

MARKING SCHEME
SAMPLE PAPER
Class XII
INSURANCE (786)

Time: 3 Hours

Marks: 60

i. Question paper is divided into two sections.

Section A –

- Multiple choice questions/Fill up/one sentence. (1 mark each)
- Very Short Answer (2marks each)
- Short Answer (3 marks each)

Section B- long Answer (5 marks each)

ii. All questions of that particular section must be placed in the correct order

iii. Please check that this question paper contains 33 questions

iv. The maximum time allowed is 3 hour.

SECTION A

Multiple choice questions/Fill up/one sentence: (Attempt Any Ten Questions) (1X10=10)

Q.1 Premium

Q.2 Birth certificate , School or college certificate, Passport, Identity cards etc.

Q.3 Motor vehicle insurance

Q.4 Robbery is forceful stealing and burglary is forceful entry in premises

Q.5 1972

Q.6 Freight

Q.7 Ship

Q.8 90 years.

Q.9 Hospitalization

Q.10 valued

Q.11 Fire insurance is a contract under which the insurer in return for a consideration (premium) agrees to indemnify the insured/assured for the financial loss which the Insured may suffer due to destruction of or damage to property or goods, caused by fire, during a specified period.

Q.12 One year.

Very Short Answer (Attempt Any Five Questions)

(2x5=10)

- Q.13 “**Business Hours**” or “**Office Hours**” means the Insured’s normal trading hours or whilst the Insured or their authorized employees are on the premises for the purpose of the business
- Q.14 Driving license proves the authenticity of person to be a lawful driver who knows driving so it is mandatory to hold one
- Q.15 Exceptions to the ‘Principles of Indemnity’
- Life and Personal Accident (ie accident to an individual) Insurance it is not possible to make financial evaluation of the loss
 - ‘Agreed Value Policies’.
 - ‘Reinstatement Policies’
- Q.16 Contribution is also a Corollary or Offshoot of Principle of Indemnity.

An individual may have more than one policy for the same in respect in of the same property and in case of a loss if the Insured is able claim compensation for the said loss from all Insurers it is but obvious that he would be making a profit from this loss. This is against the Principal of Indemnity.

This situation is taken care of by the Principle of Contribution.

- Q.17 The following contingencies are generally excluded from Motor Vehicle Insurance Policy:
- Not having a valid Driving License
 - Under Influence of intoxicating liquor/ drugs
 - Accident taking place beyond Geographical limits
 - While Vehicle is used for unlawful purposes
 - Electrical/Mechanical Breakdowns.
- Q.18 No it is not. It is a guarantee concept not insurance.
- Q.19 Insurance companies have tie-up arrangements with a network of hospitals in the country. If the policyholder takes treatment in any of the network hospitals, there is no need for the insured person to pay hospital bills. The Insurance Company, through its Third Party Administrator (TPA) will arrange for direct payment to the Hospital. This is known as cashless facility

Short Answer (Attempt Any Five Questions)

(3x5=15)

- Q.20 1) The property should be exposed to maritime peril
2) The loss should occur consequent to Maritime Adventure
- Q.21 Risk under marine insurance are:
- a. Hull Insurance
 - b. Cargo Insurance

- c. Freight Insurance
- d. Liability Insurance

Q.22 Insurance Contracts are different from General Contracts. While general contracts work on the principle of 'simple good faith' insurance contracts work on the principle of 'utmost good faith'. The principle of utmost good faith is also known as principle of Uberrima Fides'.

a. In an insurance contract the seller is the Insurer and the buyer is the insured. In this case the buyer or the insured has the full knowledge of the property being insured and the seller is ignorant about it. This is a situation which is opposite of a general purchase contract. In a general purchase contract it is the seller who would have full knowledge and details of the property and not the buyer.

b. Insurance is an intangible product. It cannot be seen or felt. It is simply a promise on the part of the Insurer to make good the loss incurred by the insured if and when it occurs.

Q.23 (a) Under first year policy, any claim during the first 30 days from date of cover, for sickness / disease. This is not applicable for accidental injury claims. As only uncertainty is covered not which have probability.

(b) No, it is under Overseas Mediclaim policy

Q.24 A fire insurance policy cannot be assigned (i.e. the legal rights or liability of the contract cannot be transferred to any other third party/ individual apart from the ones who had initially entered the contract) without the permission of the insurer because the insured must have insurable interest in the property at the time of contract as well as at the time of loss.

Q.25

Life insurance	General Insurance
Protects the human life	Protects the physical property
Long duration	Only for year
Paid in lumpsum or small instalments	One time premium for duration.

Q.26 Theft Insurance Policy covers only theft and burglary and cannot be extended to cover riots, strikes, malicious damage or theft'. The statement is correct as it is a exclusion from policy as it is not a normal condition because of which the insured suffered a loss but probability is increased many times, and to all group of members.

