

WINTER – 19 EXAMINATION

Model Answer

Subject Name: Motor Vehicle Insurance & Valuation

Subject Code:

22560

Important Instructions to examiners:

- 1) The answers should be examined by key words and not as word-to-word as given in the model answer scheme.
- 2) The model answer and the answer written by candidate may vary but the examiner may try to assess the understanding level of the candidate.
- 3) The language errors such as grammatical, spelling errors should not be given more Importance (Not applicable for subject English and Communication Skills).
- 4) While assessing figures, examiner may give credit for principal components indicated in the figure. The figures drawn by candidate and model answer may vary. The examiner may give credit for any equivalent figure drawn.
- 5) Credits may be given step wise for numerical problems. In some cases, the assumed constant values may vary and there may be some difference in the candidate's answers and model answer.
- 6) In case of some questions credit may be given by judgement on part of examiner of relevant answer based on candidate's understanding.
- 7) For programming language papers, credit may be given to any other program based on equivalent concept.

Q. No.	Sub. Q. No.	Answer	Marking Scheme
1		Attempt any FIVE of the following:	10
	a	Define Risk Cover and Premium.	02
	Ans.	Risk Cover: The term risk cover can be defined as the compensation of damage during the accident by insurance company. Premium: The payable amount as per the insurance contract paid by insured is called as premium.	Two = 02 Marks
	b	List the types of insurance cover.	02
	Ans.	Types of insurance cover are as follow : 1. Comprehensive insurance 2. Own damage insurance 3. Third party 4. Fire insurance 5. Marine insurance 6. Life insurance	Any 2 =02
	c	State need of insurance history in proposal form.	02
	Ans.	Need of insurance history in proposal form: 1. Gives information about previous insurance policy 2. It gives information about the claims in the previous insurance policy. 3. Gives information about name, address, any no claim bonus in previous policy. 4. Also it gives information about risk exposure of person, property, or vehicle.	Any 2 =02
	d	List factors affecting moral hazard.	02
	Ans.	1. Intention 2. Carelessness	Any 4 =02

		3. Fraud claim 4. Multiple Insurance 5. Maintenance 6. Behavior 7. Negligence	
	e	List types of claim documents.	02
	Ans.	Types of claim documents: 1. Policy. 2. Driving License 3. Registration Certificate of Vehicle 4. FIR copy if needed 5. Pan or Adhar card 6. Claim form	Any 4 =02
	f	State any two clauses in insurance proposal form.	02
	Ans.	Types of clauses in proposal form: 1. Signature clause: It is also known as attestation clause & it is appeared just below the schedule. The person authorized puts his signature. 2. Schedule clause: Most of the vital information of the particular insured are grouped here (Name, Address, Occupation, premium, period of insurance). 3. Condition clause: In some policy it appeared after signature clause & in some policy it appears below scheduled. 4. Operative clause: It described the scope of cover in details which are heart of policy, which tells what is covered by the policy. 5. Contribution clause: It tells that how much the insurer must pay if there is insurance in more than one company.	Any 2 =02 (if only names then 01 mark)
	g	State function of Insurance Regulating Authority in India (IRDAI)	02
	Ans.	Function of Insurance Regulating Authority in India (IRDAI) 1. To regulate the rates, terms and Conditions of insurance, offered to their customer in general insurance business. 2. To regulate how insurance company invest their funds and maintain their margin of solvency. 3. To protect the policy holders. 4. To conduct investigation and Audits of insurance company and any other organization connected with insurance company. 5. Make guidelines & arrange trainings to agents.	4 points =02
2		Attempt any THREE of the following:	12
	a	Describe role of Insurance Regulatory Authority Of India (IRDAI) in motor vehicle insurance.	04
	Ans.	1. To regulate the rates, terms and Conditions of insurance, offered to their customer in general insurance business. 2. To regulate how insurance company invest their funds and maintain their margin of solvency. 3. To conduct investigation and Audits of insurance company and any other organization connected with insurance company.	4 points =04

