

Internal Assessment Test - III

Sub:	Risk Management and Insurance					Code:	14MBAFM408		
Date:	20.06.2017	Duration:	90 mins	Max Marks:	50	Sem:		Branch:	MBA

		Marks		OBE	
		CO	RBT		
Part A - Write short notes on any two (3*2=6 Marks)					
1 (a)	What do you understand by insurance underwriting?	[03]	CO1	L1	
	(b) Write a note on dental insurance.	[03]	CO2	L2	
	(c) Mention the three objectives of claim settlement.	[03]	CO1	L1	
Part B - Answer any two (2*7=14)					
2 (a)	Explain the claims settlement in Life insurance.	[07]	CO2	L5	
	(b) Briefly explain Child welfare policy and its types.	[07]	CO1	L2	
	(c) Explain the Illustrate the types of motor insurance	[07]	CO3	L3	
Part C - Answer any one (1*10= 10 marks)					
3 (a)	Discuss the various marine insurance policies in detail.	[10]	CO3	L3	
	(b) Write notes a. Insurance Premium Pricing b. Employee group insurance	[10]	CO2	L3	
Part D - Compulsory (2*10=20marks)					
4 (a)	MR K buys a child plan for his 8 year old kid with a policy term of 10 years, aiming to get a maturity benefit if Rs. 20,00,000. He opts for a life cover of Rs.25,00,000. He suffered a heart attack after 4 years the policy began.	[10]			
	1. After death of Mr. K , will the nominee get the life cover benefit. Who will pay the premium for the next 6 years?				
	2. Is Mr. K child is applicable to get the maturity benefit.				
	(b) A person at the age of 45 years takes an insurance policy of sum assured Rs.5,00,000 for 20 years term on 1.4.90. The last premium paid is on 1.4.2001. Calculate the paid up value and surrender value given that the surrender value factor is 60 % and mode of payment is :	[10]			
	1. Yearly				
	2. Half yearly				
	3. Quarterly				

4. Monthly.

Course Outcomes		PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8	PO9
CO1:	Provide an understanding of risk and methods of handling risk	1a,1c,4a	3a							
CO2:	Provide an understanding of the risk identification and measurement	1b,2a	2b,2c	3b,4b						
CO3:	Comprehend insurance contracts such as health insurance, fire insurance, marine and health insurance and life insurance									
CO4:	Provide an understanding of the management of insurance companies									
CO5:										
CO6:										

Cognitive level	KEYWORDS
L1	List, define, tell, describe, identify, show, label, collect, examine, tabulate, quote, name, who, when, where, etc.
L2	summarize, describe, interpret, contrast, predict, associate, distinguish, estimate, differentiate, discuss, extend
L3	Apply, demonstrate, calculate, complete, illustrate, show, solve, examine, modify, relate, change, classify, experiment, discover.
L4	Analyze, separate, order, explain, connect, classify, arrange, divide, compare, select, explain, infer.
L5	Assess, decide, rank, grade, test, measure, recommend, convince, select, judge, explain, discriminate, support, conclude, compare, summarize.

PO1 - *Engineering knowledge*; PO2 - *Problem analysis*; PO3 - *Design/development of solutions*; PO4 - *Conduct investigations of complex problems*; PO5 - *Modern tool usage*; PO6 - *The Engineer and society*; PO7- *Environment and sustainability*; PO8 - *Ethics*; PO9 - *Individual and team work*; PO10 - *Communication*; PO11 - *Project management and finance*; PO12 - *Life-long learning*

Key notes for Risk Management and Insurance

1. (a) **Insurance underwriting.** **Insurance underwriters** evaluate the risk and exposures of potential clients. They decide how much **coverage** the client should receive, how much they should pay for it, or whether even to accept the risk and insure them.
2. **Dental insurance** is a form of [health insurance](#) designed to pay a portion of the costs associated with [dental care](#). There are several different types of individual, family, or group dental insurance plans grouped into three primary categories: Indemnity, Preferred Provide Network (PPO), and Dental Health Managed Organizations (DHMO).
3. Objectives in Claims Settlement I. To verify that a covered loss has occurred II. The fair and prompt payment of claims a. Refused to pay claims without a reasonable investigation b. Not attempting in good faith to provide prompt, fair and equitable settlements of claims c. Compelling insureds to use lawsuits due to offering less than the amount covered

Section B

1. Claim Settlement Process: Death Claim

Step One: Intimation of Claim

The claimant must submit the written intimation as soon as possible to enable the insurance company to initiate the claim processing. The claim intimation should consist of basic information such as policy number, name of the insured, date of death, cause of death, place of death, name of the claimant etc .Claim intimation form can be availed from nearest branch of the insurance company or/and by downloading it from the company website.

