with great future potentials. Their manufacturing plants are spread across the country. Recently, after experiencing losses due to lack of preparedness, they hired a professional team for risk management. Risk managers use a number of methods for identifying and managing risk. They proposed certain methods of risk management for different situations. For each of the following, what method for handling risk is used? Explain your answer.

- a. The decision not to carry earthquake insurance on a firm's main manufacturing plant
- b. The installation of an automatic sprinkler system in the office.
- c. The decision not to produce a product that might result in a product liability lawsuit
- d. Requiring retailers who sell the firm's product to sign an agreement releasing the firm from liability if the product injures someone.
- e. Having contracts with several suppliers for timely supply of raw materials.
- f. Taking marine insurance against the risk of loss of goods during shipment. (6 x 3 = 18)

Q4. "The Insurance Regulatory and Development Authority of India has directed Health Insurance providers to develop specialized policies to cater to the needs of senior citizens and also establish dedicated channels for addressing their grievances and claims. With effect from 1 April 2024, IRDAI has removed the age limit for purchasing health insurance policies. Earlier, 65 years was the age limit for buying new health insurance policies." This recent news on IRDA throws some light on the role of IRDA in insurance sector. You are required to explain the duties, powers and functions of IRDA in India.

(18)

Q5. ABC Insurers, the ceding insurer, was reinsured by MN Reinsurance Co. The contract stipulates cession of 8 surplus lines of each Rs 5,00,000 by reinsurer. The retention amount is Rs 10,00,000. Six policies are underwritten by ABC Insurers of sum assured of Rs 50 lakhs, Rs 44 lakhs, Rs 9 lakhs, Rs 1.2 crores, Rs 95 lakhs and Rs 80 lakhs. (3 x 6 = 18)

(a) Compute percent retention and cession risk in each case.

(b) What would be your answer if ABC Insurers ceded first eight surplus lines to MN Re and second six surplus lines of Rs 5,00,000 each to LB Reinsurer for last three policies?

(c) In case of (a), calculate the amount of premium and loss shared amongst the ABC and MN Re on the basis of following information

Policy 1	Premium – Rs 50,000	Loss – Rs 2,00,000
Policy 2	Premium – Rs 44,000	Loss – Rs 1,00,000
Policy 3	Premium – Rs 10,000	Loss – Rs 65,000
Policy 4	Premium – Rs 1,25,000	Loss – Rs 5,00,000
Policy 5	Premium – Rs 1,00,000	Loss – Rs 3,00,000
Policy 6	Premium – Rs 85,000	Loss – Rs 2,40,000

Q6. Answer any THREE of the following:

(3 x 6 = 18)

- a. Requirements of an insurance contract
- b. 5000 factories require a Sum Insured of Rs.20 crores each. Statistically, we know that 10 factories get destroyed by fire each year, but we do not know which ten if the losses are to be paid for by all of the 5000 factory owners, what should be the contribution by each factory owner by way of pure premiums? If expense ratio is 20%, what is the amount of gross premium?
- c. Endorsements and Riders
- d. An agent places Rs 30,00,000 of insurance with Company A, Rs 10,00,000 with Company B, and Rs 10,00,000 with Company C, for a total of Rs 50,00,000. If premium received is Rs 32,000 and a Rs 1,00,000 loss occurs, what will be the share of premium and loss for each company
- e. Benefits of Risk Management

