**Insurance & Risk Management**

**December 2024 Examination**

**Q1. You are a newly hired financial advisor at a leading insurance firm. Your first major task is to prepare a write up for a community seminar aimed at educating individuals about the importance of life insurance. The audience includes a diverse group of people: young professionals, young families, and retirees. You are required to shed light on life insurance policy and need for buying life insurance policy. (10 Marks)**

**Ans 1.**

**Introduction**

Life insurance is an essential financial product that provides financial protection and peace of mind to individuals and their families. It offers a safety net in the unfortunate event of the policyholder’s death, ensuring that their dependents and loved ones are financially secure. With the unpredictability of life, the need for life insurance becomes critical for individuals across different stages of life, whether they are young professionals starting their careers, young families with growing responsibilities, or retirees seeking financial security in their later years. This seminar aims to demystify the concept of life insurance, explaining why it is vital for all individuals, regardless of age or occupation. By understanding the various types of policies available and their benefits, attendees can make informed decisions to safeguard their financial futures. Life

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**Q.2. A new insurance company, ABC Insurance, is planning to enter the Indian market. Analyze the regulatory environment in India and discuss the implication of Insurance Regulatory and Development Authority (IRDA) Act, 1999 on the insurance industry as a whole (10 Marks)**

**Ans 2.**

**Introduction**

The Indian insurance sector has undergone significant transformation since the introduction of the Insurance Regulatory and Development Authority (IRDA) Act in 1999. This act has been instrumental in liberalizing the insurance market, which was once dominated by state-owned entities, and has opened the doors to private players, both domestic and foreign. The regulatory framework in India, spearheaded by the Insurance Regulatory and Development Authority of India (IRDAI), ensures that the interests of policyholders are protected, and the insurance sector remains stable, competitive,

**3a. A company has two health insurance policies, one with a sum insured of ₹1 lakh and the other with a sum insured of ₹2 lakh. If the company makes a health claim, how will the two insurance policies contribute to the claim? What principle of insurance is applicable in this scenario? (5 Marks)**

**Ans 3a.**

**Introduction**

When a company holds multiple health insurance policies, it can make a claim under both policies, provided the total claim does not exceed the expenses incurred. The contribution principle is an essential concept in this scenario, ensuring that no policyholder profits from insurance by making claims that exceed the loss. This principle distributes the claim amount proportionally across multiple insurers based on the sum insured. This ensures fairness and prevents the duplication of benefits, maintaining the integrity of the insurance system.

**Concept and Application**

**1. The Principle of Contribution:**

The principle of contribution is one of

**3b. Explain the principles of principle of utmost good faith and principle of insurable interest and their significance in an insurance contract.? (5 Marks)**

**Ans 3b.**

**Introduction**

Insurance contracts are unique and governed by specific principles that distinguish them from other types of contracts. Two of the most fundamental principles are the principle of utmost good faith and the principle of insurable interest. These principles are critical in ensuring that insurance contracts are based on transparency and legitimacy. The principle of utmost good faith requires both parties to disclose all relevant information truthfully, while the principle of insurable interest ensures that the insured