		<p>4. Protection of the policy holders such as Assigning of policy, nominating members to policy, insurable interest, settlements of claims and any other such matters.</p> <p>5. Make guidelines and provide training for appropriate code of conduct for insurance agent.</p> <p>6. Also making code of conduct for surveyors and loss assessor working with insurance company.</p>	
	b	Explain Concept of Moral Hazard in relevance to age and litigiousness.	04
	Ans.	<p>Moral hazard is a term describing how behavior changes when people are insured against losses. If, for example, your car is fully insured against any and all damage and there is no deductible, then you would have no incentive to avoid minor accidents, like scratches or backing into poles, beyond the inconvenience of getting the car fixed. You would be much more likely to take risks that could lead to minor car damage knowing that any damage is fully covered.</p> <p>Moral hazard is the dishonesty or character defects in an individual that increase the frequency of accident and badness. It is difficult to control. The insurance try to control moral hazard by various policy and provisions regarding insurance. Careful underwriting of applicants for insurance can also controls the frequency of moral hazard. Moral hazard increases the unfair claims and payments. So it is harmful for insurance business. Because of moral hazard, premiums are higher for everyone.</p>	04
	c	State procedure to calculate premium for the third party insurance cover.	04
	Ans.	<p>Third party insurance is a type of insurance policy that is designed for offering insurance coverage to the third party in case of an accident caused by the insured vehicle. This policy covers the liability arising out of an injury, damage or death of the third party.</p> <p>TP premium rate is fixed for all vehicles & it is fixed by IRDAI. The premium of car insurance depends on the following factors:</p> <ol style="list-style-type: none"> 1. IDV (Insured Declared Value) of the vehicle 2. Type and age of the vehicle 3. Cubic Capacity of the engine 4. Geographical zone 	04
	d	Compare investigation and assessment with suitable examples.	04
	Ans.	<p>The claim investigation process is the procedure in which insurance company surveyor or loss assessor obtains information to examine the claim. As result it requires various documents to go through, visit to location, interviewing peoples from spot & inspecting property or vehicle if required. These investigations may lead to taking photographs & video.</p> <p>And in case of assessment it can determined insured about liability for claim as well as the amount of compensation to be paid. Assessment means assessing total amount or estimation of claim.</p> <p>Ex: Suppose one vehicle met with an accident then surveyor will do directly assessment of estimation as per claim form but if there is any injury to anyone then surveyor need to investigate the case by above method.</p>	02 description & 02 example
3		Attempt any THREE of the following:	12
	a	Compare third party insurance and comprehensive on following parameters:	04

		<ul style="list-style-type: none"> i. Risk cover ii. Premium iii. Application of vehicle iv. Condition 	
	Ans.	<ul style="list-style-type: none"> i. Risk cover In third party insurance only covers damage from a accident only to the other people and their property if you are fault. In case of comprehensive insurance the damage of your property due to accident is covered. ii. Premium The premium rate of third party insurance is very cheap than the comprehensive insurance. The premium rate of comprehensive insurance is costly because in this policy own damage as well as third party damage also cover. iii. Application of vehicle The third party insurance is suitable for goods carrying vehicle, two wheeler and high weight motor vehicles. The comprehensive insurance is suitable for four wheeler vehicles passenger carrying vehicles. iv. Condition In third party personal injuries and damage to property does not cover. In comprehensive insurance personal injuries are covered. 	<i>01 mark to each point = 04</i>
	b	Discuss importance of insurance history in proposal form.	<i>04</i>
	Ans.	<p>Once you decide to buy an insurance plan, the first step is to fill out the proposal form. A proposal form is a legal document that seeks relevant information from you so that the insurance company understands you well.</p> <p>Need of insurance history in proposal form:</p> <ol style="list-style-type: none"> 1. Gives information about previous insurance policy 2. It has to get information about the claims in the previous insurance policy. 3. Gives information about name, address, any no claim bonus in previous policy. 4. It gives information about driving habit of insured. 	<i>02</i>
	c	Explain the effect of following physical hazard parameters on renewal of comprehensive insurance policy- <ul style="list-style-type: none"> i. Age of driver ii. Power and capacity of vehicle iii. Load used iv. Forfeiture of custom duty 	<i>04</i>
	Ans.	<ul style="list-style-type: none"> i. Age of driver: If age of driver is more (say more than 65 years then there is more chances of accident than young driver which increases physical hazard. ii. Power and capacity of vehicle: If there are two vehicles one is 140 cc & other 1000 cc then physical hazard is more in 1000cc as it is having high power & speed so chances of accident is more. iii. Load used: If you are overloading the vehicle it creates physical hazard & chances of accident increases then premium amount also will get increase. 	<i>04</i>

