PUSASQF205
Non - Life Insurance - Principles, Products and Practices

Time: 2 hours
Total Marks: 60 marks

Note:

1) **The candidate has option to either attempt question 4A or question 4B. Rest all questions are mandatory.**
2) **Numbers to the right indicate full marks.**
3) **The candidates should only write the option alphabet for answers in case of the MCQ based questions.**
4) **Use of approved scientific calculator is allowed.**

Q1. **15 Marks**

1. Which of the following is not covered as loss under Key Person insurance?
   a. Lost sales as key person unable to work for long period of time due to illness
   b. Lost sales as key person unable to work for short period of time due to illness
   c. To cover lost revenue due to death of key person
   d. To cover loss resulting from bad decision made by key person

2. Which of the following is not covered under Mobile Insurance?
   a. Technical malfunction due to software issue
   b. Damage due to liquid seepage
   c. Mobile theft when it was left unattended
   d. Damage because of fire

3. Which of the following statement describe “Information asymmetry” in insurance industry?
   a. All parties have equal knowledge about the risk
   b. None of the party have all the required knowledge about the risk
   c. Insurer have all the knowledge about the risk
   d. Insured have all the knowledge about the risk
   e. Either insurer or insured have greater knowledge about the risk that the other

4. Which of the following is not covered under travel insurance?
   a. Trip cancellation
   b. Trip cancellation fee
   c. Repatriation of remains
   d. Rental car collision damage

5. Which of the following is correct to define “Pure Risk Premium”?
   a. Expected claim amount only
   b. Expected claim amount plus underwriting expenses
   c. Expected claim amount less investment return
   d. Expected claim amount plus underwriting expenses/commissions

6. Which of the following statement is/are correct?
   1. Event that can cause a loss is peril
   2. Conditions that increases the probability of loss is hazard

   a. 1 only
   b. 2. Only
   c. Both 1 and 2
   d. Neither 1 nor 2

7. Which of the following has defined Insurable interest?
   a. Insurance Act
   b. By SEBI
   c. By IRDAI
   d. None

8. What is the Principle of Insurance called under which the insured can claim the compensation only to the extent of actual loss either from all insurers or from any one insurer?
   a. Insurable Interest
   b. Principle of Subrogation
   c. Principle of Contribution
   d. Double insurance

9. Which of the following is NOT considered as basic part of insurance policy?
   a. Declaration
   b. Definitions
   c. Endorsements
   e. Reinsurance

10. 10. Which of the following will meet the requirement of “FIRE” in fire insurance?
   1. Fire
   2. Ignition
   3. Heat or smoke

   a. 1 and 2 only
   b. 1 only
   c. 1 and 3 only
   d. All of the above

Q2. **15 Marks**

A). **5 Marks**

Write a brief note on any 4 principles of insurance.

B). **5 Marks**

Explain briefly the following terms: [5]

a) Insurance Risk
b) Gross Premium
c) Combined Ratio
d) Individual excess loss reinsurance
e) Risk Premium

C). **5 Marks**

List the major inclusion and exclusions in a Householder insurance policy??

Q3. **15 Marks**

A). **5 Marks**

Mr Ashok is running a medium scale business which is scaling new milestone each year. It is now established that recent success was led by technical team hired 5 years back. Mr Ashok is now considering to buy "Keyman Insurance" for star performers to safeguard against financial strain in an unlikely event.

Discuss the possible reasons for which Mr Ashok wish to buy "Keyman Insurance" policy.

B). **5 Marks**

As an actual analyst you have been asked to explain the standard rating parameters of travel insurance. You have also been tasked to highlight at least three additional rating to be considered in post-Covid era?

C). **5 Marks**

Mr Shyam has recently started practising as qualified heart specialist and has little knowledge regarding various types of liability insurance available in the market. Hence you have been tasked to advise him on the type of liability insurance should be bought?

Q4. Attempt Q4A. or Q4B.

Q4A). **15 Marks**

A medium sized general insurance company writes a large variety of health insurance business. The impact of recent pandemic on company's result has been far worse than anticipated. The company believes that the pandemic is far from over and will continue to have negative impact on company's profitability.

(i) Explain the different reinsurance arrangement available in the market.[5]

(ii) Discuss the impact of reinsurance arrangement over company's yearly result. [3]

(ii) List the factors that the company should consider when deciding upon an appropriate reinsurance arrangement. [7]

OR

Q4B). **15 Marks**

(i) Calculate loss ratio, combined ratio and underwriting profit using the below information: [5]

Claims adjustment expenses amount to ₹2000,
Underwriting expenses is ₹7500,
Net claims incurred in the period amount to ₹50000,
Net written premium is ₹85000 and
Net premium earned is ₹55000.

(ii) Discuss possible reasons of getting high loss ratio. [5]

(iii) Briefly discuss the purpose of calculating Combined ratio. [5]