



Institute of Management
JK Lakshmipat University, Jaipur
END TERM EXAMINATION - 2018

B.Com H (V sem.) Principles & Practices of Banking & Insurance
Subject Code: FN 14
MM: 40Marks

Time: 2 Hours

Section - A

1. How commercial banks maintain pace with monetary policy of central bank in regard of credit creation capacity. Comment on this sentence, with the help of hypothetical example showing effect of tight and liberal monetary policy on the credit creation feature. (5 Marks)
2. In a scenario of cut throat competition, when commercial banks are striving hard for profits, co-operative bank may offer economy/relief to rural households. In the shade of this sentence, explain the structure, strength and threat for commercial banks operating in India.

or

Insurance is not only an important aid to industry and commerce but also provide great benefits to the society as a whole. Under the light of this sentence, elaborate the significance or benefits of Insurance. (5 Marks)

3. Write short note on any four: (4*2.5 Marks)
 - a. Insurance v/s Assurance
 - b. Insurance v/s Wagering
 - c. Cargo Insurance v/s Liability Insurance
 - d. Express and Implied Warranties in Marine Insurance
 - e. Nomination v/s Assignment of an Insurance Policy
 - f. Surrender Value of an Insurance Policy
4. Explain in brief, insurance principles applicable in each case: (4*2.5 Marks)
 - a. Some insured goods, kept in a godown, were partially destroyed by fire and the insured was dully compensated by the insurer for the loss. The insurer then sued the godown keeper and received a sum of ten thousand rupees from him. The insured claimed payment of even this amount from the insurer. Is he entitled? What kind of insurance principles you will use for both parties to support your answer?

P.T.O.

- b. 'A' the owner of a ship does not have a ship in good condition; but, by fraud represents ship to be seaworthy and induces 'B' an underwriter to insure the ship. After getting insured, ship gets collision in sea. Can 'B' obtain the cancellation of policy and deny making payment to A?
- c. Rajiv's stock were kept in a warehouse were insured against fire. From last 5 months after getting insured, fire extinguishers were not repaired at warehouse. One night, stock was fouled by the heat of the warehouse. Explain the liability of the fire insurance company.
- d. House property of L is insured equally by three general insurance companies (P, Q and R). In an fire accident, housing property is destroyed fully and L claims amount only from one insurance company "Q" and receives 1.5 crore Rs. After making payment to L, what are the rights in hand of "Q" insurance company? Can J, brother of L; recover amount from any insurance company. Explain.

Section – B

Case Study

The significant changes in the Indian insurance industry in the last few years were caused by a number of external influences. Firstly, the changing socio-economic and political environment provided an appropriate ground for these developments to take shape. The worldwide tendency towards mergers, acquisitions had their influence on the insurance industry as well. The Indian insurance industry has undergone numerous changes in trends and strategies in the recent past. The US \$ 41 billion industry is considered the fifth largest life insurance market, and is growing at a rapid pace of 32-34 % annually. In India, LIC has recorded about 37% growth during April to January FY 2010, the data from IRDA stated. On another hand, foreign and private players are making aggressive strategies to capture untapped vast market share. After introduction of LPG Model in Indian Financial System, it was necessary to bring about necessary reforms in Indian Insurance Sector and Malhotra committee was constituted for recommendations regarding improvement in insurance sector.

In light of this small case, answer below stated questions:

- a. Explain recommendations of Malhotra Committee in major areas of Insurance. (5 Marks)
- b. In your opinion, what are the major prospectus and challenges, in front of Indian insurance industry? Support your answer with logical evidence. (5 Marks)