Step Two: Documentation

The claimant will be required to provide the following documents along with a claimant's statement:

- I. Certificate of Death
- II. Proof of age of the life assured (if not already given)
- III. Deeds of assignment / reassignments (if required)
- IV. Policy document
- V. Any other document as per requirement of the insurer

For early death Claim, (If the claim has accrued within three years from the beginning of the policy), the following additional requirements may be called for:

- I. Statement from the hospital if the deceased had been admitted to hospital
- II. Certificate of medical attendant of the deceased giving details of his/her last illness
- III. Certificate of cremation or burial to be given by a person of known character and responsibility present at the cremation or burial of the body of the deceased
- IV. Certificate by employer if the deceased was an employee

In special cases as per following the proof of death will be different from the standard specification

- In case of an air crash the certificate from the airline authorities would be necessary certifying that the assured was a passenger on the plane.
- In case of ship accident a certified extract from the logbook of the ship is required.
- In case of death from medical causes, the doctors' certificate and/or treatment records may be required.

- If the life assured had a death due to accident, murder, suicide or unknown cause the police inquest report, panchanama, post mortem report, etc would be required.

Step Three: Submission of required Documents for Claim Processing

For faster claim processing, it is essential that the claimant submits complete documentation as early as possible.

Step Four: Settlement of Claim

As per the regulation 8 of the IRDA (Policy holder's Interest) Regulations, 2002, the insurer is required to settle a claim within 30 days of receipt of all documents including clarification sought by the insurer. If the claim requires further investigation, the insurer has to complete its procedures within six months from receiving the written intimation of claim.

After receiving the required documents the company calculates the amount payable under the policy. For this purpose, a form is filled in which the particulars of the policy, bonus, nomination, assignment etc. should be entered by reference to the Policy Ledger Sheet. If a loan exists under the policy, then the section dealing with loan is contacted to give the details of outstanding loan and interest amount, which is deducted from the gross policy amount to calculate net payable claim amount. Generally all claim payments would be made through the electronic fund transfer.

2. **Child protection** is the protection of children from violence, exploitation, abuse and neglect. Article 19 of the [UN Convention on the Rights of the Child](#) provides for the protection of children in and out of the home.

Child protection systems are a set of usually government-run services designed to protect children and young people who are [underage](#) and to encourage family stability. [UNICEF](#) defines a 'child protection system' as:

the set of laws, policies, regulations and services needed across all social sectors – especially social welfare, education, health, security and justice – to support prevention and response to protection-related risks. These systems are part of

[social protection](#), and extend beyond it. At the level of prevention, their aim includes supporting and strengthening families to reduce social exclusion, and to lower the risk of separation, violence and exploitation. Responsibilities are often spread across government agencies, with services delivered by local authorities, non-State providers, and community groups, making coordination between sectors and levels, including routine referral systems, a necessary component of effective child protection systems.

3. Types of Motor Insurance Explained

The word Motor broadly covers a lot of classes of vehicles plying on the roads. These may be two-wheelers like scooters and motorbikes, three-wheelers or four wheelers like private cars, jeeps, buses, trucks, commercial taxis and other vehicles. There are three types of motor insurance which has been divided in below categories.

Car Insurance

This is the fastest growing segment in the insurance sector as car insurance is mandatory while buying a new car. Major car manufacturers are tying up with leading insurance companies to provide quick insurance to its customers. Car insurance covers loss or damage by accident, fire, lightning, riots, earth quake, hurricane, terrorist attacks, explosion, theft, [third party's claims and damages](#) (like liability for third party injury or death, third party property and liability to paid driver). On payment of appropriate additional premium it covers loss or damage to electrical or electronic accessories and other significant items.

Two Wheelers Insurance

Two wheeler insurance is another type of popular [auto insurance in India](#). It is governed by the Indian Motor Tariff. This insurance provides protection against natural and man made calamities like: fire, rockslide, landslide, storm, hurricane, flood, earthquake, burglary, theft, riots or any damage caused to the vehicle in transit by road, air, inland waterway or rail.

Two wheeler insurance provides mandatory personal accident cover of Rs. 1 lakh to the insurer. This accident cover can also be opted for passengers. It also protects against legal liabilities arising due to third party's injury/death or damage caused to its property.

