CONCURRENT EVALUATION FOR FINANCE SPECIALISATION 2019

III SEMISTER 321-Fin: Insurance Laws & Regulations (321 FIN SE – IL - FIN – 21)

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Important Instructions:

1. The subject is evaluated on the basis of three components

Component No	Component	Marks	Submission Date
1	Case Study	50	9th March 2022
2	Written Home Assignment	50	19th March 2022
3	Exam	50	

2. Assignments to be mailed to be submitted in person.
3. Student Name, Contact number, email-id, Specialization, Component must be clearly mentioned.

COMPONENT 1: Case Study-I

You are an insurance broker. One of your clients is the owner of a shop which is insured with YLX Insurance plc (YLX), an insurer, on a commercial combined policy, covering fire and other perils. A policy condition states that 'reasonable precautions to prevent loss, damage or liability' should be taken. A clause on the policy states 'It is warranted that all external locks and window fixings must be activated and secured when the premises are unattended.' The owner informs you of the circumstances of a claim:

• He briefly left the shop to carry a customer's shopping to their car parked on the other side of the road, leaving his ten year old daughter alone inside the shop. His daughter accidentally started a fire in the shop, while playing with a cigarette lighter.

• He saw the fire and returned quickly to rescue his daughter. However, the fire had already caused extensive damage.

• He sent the claim direct to YLX, however, they refused to pay as they stated that he had failed to take reasonable precautions. Additionally, YLX stated that he had breached the warranty by leaving the shop and not securing the door, whilst the shop was unattended.

(a) Explain with justification, the validity of YLX's decision to refuse the claim due to the alleged breach of reasonable precautions. Refer to one relevant case.
(b) Explain with justification, the validity of YLX's decision to refuse the claim due to the alleged breach of the warranty clause. Refer to one relevant case

Case Study-II

Please refer the below case study The Olympics as a Story of Risk Management A lot of things didn't happen at the Olympics this year, all of which were extensively prepared for. A terrorist incident, a breakdown of the London rail system, power blackouts, volcanic ash clouds, flooding, an outbreak of infectious disease—the London organizing committee (LOCOG) and the International Olympic Committee (IOC) spent years thinking about every scenario they could imagine. Simulations of security incidents were rehearsed, and contingency plans for mass evacuations or emergency situations were put in place. Risk management is now at the heart of the governance model for the Olympic Games and the Olympic movement, and not only because of their growing scale and complexity. There is also the time horizon involved, which can be up to twenty years from the genesis of a host city's bid to the conclusion of the actual event. Long timelines mean greater vulnerability to emerging risks—that is, dangers with a large potential impact that are not well understood or easily quantified or which emerge as the unanticipated result of disparate causal processes interacting. These risks can emanate from the realm of security, public health, natural ecology, technology, or economics. In the run-up to the London 2012 Olympics, for example, the global financial crisis caused private developers for the Olympic Village project to withdraw, requiring a refinancing package backed by government. Consider, too, that when threats materialize at large-scale events, the damage often spills over to other parties. Even before the official opening of London 2012, a mixup with the flag for the North Korean women's football team had organizers scrambling to resolve a diplomatic spat. Other mega-events have sometimes taken their toll in business disruption, by interrupting supply chains, altering consumption, or giving rise to workforce absenteeism. The Olympics can bring a halt to "business as usual" for the host government as well, as it diverts resources to support and police the event. Higher than normal volumes of population movements can create hazards for public health and cause traffic congestion. The influx of spectators offers a target for petty crime, and the symbolism of the Olympics presents a temptation for terrorists.