SECTION B

Long Answer (Attempt Any five questions)

(5x5=25)

Q.27 a) policy covers:

- Hospitalization expenses incurred for the treatment of illness/injury.
 - Pre- and post-hospitalization expenses up to 30 and 60 days respectively.
 - Ambulance Charges.
 - Limited cover for hospitalizations in government and /or registered Ayurvedic /Homeopathic and Unani hospitals.
 - Pre-existing diseases are covered only after 18 months of continuous insurance with the insurance Company. Pre-existing conditions like Hypertension, Diabetes mellitus and its complications are covered after 18 months of continuous insurance but only on payment of additional premium
- (b) policies may also give ADDITIONAL Add-on benefits like:-
- Personal Accident in the foreign country
 - Loss of checked in Baggage
 - Delay of checked in Baggage
 - Loss of passport
 - Personal Liability arising out of any accident.
 - Premium depends on the Age-band, Trip-band and Country of visits. Initially cover up to 180 days is provided under Business & Holiday Plan .Extension is allowed on original policy for further period of 180 days subject to declaration of good health.

Q.28 A person desirous of taking a Fire Insurance Policy should follow the following steps:

A. Selection of Company

As a first step the fire insurance company with which the insurance is to be effected must be identified.

B. Proposal Form

Once the Insurance Company has been selected the next step is to fill the proposal form which forms the basis of the contract.

- The proposal Form would require the following details to be filled up:
- Name and Address of the Proposer
- Nature of Business
- Details of Asset to be Insured
- Type of Fire Insurance Policy ie Specific Policy, Comprehensive Policy, Valued Policy
- Current Market Value of the Asset
- Amount for which the Insurance is to be taken.

C. Evidence of Credibility

The Insurance Company may check the credentials of the proposer to establish his credibility and ensure that he has not been involved in any unscrupulous activity.

D. Survey of the Property

The next step in Fire Insurance is to take the survey of the property proposed to be insured by qualified experts known as Surveyors.

The Surveyors are to inspect the property carefully and to estimate the degree of risk involved. It is on this basis of this report of the Surveyors that the Insurance Company accepts or rejects the proposal and quotes the rate of premium.

E. Acceptance of Proposal Form

On the basis of the proposal and the report of the Surveyor the Insurance Company would accept or reject the proposal.

F. Commencement of Risk

The next step is to pay premium. Once the premium is paid the coverage of risk would commence.

G. Cover Note

The Insurance Company may accept risk unconditionally or subject to certain conditions and may give provisional protection to the Insured by a document known as Cover Note.

H. Policy

The final step is to issue the Fire Insurance Policy.

Q.29 The theft insurance policy would generally not cover the following losses/damages:

- Acts involving the family members or employees of the Insured
- Due to war perils, riot & strike, natural calamities and nuclear perils.
- For items stolen from a safe using a key or duplicate key unless it is obtained by violence or threat.

This list is not exhaustive. However some of the risks mentioned above may be covered by payment of additional premium

Q.30 **Key Documents required for settlement of Marine Cargo Insurance Claim.**

- i. Claim form containing the following information.
 - Date, time, cause and circumstance of the loss
 - Details of damaged property
 - Amount of loss claimed.
 - Sound value of the goods at the time of Loss
 - Other insurance, if any
- ii. Letter lodging monetary claim with carrier within stipulated time period.
- iii. Payment details of premium amount paid
- iv. Insurance policy/certificate along with the original invoice
- v. Bill of Lading / AWB/R R/L R
- vi. Stores Receipt Note
- vii. Packing list
- viii. Copies of correspondence exchanged with carriers.

Q.31 a) Principle of Proximate cause

(b) Principle of Subrogation

Q.32 The setting up of Insurance Regulatory Authority (IRDA) in the year 1999 paved the way for liberalization and privatization of Insurance Sector to private sector.

IRDA has separated out Life, Non Life and Reinsurance business. Therefore a company has to have separate licenses for each line of business.

Recently the limit of Foreign Investment in Insurance Business has been increased from 26% to 49% something that was under discussion for more than a decade. Also global re insurance companies have been able to set up branches in India, something that was not allowed earlier.

Structure of General Insurance

As of now there are 28 companies in India that carry out the business of General Insurance. The division of these Companies is as follows:

Companies in Public Sector

As of now there are four General Insurance Companies in Public Sector in India. These are as follows:

- National Insurance Company Ltd.
- New India Assurance Company Limited
- Oriental Insurance Company Ltd
- United India Insurance Company Ltd.

- Q.33 (a) The policy of insurance should cover the liability incurred in respect of any one accident as follows:
- a. In respect of death of or bodily injury to any person, the amount of liability incurred is without limit i.e. unlimited
 - b. In respect of damage to any property of third party: A limit of Rs.6,000/-.

The liability in respect of death of or bodily injury to any passenger of a public service vehicle in a public place, the amount of liability incurred is unlimited.

(b) Section 140 of the Motor Vehicles Act 1988, provides for liability of the owner of the Motor Vehicle to pay compensation in certain cases, on the principle of “no fault”. The amount of compensation, so payable is as follows:

- a. Rs.50,000/- for death, and
- b. Rs.25,000/- for permanent disablement of any person resulting from an accident arising out of the use of the motor vehicle.

(Note: The principle of “no fault” means the claimant need not prove negligence on the part of the motorist. Liability is automatic.)