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CMR Institute of Technology, Bangalore
DEPARTMENT OF MASTER OF BUSINESS ADMINISTRATION
II - INTERNAL ASSESSMENT

Semester: 4-CBCS 2018

Date: 09 Jun 2021

Subject: RISK MANAGEMENT AND INSURANCE (18MBAFM402)

Faculty: Ms Namita P Konnur

Time: 02:00 PM - 03:30 PM

Max Marks: 50

PART HYPHEN A
ANSWER ANY 2 Question(s)

Marks CO BT/CL

1a. What is insurance

Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. The company pools clients' risks to make payments more affordable for the insured.

[3.0] 1 [1]

1b. Explain the essentials of insurance contract

Elements of General Contract

1. Offer & Acceptance
2. Consideration
3. Legal capacity to contract or competency
4. Consensus "ad idem"
5. Legality of object

Elements of Special Contract relating to Insurance

1. Life Insurance
 - a. Utmost Good Faith (Uberrima Fides)
 - b. Insurable Interest
2. General Insurance

- a. Utmost Good Faith (Uberrima Fides)
- b. Insurable Interest
- c. Indemnity
- d. Subrogation
- e. Proximate Cause

[7.0] 1 [1]

1c. Explain IRDA duties and powers

Insurance Regulatory Development Authority of India (IRDAI) is a regulatory body created with the aim of protecting your interests. It also regulates and sees to the development of the insurance industry, while monitoring insurance-related activities.

Section 14 of the IRDA Act, 1999 lays down the duties, powers and functions of IRDA.

Registering and regulating insurance companies

Protecting policyholders' interests

Licensing and establishing norms for insurance intermediaries

Promoting professional organisations in insurance

Regulating and overseeing premium rates and terms of non-life insurance covers

Specifying financial reporting norms of insurance companies

Regulating investment of policyholders' funds by insurance companies

Ensuring the maintenance of solvency margin by insurance companies

Ensuring insurance coverage in rural areas and of vulnerable sections of society

[10.0] 1 [2]

2a. Define Life Insurance

Life Insurance is an arrangement between the Insurance company/Government which guarantees of compensation for loss of life in return for payment of a specified premium

[3.0] 1 [2]

2b. Explain the features of life insurance

Features of Life Insurance Plans

Policyholder: Policyholder is the individual who pays the premium for the life insurance policy and signs a life insurance contract with a life insurance company.

Premium:

A premium is the cost the policyholder pays the life insurance company for covering his/her life.

Maturity: Maturity is the stage at which the policy term is completed and the life insurance contract ends.

Insured: Insured is the individual whose life is secured via the life insurance. After his/her death the insurance company is accountable to provide a financial amount to the dependents.

Sum Assured: The amount the insurance company pays the dependents of the insured if those events occur which are specified in the life insurance contract.

Policy Term: Policy term is the specified duration (listed in the life insurance contract) for which the insurance company provides a life cover and the time period during which the contract is active (listed in the life insurance contract).

Nominee: A nominee is an individual listed in the life insurance contract who is entitled to receive the predetermined compensation, as a part of the policy.

Claim: On the insured's demise, the nominees can file a claim with the insurance provider in order to receive the predetermined payout amount.

[7.0] 1 [1]

2c. What are the documents required to show the proof of age at the time of life insurance contract?

Proof of Identity: First and foremost, buying a term insurance plan would require an official photo identity proof from your end. This could be in the form of common identity proofs such as Aadhaar card, passport, PAN card, driving licence or Voter ID card. In certain cases, it could also be an official letter from a public servant or authority with an attached photograph.

Age Proof: Most term insurance providers also ask for a document that serves as an age proof to ensure that you meet their eligible age range. These documents can be any of the identity proofs mentioned above, since they also include your date and year of birth. Apart from these, you could also consider submitting documents such as a birth certificate, school or college leaving certificate or marriage certificate.

Proof of Address: The next document required to buy a term insurance plan is an official proof of your permanent address. This could be presented in the form of a passport, PAN card and other documents for identity mentioned above. It could also be a ration card, bank statement as well as an electricity or telephone bill.

Income Proof: Term insurance policies are granted on the assurance that the policyholder will be able to pay the premiums required for the entire tenure of his or her policy. To ensure the same, term insurance providers ask policyholders for certified documents of their source and type of income.

Income proofs also play a huge part in determining the amount of the sum assured for your term insurance plan. Most term insurance providers are known to grant coverage that can go as much as 20 times the amount of your annual income.

Your income proofs can be submitted in various forms and documents. You can submit the salary slips received from your employer for the past 3 months or your bank statement for the past 6 months with your salary entries.

You can also submit relevant tax-related documents such as your latest Form 16 or your Income Tax returns over the past 2-3 years. In any case, you should keep these documents handy since they can help you make the most of your term insurance tax benefits during the next tax season.

Medical Reports: Your term insurance premiums and overall sum assured are dependent heavily on your current medical health as well any medical risks you might face in the future. That is why your past medical records and latest medical reports make up an important part of your term insurance documentation.

Photographs: As with all official applications, you are also expected to submit a specific number of your latest passport size photographs for verification.

[10.0] 1 [3]

3a. What is Endowment Life insurance policy?

Endowment life insurance is a specialized insurance product that's often dressed up as a college savings plan—these policies couple term life insurance with a savings program. ... Based on your monthly contributions, you're guaranteed a certain payout, called an endowment when the policy matures.

[3.0] 1 [1]

3b. Explain the advantages of Life Insurance

The Advantages and Disadvantages of Life Insurance

Death benefit.

Valuable return on your investment.

Tax Benefits.

Availability of loan.

Aids in financial planning through different life stages.

Guaranteed income.

Additional coverage.

Security of business.

3c. Explain the insurance sector reforms in India

Key recommendations of the reform;

1 Structure: – a government stake 50% in insurance companies.

2 Competition: Private Companies with a minimum paid up capital of Rs.1bn should be allowed to enter the sector.

No Company should deal in both life and general insurance through a single entity. Foreign companies may be allowed to enter the industry in collaboration with the domestic companies.

Regulatory Body: The insurance act should be changed. An insurance regulatory body should be set up. Controller of insurance-a part of the Finance Ministry – should be made independent. Investments : Mandatory Investments of LIC Life Fund in government securities to be reduced from 75% to 50%. GIC and its subsidiaries are not to hold more than 5% in any company. Customer Service: LIC should pay interest on delay on payment beyond 30 days. Insurance companies must be encouraged to set up unit link pension plans.

[10.0] 1 [2]

PART HYPHEN B

ANSWER ALL QUESTIONS

Marks CO BT/CL

4. A family is headed by Mr.MVW, a marketing head of an MNC, who lived in a posh bungalow located in a metropolitan city. He led a lavish lifestyle and owned a BMW car. He lived happily with his family consisting of his wife and two children (one boy and one girl). His parents who owned a textile business lived nearby. Mr.MVW was concerned about the insurance needs for him and his family to guide him suitably.

Suggest suitable Life insurance policies

Term Life Insurance.

Whole Life Insurance

Endowment Policy.

Money Back Policy.

Savings & Investment Plans.

Retirement Plans.

[10.0] 1 [4]