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MBA**THEORY EXAMINATION (SEM-IV) 2016-17****INSURANCE & RISK MANAGEMENT****Time : 3 Hours****Max. Marks : 100****Note : Be precise in your answer. In case of numerical problem assume data wherever not provided.****SECTION – A****1. Attempt all parts of the following: (max 30 words)****(2x10 = 20)**

- “Insurance is a risk coverage device.” Comment on the basic advantage of insurance.
- What are mutual funds and how do they function?
- Discuss the role of underwriters in insurance.
- Compare and contrast between assignment and nomination in life insurance.
- Explain the important function of life insurance Corporation of India.
- Discuss the difference between risk premium, net premium and pure premium.
- Define mortality table? Discuss the source of mortality information.
- A contract of insurance is a contract of “Uberrimae fidei”. Explain.
- Bring out the important difference between ombudsman and consumer forum.
- Discuss the concept of enterprise risk management in business?

SECTION – B**2 Attempt any five of the following: (maximum 300 -350 words)****(10x5 = 50)**

- Explain the terms surrender value and paid-up value. Find out loan available at 90% of surrender value on the basis of following data: SA- 1, 30,000 Date of commencement: 15.06.1992. Endowment with profit 30yrs. Due date of last premium paid 15.06.2007 mode half yearly. Accrued bonus 1500/- per thousand. SA.SVF 23%.
- Discuss in brief the various distribution channel and marketing strategies followed by life insurance companies to reach out customers.
- Discuss the salient features of Income tax act and also discuss the provision of Income tax under section 80C, 10 (10D), 80CCC.
- Insurance is substitution of certainty for uncertainty. Justify this statement and discuss the risk management process and various types of risk.
- What do you understand by a financial system in country? Discuss its structure with particular reference in India.
- Describe the procedure of settlement of Life insurance claims. What steps have been taken by L.I.C to speed up the claim settlement?
- What are the factors of buying any life insurance? Is there any credit rating is a crucial factor or not? Discuss.
- How the insurance business is classified? Discuss in detail the general principles of insurance.

SECTION – C**Case Study:****(2x15 = 30)**

Hari was a self-employed plumber. In January, his home was burgled and he made a claim under his home insurance policy, which the firm duly paid. In May, his van was broken, and a number of personal possessions were stolen, including the tools he used for his work. He made another claim to the firm under the personal possessions section of his home contents policy. During the course of its enquiries, the firm's loss adjusters

insisted that Mr. Hari substantiates all his losses with original purchase receipts. Mr. Hari was unable to find all the receipts, so he asked a friend to fake one for him.

When the firm discovered the forged receipt, it avoided the policy. In other words, the firm cancelled it from the start. The firm not only refused to pay for the items stolen from the van, it also tried to recover the money it had previously paid out to Mr. Hari for his earlier burglary claim. After the complaining unsuccessfully to the firm, Mr. Hari reported the case to ombudsman.

Complaint Held by Ombudsman

The firm accepted that the theft from the van was genuine. Mr. Hari had been foolish to obtain a forged receipt, but he was not dishonestly trying to obtain something to which he was not entitled. The loss adjusters had, in fact, been rather over zealous in insisting on strict proof of purchase for all the items stolen.

Ombudsman applied the rationale of “The Mercandian Continent” case ((reported in 2001) Volume 2 of the Lloyd’s Law reports at page 563) which concerned the principle of utmost good faith. Ultimately, the case held that insurers should only be able to avoid a policy for fraud where the insurer’s ultimate liability was affected or when the fraud was so serious it enabled the insurer to repudiate the policy for fundamental breach of contract.

Following this rationale, Ombudsman concluded that the fair and reasonable solution was for the insurer to reinstate the policy and pay the claim. In any event, it was unlikely that the firm’s ultimate liability would be affected by the fraud, as Mr. Hari’s work tools were specifically excluded from the home policy. Home policies often exclude cover for contents or possessions that are for business rather than personal use.

Ombudsman also pointed out to the firm that even if Mr. Hari had been guilty of fraud, it would only have been entitled to forfeit the policy from the date of the current claim, leaving the earlier burglary claim intact. It was not entitled to recover previous payments for valid claims.

Answer the following:

3. Do you support the argument that due to fanatic attitude of the insurance companies about submitting the proofs during claims, sometimes forces the insured to generate the proofs illegally, which are real but have been lost or misplaced?
4. “Culprit gets escaped, but true men always get caught. Comment.