One key to effective risk management is the ability to distinguish between phenomena that cannot reasonably be foreseen and dangers that are "self-inflicted" because they could be avoided by thorough planning and careful execution. At the start of the Atlanta 1996 Olympics, it was a catalog of minor operational and logistical problems that led journalists to start reporting on "the glitch Games." The truth is that risk is often organizational in its origins, created through poor decision-making, misjudgments in planning assumptions, or human error in operations (such as in monitoring or enforcement activities). Many threats are not unforeseeable, but lie just beyond the edge of current knowledge. In planning for the Olympics, warning signals can be imperceptible amidst the noise, due to the relative scarcity of local experience, as organizers tread an unknown path (although there is a growing Olympic professional services complex made up of firms and consultants contracted to advise on bid teams and organising committees). Managing risk involves a judicious mix of preventing the risks that can reasonably be controlled, learning to recognize the ones that can't be prevented, being prepared to react to limit damage, and having the resources to recover from the problems that do occur. Olympics organizers traditionally focused on reaction. And recovery, using tools such as insurance (taken out for personal injury and property coverage), safety plans, and command and control structures. Since the 1980s, however, Games organizing committees have increasingly invested in teams and systems dedicated to the management of risk through internal controls. Risk mitigation is now integrated into decision-making and operations, and no longer treated as just an input into the calculation of insurance premiums. Ensuring readiness for Games-time (in Olympic- speak) now involves strategic pre-emption through stress-testing and scenario planning. Table-top 'gaming' exercises at the top of the chain of command and practical training of personnel through rehearsals are routine across many of the diverse functions of Olympic operations. In the months leading up to London 2012, for example, visible military rehearsals were staged on the River Thames in addition to many test events performed on the main site. Ahead of Vancouver 2010, IT planning identified around six hundred scenarios for rehearsals in a formal playbook which also documented procedures to follow in the event of an incident. The rise of Olympic risk management is certainly evident at the level of the IOC, the guardian of the Games. It is understandably preoccupied with financial risk, since the event is effectively its only commercial asset, and with reputational risk, given that the Olympic "halo" that derives from this is what makes that asset so valuable. Since the events of 9/11, the IOC has taken out insurance cover against event cancellation due to either terrorism or natural disaster (something which organizing committees had done for many years before). More significantly, though, since the 1990s it has increasingly formalized its process of evaluation of bids and its monitoring of the readiness of preparations of host cities. Bids of applicant cities must now be presented according to a standardised template, with covenants of support from the relevant public authorities and political actors. The IOC's Evaluation Commission then reports on the technical quality of the bid, prior to the vote of its membership to award the Games. After this, the monitoring of readiness is transferred to the Coordination Commission, with its inspection visits providing opportunities to identify risks in project management and operations. The other crucial aspect in which the IOC has reshaped the way in which risk is understood by Olympic organizers is through its attempts to formalize learning between events under its Olympic Games Knowledge Management program. This integrated framework of services and documentation (made available to cities after a candidature fee has been paid) consists of an observer and secondment program for officials from future host cities, workshops, and technical manuals, a Games evaluation process, and debriefing. Olympics organizers and the IOC have wisely leveraged the business world's growing understanding of risk management. "Risk-based" approaches to planning for the Vancouver 2010 Winter Olympics and the London 2012 Summer Olympics (confirmed through research interviews with senior officials) reveal the strong influence of the ideas and practice of risk management, for example in the creation of risk registers (i.e. databases) and monitoring systems put in place to spot issues that pose potential dangers further down the line. The rise of Olympic risk management has touched not only on the most visible fields of finance and security, but a wide range of activities, such as in procurement and contract management, health and safety, the assessment of environmental impacts, and public health planning. In turn, as organizers of Olympic Games have become more sophisticated in risk management over the past thirty years, the broader discipline and profession of risk management has benefited from its example. As the concept of risk it has taken hold in modern societies and organizations, the Olympics provide a compelling case study in the evolution and promise of risk management.

(a) List out the risk exposures from the experiences of the Olympic Games.

(b) What do you mean by speculative Risk and pure risk? Categories the risk identified above under speculative risk and pure risk.

(c) Discuss how have the organizers become more professional in managing the risks and explain about the “risk-based approaches” adopted by the organizers of the games.

(d) What do you mean by risk based Planning? How can risk based planning help an organization in combating with risk discussed in above case study?

(e) Discuss different risk management techniques with special emphasis on Insurance.

COMPONENT 2: **Written Home Assignment**

Q.1. Mr. Vinod had availed a Hospitalization Insurance cover from XYZ Insurance Company for self and the details of the same were as under:

Sum Insured	` 3, 00,000
Limit per Illness	3, 00,000
Sub Limits per illness	
Room Rent including special nursing charges per day	5,500
Consultation /Visits by Doctor	5,000
Test/Examination	5,000
Surgical Expenses	75,000
Medical expenses	15,000
Domiciliary Hospitalization per day	2,000
Cover Excluded Domiciliary Treatment	

Q.2. Protection of Policy holders is a very important aspect in the insurance business. Explain the provisions for protection of the interest of policyholders provided by IRDA.

Q.3. Insurance industry is capital intensive and claims sensitive. Adequacy of capital for a successful insurance operation is a must. IRDA have provided 'Insurance Regulatory and Development Authority (Protection of Policyholders' Interests) Regulations, 2002' provide for protection of the interest of policyholders.

Q.4. Insurance is form of contract or an arrangement where one party agrees in return for a consideration to pay an agreed amount of money to another party to make good the loss, damage or injury to something of value in which the insured has an interest.

Q.5. General Insurance in India has its roots in the establishment of Triton Insurance Company Ltd., in the year 1850 in Calcutta by the British. In 1907, the Indian Mercantile Insurance Ltd., was set up. This was the first company to transact all classes of general insurance business.

Q.6. What are the documents required for submission of claim under Aviation Insurance.

Q.7. The Insurance Association shall have two councils – a Life Insurance Council and a General Insurance Council, comprising of the Life and Non-Life insurance companies, respectively, as their members.

Q.8. A Non-Governmental Organization or a Self Help Group or a Micro Finance Institution or a Non-profit organization (Companies registered under Section 25 of the Companies Act, 1956) can be appointed by an insurer to act as a Micro Insurance Agent.

Q.9. The Motor Vehicles Act, 1988 is an Act of the Parliament of India which regulates all aspects of road transport vehicles. The Act came into force from 1 July 1989.

Q. 10. The ICPs apply to the regulation of all insurers whether private or government-controlled insurers that compete with private enterprises, wherever their business is conducted, including through e-commerce.

COMPONENT 3: **Exam**

For all units