

SCHOOL OF COMMERCE, DAVV, INDORE
End-Semester Examination December-2020 (March 21)
MBA (Foreign Trade) 5Yrs VII Semester
Insurance and Risk Management

Time: 3 Hrs.

M.M.60

Note: Attempt any four from Section A and Section B is compulsory.

Q1a).What is Insurance? Explain any four principles of insurance.(8marks)

b).Mr. Srinivas takes out a fire policy on his house valued at Rs. 24 lakhs with two insurance companies. He insures it for Rs.12 lakhs with each company. When the house is partially damaged in a fire, the loss is estimated at Rs. 6 lakhs. He claims Rs. 6 lakhs each from the two insurers. The two insurers decline to give him Rs. 6 lakhs each. Why? (2marks)

Q2a).Insurance contracts have certain legal characteristics that distinguish them from other contracts. Explain the legal characteristics of insurance contracts. (8marks)

b).Due to some unfortunate incident, fire indeed broke out due to some combustible explosives in the house. The kitchen got destroyed and Murali wanted to press charges against the damages. The claims department, on receipt of the request, ordered an enquiry. They discovered that there was some combustible material in the house, which increased the risk of fire. This was not mentioned as a probability when the insurance was drawn. Thus, NIC can refuse the payment.

What characteristic of the insurance contract does the example exemplify? (2marks)

Q3a).Discuss rating of insurance products. (8marks)

b). Rishi has taken two Mediclaim policies for self, Rs 2, 50,000 from X company and for Rs 1, 50,000 from Y company. Rishi has incurred an expense of Rs 1, 60,000 on hospitalisation following an ailment. This compensation of Rs 1, 60,000 will be shared and paid by both the companies on rateable(prorata) proportion basis. The share of each company will be (2marks).

Q4a).What is Risk? Explain types of Risk(8marks)

b).A publishing company solicits manuscripts for publication. The publishing company is concerned that an author might plagiarize material and that the person who was plagiarized might sue the publisher. To address this risk, the contract with the author includes a hold-harmless agreement. Through this agreement, the author, rather than the publisher, is held liable for plagiarism. In this situation, the publisher is using the hold-harmless agreement as what type of risk treatment measure?(2marks)



Q5.a) Explain Marine Insurance policy.(8marks)

b) If the cargo ship sunk, what will be the ship insurance pay the cargo owner?(2marks)

Q6)Write short notes on(any two)

a)ECGC

b)IRDA

c)Risk Management Techniques

Section B (20 marks)

Q7A)What risk management technique is illustrated by each of the following?

(a) Mid-South Van Lines requires each of their moving van drivers to complete a defensive driving course each year.

(b) Linda purchased disability income insurance.

(c) After tests revealed an experimental drug produced harmful side effects, Acme Drug Company discontinued development of the drug.

(d) To protect his personal assets from the claims of creditors, Dave decided to incorporate his small business.

(e) Towne and Country Dry Cleaners installed a sprinkler system in the laundering area

Q7B) Osama is applying for a health insurance policy. He has a chronic liver ailment and other health problems. He honestly disclosed the true facts concerning his medical history to the insurance agent. However, the agent did not include all the facts in the application. Instead, the agent stated that he was going to cover the material facts in a separate letter to the insurance company's underwriting department. However, the agent did not furnish material facts to the insurer and the contract was issued as standard. A claim occurred shortly thereafter .After investigating the claim, the insurer denied payment. Osama contends that the company should pay the claim because he answered honestly all questions that the agent asked.

a) On what basis can insurance company deny payment of the claim?

b) What legal doctrines can Osama use to support his argument that the claim should be paid?





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