d	Compare compulsory excess and voluntary excess.	04										
Ans.	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: center;">Compulsory excess</th> <th style="width: 50%; text-align: center;">Voluntary excess</th> </tr> </thead> <tbody> <tr> <td>Compulsory excess is the amount payable by insurer in his pocket during claim.</td> <td>Voluntary excess is the extra amount is payable by insurer in his pocket to minimize premium amount.</td> </tr> <tr> <td>The compulsory excess is set by your insurer.</td> <td>The voluntary excess is set by you.</td> </tr> <tr> <td>This amount is same for all insurance companies.</td> <td>This amount is varies from customer to customer.</td> </tr> <tr> <td>This amount is mandatory.</td> <td>This amount is not mandatory.</td> </tr> </tbody> </table>	Compulsory excess	Voluntary excess	Compulsory excess is the amount payable by insurer in his pocket during claim.	Voluntary excess is the extra amount is payable by insurer in his pocket to minimize premium amount.	The compulsory excess is set by your insurer.	The voluntary excess is set by you.	This amount is same for all insurance companies.	This amount is varies from customer to customer.	This amount is mandatory.	This amount is not mandatory.	01 mark for each point =04
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4	Attempt any THREE of the following:	12										
a	Explain terms 'compulsory excess' and 'voluntary excess'.	04										
Ans.	<p>Compulsory excess: The compulsory deductible or excess is also called as mandatory excess. It is part of claim amount which you will have to bear out of your pocket. The amount is decided by insurance company. The amount is deductible for the cars the amount fixed is as 1000 Rs. and for two wheeler is fixed is 100 Rs.</p> <p>Voluntary excess: The voluntary deductible or excess is the amount which is deductible for special discount in the premium. The amount of the voluntary excess changes from company to company. The voluntary excess is set by you.</p>	02 02										
b	Prepare proposal form of motor vehicle insurance proposer for a transport policy.	04										
Ans.	<p>All information is mandatory for proposal form.</p> <p>a. The proposal form is designed as follow :</p> <ol style="list-style-type: none"> 1. Costumer information: 2. Name of insured. 3. Date of birth of insured 4. Current and permanent addres 5. Mobile no and email ID 6. Addhar card and pan card no 7. Source of fund and monthly income <p>b. Detail of vehicle</p> <ol style="list-style-type: none"> 1. vehicle model 2. vehicle manufacturer 3. Registration No 4. Engine & Chassis No. 5. Gross Vehicle weight. 6. Type of body 7. Year of mfg. <p>c. Previous Insurance info.</p> <p>d. Nominees details</p>	01 mark for one point = 04										

