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| **SESSION** | **FEB-MARCH 2025** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **03** |
| **COURSE CODE & NAME** | **DBFI303 PRINCIPLES & PRACTICES OF INSURANCE** |
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**Assignment Set – 1**

**Q1. Explain the importance and function of insurance. Also, write a descriptive note on insurance risk management. 4+6**

**Ans 1.**

**Importance of Insurance**

Insurance plays a pivotal role in modern economic systems by providing financial protection against various uncertainties. It is a mechanism through which individuals and businesses can transfer their risks to an insurance company in exchange for periodic premium payments. The core importance of insurance lies in its ability to offer risk coverage, promote economic stability, and encourage savings and investment.

By mitigating the financial impact of unforeseen events such as death, accidents, or property damage, insurance gives individuals peace of mind. For businesses, it enables continuity of

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**Q2. Write a detailed note on reinsurance and its importance for insurers. Also, to discuss the meaning and elements of insurance contract. 5+5**

**Ans 2.**

**Reinsurance and Elements of an Insurance Contract**

**Understanding Reinsurance**

Reinsurance is the process through which an insurance company transfers part of its risk portfolio to another insurer, known as a reinsurer, in exchange for a portion of the premium. This mechanism allows the primary insurer to limit its exposure to large claims and maintain financial stability. It is essentially "insurance for insurers" and plays a critical role in the global insurance landscape.

Reinsurance can be facultative, where individual risks are negotiated and reinsured

**Q3. Briefly discuss the below given principles of insurance, along with suitable example/ situation for each of them.**

* **Utmost Good Faith**
* **Insurable Interest**
* **Proximate Cause**
* **Indemnity**
* **Subrogation**
* **Contribution 10**

**Ans 3.**

**Principle of Utmost Good Faith**

This principle requires both parties to an insurance contract to disclose all material facts truthfully. The insured must inform the insurer of all relevant details that may affect risk assessment.

**Example:** If a person applying for health insurance hides a pre-existing condition like diabetes, and later files a claim related to that condition, the insurer can reject the claim for violating utmost good faith.

**Assignment Set – 2**

**Q4. Assess the customer’s behaviour in the context of insurance as a service. Also discuss the role of insurance brokers and agents as operation intermediaries in insurance service. 5+5**

**Ans 4.**

**Customer Behaviour in Insurance Services**

Insurance is a complex, intangible service that requires trust, long-term commitment, and awareness. Customer behaviour in insurance is influenced by factors like financial literacy, perceived risk, cultural beliefs, personal experiences, and economic conditions. Unlike physical products, insurance offers future financial protection, which is not immediately

**Q5. Elaborate the regulatory framework established by IRDAI. Also discuss endowment policy and their types. 4+6**

**Ans 5.**

**IRDAI Regulatory Framework and Endowment Policies**

**Regulatory Framework of IRDAI**

The Insurance Regulatory and Development Authority of India (IRDAI) is the apex body responsible for regulating and developing the insurance industry in India. Established under the IRDA Act, 1999, the authority ensures that the insurance sector operates in a fair, transparent, and competitive manner while protecting policyholders’ interests.

IRDAI’s key regulatory functions include licensing insurance companies, approving

**Q6. a. Write a detailed note on products or types of products in health insurance.**

**b. Elaborate the concept of surrender value and explain different types of surrender value? 5+5**

**Ans 6.**

**a. Types of Products in Health Insurance**

Health insurance is a vital financial instrument that protects individuals and families against rising healthcare expenses. Several types of health insurance products are available to suit different needs, ages, and lifestyles.

**Individual Health Insurance Policy**

One of the most common products is the Individual Health Insurance Policy, which provides