

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 4

NOTE : Answer **ALL** Questions.

1. Nilesh, a businessman took a fire insurance policy to cover stocks of oil seeds, oil cakes, etc., in a godown of Class I construction located behind Vile Parle Market, Mumbai for a sum insured of ₹7 lakh against fire with riot and strike cover with ABC Insurance Company Ltd. for the period 15th May, 2014 to 16th May, 2015. The insured remitted ₹1,255 through account payee cheque to the insurer as premium for the coverage.

The cheque was acknowledged by the insurer and a cover note for the sum insured of ₹7 lakh was issued against fire with riot and strike coverage on 19th May, 2014 (17th and 18th May, 2014 being Saturday and Sunday). The cover note covering the risk in question was duly delivered to Nilesh on 20th May, 2014 by an authorised representative of the insurer. The cover note whilst describing the property in brief also indicated "Subject to terms, conditions and exceptions of the standard fire policy." The policy however was not released by the insurer.

Unfortunately, on 22nd June, 2014, a fire occurred in the godown and resulted in damage to a part of the oil seeds and oil cakes. The fire brigade was summoned and the fire was put out after considerable effort. But by that time, a substantial portion of the insured's stocks had suffered damages.

The insurance company upon receipt of intimation, deputed a senior fire surveyor to carry out inspection and assessment of damages. The surveyor after detailed inspection and verification of records assessed the damages to the tune of ₹3.40 lakh on account of 'spontaneous combustion'. The report was submitted to the insurer on 25th July, 2014.

The insured, Nilesh, took-up the matter with the insurance company for compensation. The ABC Insurance Company Ltd. however on the basis of surveyors findings informed the insured that spontaneous combustion was an excluded peril under the standard fire policy and hence the insurance company could not admit its liability under the claim. This decision of the insurance company was conveyed to the insured in writing on 6th August, 2014.

Being not satisfied with the decision of the insurance company, the insured, Nilesh took-up the matter with the 'consumer forum' for redressal stating that the cover note issued to him did not have a stipulation that 'spontaneous combustion' was an excluded peril under the standard fire policy and in the absence of such a condition, his rightful claim for compensation cannot be rejected by the insurer. Moreover, the policy too had not been released by the

insurer even after a month and hence the claimant was completely in the dark with regard to terms, conditions and exclusions of a standard fire policy. The insured, therefore, cannot be penalised for 'no fault of his own'.

The insured further contended that there was 'deficiency in service' on the part of the insurer in not releasing the policy document in time and in keeping the insured fully informed of the coverage.

The consumer forum heard arguments from both the parties including those advanced by the respective advocates on both sides. They also questioned the surveyor at length who had carried out loss assessment of the damages sustained by the insured.

The consumer forum after due deliberation amongst its members, directed the insurance company to pay the claim to the insured to the tune of ₹3.40 lakh as assessed by the surveyor.

The consumer forum further directed the insurance company to pay an additional amount of ₹30,000 for 'deficiency in service' in not releasing the fire policy within a reasonable period of 30 days.

Answer the following questions —

- (a) Discuss in detail how far the award of the consumer forum is justified in the light of the terms and conditions of the standard fire policy.
(15 marks)
- (b) Was the penalty for 'deficiency in service' imposed on the insurer justified in the light of existing guidelines in the market wherein there is no stipulation on issuance of a policy by the insurer within a reasonable period of 30 days ?
(10 marks)
- (c) What are the additional perils that can be covered under a standard fire policy ?
(5 marks)
- (d) What do you understand by 'condition of average' in a fire insurance contract ?
(5 marks)
- (e) Name the 'excluded perils' under a fire policy.
(5 marks)
- (f) Can a fire policy be issued providing coverage for more than one year ? Name the subject matter along with the period for which such cover can be granted ?
(5 marks)
- (g) Mention the 'implied conditions' in a fire insurance contract.
(5 marks)

2. (a) Anil, an individual, has taken with Urban Insurance Co. Ltd, a fire policy against his residential property, for a sum assured of ₹3,00,000. The cover lasts till the end of September, 2015. On 20th May, 2015, an accidental fire takes place and the entire building is gutted and damaged. Anil prefers a claim with the insurance company. The claim is rejected on the ground of negligence on Anil's part. Representations made by Anil to the insurer against such a rejection were not successful.

What options are left to Anil to proceed further in this regard ? Discuss.

(15 marks)

- (b) Southern Ltd. carries a large volume of stock. It has secured fire policies to cover the stocks from three general insurers, the details of which are as under :

<i>Insurer</i>		<i>Sum Assured</i>
M Insurance Co. Ltd.	—	₹75,00,000
N Insurance Co. Ltd.	—	₹50,00,000
S Insurance Co. Ltd.	—	₹25,00,000

On 31st January, 2015, when a fire took place the value of the actual stocks in the godown, on the basis of the company's accounts was ₹1,60,00,000. Salvage gained was ₹1,50,000 which the company recovered and realised by way of sales.

Determine the individual liability of each of the insurers on the premise that the claim was admitted by the companies.

(15 marks)

3. Life insurance business is a long-term business and to ensure that resources are available to an insurer for meeting the claims, there must be an efficient system of investment of the funds.

State how the IRDAI has ensured that this happens in the Indian market.

(5 marks)

4. Loss control is an important method in handling risk. What are its major objectives ? Describe them briefly.

(5 marks)

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5. Which section of the Marine Insurance Act, 1963 talks of a 'valued policy' ? Define.
(5 marks)

6. Which section of the Motor Vehicles Act, 1988 talks about 'hit and run accident' ? What is the payment of compensation provided under this section ?
(5 marks)

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