		e. NCB f. Drivers details g. Add on cover h. signature	
	c	Compare effects of various physical hazards and its factors on any insurance policy.	04
	Ans.	<p>Physical Hazard refers to action, behavior or physical conditions that constitute a hazard smoking is considered physical hazard because it increases the chance of fire occurring. Smoking is considered a physical hazard in regard to health insurance, Physical hazard effects such as neck, back and shoulder pain and many more such as cramp, pressure point and poor circulation in legs which increases premium amount.</p> <p>Examples include slippery roads, which often increase the number of auto accidents; poorly lit stairwells, which add to the likelihood of slips and falls; and old wiring, which may increase the likelihood of a fire. Insurance underwriters do not like hazards because they increase the possibility of a claim occurring. So if you have hazards then you are going to pay more for your insurance.</p> <p style="text-align: center;">or</p> <p>i. Age of driver: If age of driver is more (say more than 65 years then there is more chances of accident than young driver which increases physical hazard.</p> <p>ii. Power and capacity of vehicle: If there are two vehicles one is 140 cc & other 1000 cc then physical hazard is more in 1000cc as it is having high power & speed so chances of accident is more.</p> <p>iii. Load used: If you are overloading the vehicle it creates physical hazard & chances of accident increases then premium amount also will get increase.</p>	04 marks for description or for following points
	d	Explain legal aspects of surveying from surveyor's perspective.	04
	Ans.	<p>Surveyor is the professional who assess the loss or damage & serve the link between insured & insurer. They only function in non-life business. Their main job is to assess the actual loss & avoid fake claim. There external surveyor who got licensed from IRDAI to investigate, manage, quantify, validate & deals with losses.</p> <p>Surveyor check registration certificate of the given vehicle. Surveying the damages cause to the vehicle during accident and the estimate given by workshop owner. Surveying the FIR copy and in case of bodily injury checking the hospital bills and Doctors certificate. The above is the legal Aspects of surveying from surveyor's perspective.</p>	04
	e	Prepare accident investigation report for a car.	04
	Ans.	<p>Whenever an accident occurs all particulars have to be collected and ascertained below:</p> <p style="padding-left: 40px;">A) General Details:</p> <ol style="list-style-type: none"> 1) Date ,time and location 2) Registration No. of vehicle involved in an accident 3) Nature of accident 4) Primary cause of accident 5) Light condition 6) Traffic condition 7) Road condition 8) Responsibilities of driver 	04 marks

		<p>9) Responsibilities of pedestrian 10) Casualties Person Killed Or injured</p> <p>B) Assess the quantum of loss. C) Take photo graph. D) Determine the liability of insurers within policy. E) Negotiate with the insured regarding disposal of salvage F) Prepare detail survey and submit</p>	
5		Attempt any TWO of the following:	12
	a	Describe organizational structure, role and justification of motor vehicle insurance organizational in India.	06
	Ans.	<p>Organizational structure:- Section 4 of the IRDAI act 1999 specifies the authority composition. It is a ten member body consisting of :</p> <ol style="list-style-type: none"> Chairmen (Subhash.C.Khuntia from 1st SEP) Five whole time member.(P.J.Josep, Nilesh sathe, Pournima gupta, Pravin kutumbe, Sanjay banarji) Four part-time members. <p>These to be appointed by the central government from amongst persons of ability , integrity and standing who have knowledge or experience in life, general insurance, finance, economics, law, administration.</p> <p>Role and justification:</p> <ol style="list-style-type: none"> To regulate the rates, terms and Conditions of insurance, offered to their customer in general insurance business. To regulate how insurance company invest their funds and maintain their margin of solvency. To conduct investigation and Audits of insurance company and any other organization connected with insurance company. Investigation manages quality and deals with losses arising from any contingency. Estimate measures and determine the quantum and description of the subject under loss. To conduct inspection and re-inspection of the property and question suffering loss & Conduct spot and final surveys as and when necessary and final surveys and when necessary and comment upon franchise excess / under insurance and any other related matter. To advise insurer and insured about loss minimization, control loss for security and safety devise. 	<p><i>03 mark for structure (Names not required)</i></p> <p><i>03 marks for roles & resp.(3 points)</i></p> <p>=06</p>
	b	Explain insurance renewal procedure for used cars.	06
	Ans.	<p>The renewal procedure for used car is as follows: Call your insurance company for renewal of your insurance policy or your insurance company calls you for the same, after that submitted the documents required for insurance renewal before policy expiry or renewal date this process is before 90 days of expiry or renewal date.</p> <p>If you fail to renew your policy in time you have to fix an appointment with insurance company for inspection and photograph as there will be break in. you have to resubmit al necessary documents.</p> <p>Documents required for renewal of policy:</p> <ol style="list-style-type: none"> Policy holders details(Name, address, date of birth, gender, and 	<p>03</p> <p><i>03 for Documents</i></p> <p>= 06</p>

