

Roll No.

OPEN BOOK EXAMINATION

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 6

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. Mr. Anand, when he was celebrating his 36th birthday on 2nd January in the year 2020 with his friends', discussions went on protecting their families with insurance coverages. Later he decided to take Insurance Policies for the protection of his family including wife Mrs. Rama, home maker aged 32 years and one daughter aged 10 and one son aged 6 years. He consulted a financial planner and explained his financial background and his objectives of providing family income in his absence and to accumulate fund for children education and other expenses. After a lot of discussions, the financial planner suggested two insurance policies. One is a whole life insurance Policy to meet the requirement of family income in his absence and a Unit Linked Insurance Policy to accumulate the fund for his children education and other expenses. His decision was finalized in the month of August, 2020.

Before finalizing these insurance policies, he never visited a doctor for any major ailments and he answered positive for one of the questions in the whole life insurance application form to the best of his knowledge, he believes that he is in 'good health condition'. And while taking the whole Life Insurance Policy he did not inform in his proposal form to M/s XYZ Insurance Company that he is a smoker.

While purchasing the Unit Linked Insurance Policy, the Agent of the M/s XYZ Insurance Company assured 20% of guaranteed returns on the investment in that policy. He is satisfied with the projected amount with guaranteed returns on his investment in that Insurance Policy, which is sufficient to his expected obligation of children responsibilities of their education and other expenses.

Both the proposals were accepted on 21st August, 2020. He is happy and informed his family members that he has taken two insurance policies and the document numbers saved in his mobile phone and kept the original documents in his safe custody. Continuing those two policies with prompt payment of premiums, suddenly on 10th September, 2023 he was hospitalized and died due to massive heart attack. As per the death certificate by the doctors the heart attack was due to severe damage of the blood vessels.

The family went into shock with untimely death of Mr. Anand. With the financial distress, slowly his wife remembered the insurance policies which he mentioned earlier. She could not find the documents where her husband kept.

She approached an employee of the Insurance Company with the policy document numbers which is available from the deceased mobile phone. After listening her, the immediate reaction of that employee is that without Insurance Policy Documents, Policy amount cannot be paid. And also with further chit chat, the employee realized that her Husband was a Smoker and died with heart attack and the fact of his 'Smoking Habit' was not mentioned in the application form. Hence on the suppression or concealment of material fact also policy money is not payable, because Insurance Companies believe concealment of material fact mostly coincided with an element of fraud from the Policyholder.

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On the basis of the above facts, answer the following questions :

- (a) Mr. Anand did not mention his smoking habit in the application form. 'Smoking' is one of the main reasons for the cause of damage of blood vessels and he died with massive heart attack due to damage of blood vessels. As per the Insurance Company, the Policyholder concealed or suppressed the material fact that he is a smoker. On this ground in this case, can an Insurance Company repudiate the Claim ? Can it be considered as a fraud or concealment ? What is the difference between Misrepresentation and Concealment ?

(2+2+4=8 marks)

- (b) Is there any relevance of implications of section 45 of the Insurance Act (As amended by the Insurance Laws (Amendment) Act, 2015 related to this case ?

(8 marks)

- (c) In the present case does the loss of policy document absolve the insurer from the liability of payment of policy proceeds ? Is there any way to resolve the loss of document and what is the procedure ?

(8 marks)

- (d) Whether Mr. Anand is entitled to receive the bonus amounts on any of the two policies ? What is the difference between interim bonus and terminal bonus ?

(8 marks)

- (e) Whether Mr. Anand gets guaranteed returns as assured by Insurance Agent in Unit Linked Insurance Policy ?

(8 marks)

2. (a) Mr. Karan, a 45 years old who smokes and has a history of Hypertension, is applying for a Term Life Insurance Policy at “Secure Life” Insurance Company. He is also exposed to occupational hazards as a Chemical Engineer but maintains an active Lifestyle.
- (i) Identify the most significant Risk Factor in Mr. Karan’s Profile affecting his morality.
(3 marks)
- (ii) Recommend one Underwriting adjustment to address this risk while ensuring the Policy remains fair.
(3 marks)
- (b) Time value of money is different in different time periods. It may be due to inflation, uncertainty, opportunity cost and effect of tax etc. It is very important to understand accumulation of future values of our present investments specially for retirement planning. Find out the Future values of present investment of ₹ 10,000 for 10 years @ 10% with Simple and Compound interests. If the Average Rate of inflation is 6%, how do you find out the Real Return (Explain the Formulae).
(6 marks)
3. (a) “Life Secure Insurance Company” aims to overhaul its Anti-Money Laundering (AML) Practices. Considering the importance of Customer Due Diligence, Ongoing Monitoring, Suspicious Activity reporting, Internal Controls and Compliance Management, and Employee Training in an effective AML Regime.
- Analyze how you can spearhead the enhancement of these Five Critical Areas to Bolster “Life Secure Insurance Companies” AML Framework in line with Regulatory Expectations.
(6 marks)

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- (b) There are so many Standard Clauses or Policy wordings to protect the Health Insurance Policyholder. Is there any specific clause which allow Policy Holder to Transfer from one insurer to another insurer or from one plan to another plan of the same insurer ? If there is such clause, discuss briefly about that clause.

(6 marks)

4. (a) (i) Explain “Average Clause” term in Insurance Agreements.
- (ii) A Commercial Building which has been insured for ₹ 6 crores, but Insurance Premium has been paid on a Sum Insured of ₹ 3 crores only. There is a Loss of ₹ 2 Crores Worth of Property due to some Fire Accident. Calculate the Claim amount based on the Average Clause.

(2+4=6 marks)

- (b) (i) Explain Insurable Interest in Insurance Agreements.
- (ii) Mr. Anupam is the owner of the Commercial Building. He Insured that Building on 1st May, 2023. He sold that building to Mr. Kartik on 25th September, 2023. The fire took place on 21st January, 2024. As the Insurance Documents are with Mr. Anupam and as the present owner of the Building Mr. Kartik, both Mr. Anupam and Mr. Kartik approached Insurance Company to Claim the Policy monies.

Who will get the Policy Monies ? Discuss the Insurance Principle which is relevant to decide the Policy monies either to Mr. Anupam or Mr. Kartik

(2+4=6 marks)

5. (a) Analyze a scenario where “Global Marine Limited” is vulnerable to different types of Maritime Fraud. Suggest how varied fraudulent activities could affect the company and recommend a corresponding preventive action for each type to safeguard “Global Maritime Limited”.
- (b) As a Company Secretary for “Green Harvest Insurance Company” you are tasked with designing a New Crop Insurance Scheme to better protect farmers against the unpredictable nature of Agricultural Risks, such as weather anomalies, pests, and diseases. Considering India’s diverse Agricultural landscape and the historical context of crop insurance in the country, your challenge is to develop a scheme that not only addresses these risks but also incorporates modern underwriting practices based on yield index and weather data.
- Outline a Crop Insurance Scheme with Yield Index Underwriting and Weather-Based Claims for India’s diverse Zones, and describe its improvements and benefits for farmers and “Green Harvest Insurance Company”.

(6 marks each)

6. (a) In all Liability Claims “Negligence is the Root Cause”. Do you Agree ? What are the Liabilities which require Compulsory Insurance for Third Party Risks ?
- (b) Aviation Insurance is a Specialized Insurance, Gaining Popularity these days. Do you know what are the usual covers offered under Aviation Insurance ?

(6 marks each)