

2112M081

**BACHELOR OF VOCATION**  
**Management Financial Services**  
**Subject: Principles and Practices of Insurance**  
**Subject Code: MBF-602**  
**Semester: Third**  
**December 2021**  
**Theory (External): 70 Marks**  
**Time: 03 Hours**

- 6 Write a short note on:  
a) Re-insurance 5  
b) Factors influencing 'insurance premium' 5
- 7 Name different types of customers in 'insurance' sector. Today, Consumers trust online research and social advice more than their insurance agent/broker for researching insurance. Discuss the strategies to change consumer mindset towards insurance products. 10
- 8 a) Explain the types of Life and Non-life insurance policies? 7  
b) Ranjith insured on wheat in his warehouse against fire. He sold the wheat to a company of which he was the sole substantial share holder. Thereafter most of the wheat destroyed by fire and he demanded that he should be indemnified. But the insurance company refused to indemnify the loss. Can the Insurance Company do so? 3

-----END OF PAPER-----

**Instructions to the Students**

1. This Question paper consists of two Sections. All sections are compulsory.
2. Section A comprises 10 questions of objective type in nature. All questions are compulsory. Each question carries 2 marks.
3. Section B comprises 8 essay type questions out of which students need to do any 5. Each question carries 10 marks.
4. Read the questions carefully and write the answers in the answer sheets provided.
5. Do not write anything on the question paper.
6. Wherever necessary, the diagram drawn should be neat and properly labelled

Roll Number									

**SECTION –A (SHORT/OBJECTIVE TYPE QUESTIONS)**  
(10x2=20 Marks)

- A **Assertion:** 'Moral Hazard' is used to specifically identify the attitude of the person who is insured.  
**Reason:** It consists of those physical attributes or physical conditions that affect the risk.  
Choose the option;  
a) 'Assertion' is true and 'Reason' is the correct explanation.  
b) 'Assertion' is true and 'Reason' is the wrong explanation.

B Match the correct example of the 'terms':

Term	Example
a) Systematic Risk	i) Lightning.
b) Unsystematic Risk	ii) Labour union strike.
c) Pure Risk	iii) Higher oil prices.
d) Fundamental Risk	iv) Train accident.

- C Why is insurance considered important? List any two reasons.
- D List out the 'Risk management' techniques.
- E a) If smoking is considered a hazard, a standard premium may be fixed for non-smokers. Smokers may be charged \_\_\_\_\_ premium.  
b) If the applicant is suffering from cancer (stage 4 or higher) he/she may not survive for a long time. In this case, the insurance company may \_\_\_\_\_ to accept the proposal for insurance as the risk involved is very high.
- F Draw the structural framework of insurance business in India.
- G Customers are happy when:  
a) They are recognized and respected.  
b) Their feelings and views are not ignored.  
c) They do not feel like they are being taken advantage of.

- d) They feel cared for and helped.  
e) They are being emphasised with.

- H An insurance agent was discussing motor insurance with a customer. During the conversation, the customer disclosed that he had a life insurance policy with another insurer. The insurance agent quickly calculated that the commission he would receive for a motor policy and a life policy would be significant. So, the agent discusses the life policy that the customer has with the other insurer and tells him that he would be in a better position if he discontinued the current life insurance policy and took a new one.  
Whether the insurance agent is ethical in dealing with the customer?
- I What is the 'principle of insurable interest'?
- J What are the two ways in which the 'principle of utmost good faith' can be breached?

**SECTION –B (ESSAY TYPE QUESTIONS)**  
(5x10=50 Marks)

- 1 What is the structure of a policy? Explain the process of Insurance Documentation while purchasing a policy. 10
- 2 Discuss classification of risks in insurance. 10
- 3 Explain briefly about a) Actual loss and Consequential loss 5  
b) Process of Risk Management. 5
- 4 Brief out the role of IRDA in promoting and supervising the insurance business in India. 10
- 5 Explain all the principles of insurance. 10