		<p>occupation)</p> <p>2) Policy holders driving license.</p> <p>3) RC details.</p> <p>4) Old insurance policy number.</p> <p>5) Payment.</p>	
	c	Describe importance of cover note and certificate of insurance.	06
	Ans.	<p>a) Cover note: cover note act as a temporary document of motor insurance issued by insurance company that provides profit of insurance coverage until the insurance policy is issued this process typically takes 10-15 days to issue policy certificate a cover note is valid for 60 days from the date of insurance.</p> <p>b) Certificate of insurance: A certificate of insurance is a document used to provide information on specific insurance coverage the certificate of insurance provides verification of the insurance and usually contains information on types and limits of coverage, insurance company, policy number named insured, and the policies effective periods.</p>	<p>03</p> <p>03 = 06</p>
6		Attempt any TWO of the following:	12
	a	Explain the following clauses given in the policy form: A] Recital clause B] Operative clause C] Contribution	06
	Ans.	<p>A] Recital clause: Recital clause precedes the main text of contract. It provides general idea about the contract to its reader such as what the contract is about, who the parties are and Why they are signing the contract.</p> <p>B] Operative clause: The Operative clause also known as insuring clause sets out in broad terms the policy coverage, It describe the scope of coverage in detail. It is the Heart of the policy specifying what is covered by policy.</p> <p>C] Contribution: The Principle of contribution said that, the insurer's right of contribution is completely different, this is insurer own legal right under the insurance contract act. It exists where two or more insurance policy covers the same loss. The Insurer who pays the claim can claim for contribution from other insurer.</p>	<p>02 marks for each point</p> <p>= 06</p>
	b	Compare insurance of government vehicle with private vehicle.	06
	Ans.	<p>The motor insurance act clearly states that all vehicles plying on road must have insurance. There is no difference between private & government vehicles, but state governments have been lax in this regard.</p> <p>The new motor vehicle bill passed the cabinet will make it mandatory for government owned vehicles to buy third party insurance. Presently only few states like Gujarat, Maharashtra have dedicated insurance fund that cover road accident caused by government buses.</p> <p>In India it is mandatory to all private, government, commercial vehicles to have at least third party insurance.</p>	06

		<p>Section 146 of the Motor vehicles Act deals with the necessity of insurance for vehicles. The same 146(2) says that this provision is not applicable to any vehicle owned by Central Govt or State Govt. The same 146(3) says that the Govt may by an order exempt any vehicle owned by a. any local authority b. any state transport undertaking. Local authority means Municipality, Panchayat Corporation etc.</p>	
	c	Describe duties and responsibilities of surveyors and loss assessors in the event of accident and natural calamity.	06
	Ans.	<p>Following are the roles and responsibilities of surveyors and assessors in the event of accident and natural calamity :</p> <ol style="list-style-type: none">1] Investigation manages quality and deals with losses arising from any contingency.2] Estimate measures and determine the quantum and description of the subject under loss.3] To conduct inspection and re-inspection of the property and question suffering loss.4] Conduct spot and final surveys as and when necessary and final surveys and when necessary and comment upon franchise excess / under insurance and any other related matter.5] To advise insurer and insured about loss minimization, control loss for security and safety devise.	