Commercial Vehicle Insurance

This type of insurance covers all those vehicles which are not used for personal purpose. Trucks, buses, heavy commercial vehicles, light commercial vehicles, multi utility vehicles, agricultural vehicles, ambulances etc are covered under this insurance. The premium is calculated on the basis of the make and model of the commercial vehicle, place of registration, year of manufacture, current showroom price and whether the insurer is individual or corporate.

Insurance Companies in collaboration with the automobile manufacturing companies chalk out different kind of easy and less complicated plans for safe and easy insurance policy. HSBC India, New India Assurance, [United India Insurance](#), [Bajaj Allianz](#), [ICICI Lombard](#) etc are some of the prominent companies in India which provide commercial vehicle insurance.

Section C

- **1. Cargo Insurance:** Cargo insurance caters specifically to the cargo of the ship and also pertains to the belongings of a ship's voyagers.
- **Hull Insurance:** Hull insurance mainly caters to the torso and hull of the vessel along with all the articles and pieces of furniture in the ship. This type of marine insurance is mainly taken out by the owner of the ship in order to avoid any loss to the ship in case of any mishaps occurring.
- **Liability Insurance:** Liability insurance is that type of marine insurance where compensation is sought to be provided to any liability occurring on account of a ship crashing or colliding and on account of any other induced attacks.
- **Freight Insurance:** Freight insurance offers and provides protection to merchant vessels' corporations which stand a chance of losing money in the form of freight in case the cargo is lost due to the ship meeting with an accident. This type of marine insurance solves the problem of companies losing money because of a few unprecedented events and accidents occurring.

2. An insurance [premium](#) is the money charged by insurance companies for coverage. Insurance premiums for services differ from company to company, so it is advisable that individuals shop around for insurance premiums. However, it is important to note that, sometimes, insurance premiums quoted are slightly different from the premiums charged. The difference between the quote and the

actual charge can be attributed to the way the [insurance premium](#) is calculated. The amount of insurance premiums charged by the insurance companies is determined by statistics and mathematical calculations done by the [underwriting](#) department of the insurance company.

The level of insurance premium charged to a customer depends on statistical data that exists about life history, age and health. For example, an 18-year-old man who drives a red sports car is more likely to pay a higher insurance premium than a 50-year-old man who drives a four-door sedan. Every customer that applies for insurance goes through the underwriting process. The underwriting process involves investigation into familial diseases, analysis of reports like medical information bureau and motor vehicle reports. After the information is gathered and analyzed, they are typically analyzed by a statistician, called [actuaries](#), hired by the insurance companies. After analyzing the data, the actuary tries to predict how likely the insurance applicant will make a claim on their policy. The higher the probability of a claim, the higher the premiums usually are.

3. The employee group health insurance is the medical insurance plan that provides health care coverage to all the employees of a company. In some cases, this policy also covers families of the employee. It is one of the major perk benefits that is offered by the companies to hire talented staff. The group health insurance plans are uniform in nature, i.e. they provide the same benefits to all the employees covered in the group.

Here are the benefits that are available under the employee group health insurance:

- Avoid undue hassles since no medical check is required for the employee as well as for the family;
- You are eligible for all the maternity benefits immediately from the start of the coverage;
- No need to shell out money for expensive health cover from your pocket. Even, if you need to pay a part of premium yourself, it is relatively cheaper and beneficial to opt in;
- There is no concept of waiting-period in group plans, i.e. even the pre-existing medical conditions are also covered from the start.
- Tax benefits are available to the companies that offer group health insurance to its employees;
- Helps in attracting talented potential hires and keeps the existing employees motivated.

Section D

1. a. The insurer is liable to pay the appointee a sum of Rs.25, 00,000 and also to borne the premium to be paid for the rest of the policy term left i.e. 6 years.

b. Situation 1. Policy begins

Child age is 08 years. Father pays the premium for 4 years.

Situation 2. Father dies

Child age is 12 years. Death benefits payable of Rs.25, 00,000. Insurer pays the rest of premium for 6 years.

2. A. If the mode of payment is yearly

Number of instalments paid is 12

Total instalments payable is 20.

Paid up value is $12/20 * 1,00,000 = \text{Rs } 60,000$.

B. If the mode of payment is yearly

Number of instalments paid is 23

Total no of instalments to be paid is 40.

Paid up value is $23/40 * 1,00,000 = \text{Rs } 57,500$.

Surrender value is $\text{Rs.} 57,500 * 60/100 = \text{Rs. } 34,000$.