

P.G.M.V. (Sem.-II) Examination
Principles of Insured & Loss Assessment

Time : 3 Hours]

May-2017

[Max. Marks : 70

EACH QUESTION CARRIES 14 MARKS.

1. Explain & Narrate the process of "Risk Management" in details.

- OR -

1. Describe the consequences of Improper Risk Management in any business,

2. Write in brief about the importance of following Insurance Documents:

- a) Proposal Form
- b) Premium Receipt
- c) Insurance policy
- d) Certificate of Insurance
- e) Endorsement
- f) Cover Note
- g) Survey Report

- OR -

2. Explain the difference between the following types of Premium Rates :

- Short Period
- Pro-rata

3. Explain briefly following Insurance Principles: (Any Four)

- a. Utmost Good Faith
- b. Insurable Interest
- c. Indemnity
- d. Subrogation
- e. Contribution
- f. Proximate Cause

- OR -

3. Explain following Add-On Covers under Fire & Special Perils Policy: (Any Five)

- a) Architect Fees in excess of 3 %
- b) Debris Removal in excess of 1 % of Claim Amount
- c) Impact Damage by insured's OWN Rail / Road Vehicle / Animal
- d) Earthquake Fire & Shock
- e) Temporary Removal
- f) Omission to Insure / Additions / Alterations / Extensions
- g) Escalation Clause
- h) Start-up Expenses

4. Explain the following Policies briefly:

- Floater Policy
- Declaration Policy
- Re-instatement Policy
- Industrial All Risks Policy
- Consequential Loss (FIRE) Policy

- OR -

4. Explain following terms :

- i. Arbitration
- ii. Salvage
- iii. Recovery
- iv. Loss Minimization
- v. Re-Insurance

(P.T.O)

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5. M/s. Rainbow Industries Ltd, had taken a Fire and Special Perils Insurance Policy for Their Plant at Kadi for the period 01/01/09 to 31/12/09 on Reinstatement value basis as under:

<u>Item</u>	<u>Sum Insured (Rs.)</u>
a. Building	1,00,000
b. Plant and Machinery	3,00,000
c. Electrical Installation including sub-station	50,000
d. Furniture Fixtures and Fittings	2,00,000
e. Stocks and Stocks in Process	4,00,000

On 24th February 2009 there was a fire in the Building and they reported the loss to their insurance company. The insurance Company appointed M/s. Patel & Co. as surveyor, who surveyed the loss and submitted their final Survey Report on May 19th, 2009. Following is an extract from the survey report.

Fire affected building was partly repaired and replaced and the cost incurred was Rs.60,000/-. No salvage Value. The reinstatement value of the building was found to be Rs.2,00,000/- on the date of repair completion/reinstatement.

There were NO DAMAGES /Claim on Plant, Machinery, Electrical Installations, Furniture / Fixture / Fittings & Stocks.

For Fire Policy Excess applicable Rs. 10,000/-
Insured had incurred a cost of removal of debris of Rs.1,000/-.(Permissible 1% of Claim Amount)

Compute the loss on Re-instatement Basis.

What is amount of claim M/s. Rainbow Industries Ltd. will get from the Insurance Company?

- OR -

5. MULTIPLE CHOICE QUESTIONS:-

1. Which of the following are covered in fire insurance?
 - a) Raw materials
 - b) Semi-finished goods
 - c) Packing materials
 - d) All the above
2. The term "Fire" under Fire & Special Perils policy means :
 - a) Accidental Ignition
 - b) Natural heating
 - c) Burning by order of Public Authority
 - d) Spontaneous Combustion
3. Which of the following is NOT COVERED under Fire policy ?
 - a) Flood
 - b) Earthquake
 - c) Cyclone
 - d) Hurricane
4. Standard Fire Policy automatically covers "Work of Art" for amount NOT exceeding Rs.:
 - a) 20,000/-
 - b) 50,000/-
 - c) 10,000/-
 - d) 25,000/-
5. The Amount Admissible under Debris Removal (Without ADD-ON Cover) shall be ____% Of the claim amount :
 - a) 3%
 - b) 5%
 - c) 1%
 - d) 2.5%

Contd...3...

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6. Under Fire Policy, Pro-rata Average is applied when there is:

- a) Under Insurance
- b) Over Insurance
- c) Subrogation
- d) Double Insurance

7. Which of the following is NOT insured under Standard Fire and Special Perils Policy?

- a) Goods in factories
- b) Goods in Open
- c) Goods in transit by rail / road
- d) Goods in godown
