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| **SESSION** | **JULY-AUG’24** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **III** |
| **COURSE CODE & NAME** | **DBFI303 PRINCIPLES AND PRACTICES OF INSURANCE** |
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**Assignment Set – 1**

**1. Explain what requirements the insurable risk must meet to be considered a true risk. Also. explain the classification of risk in three different classes. 4+6**

**Ans 1.**

**Requirements for an Insurable Risk and Classification of Risks**

**Requirements for an Insurable Risk**

For a risk to be insurable, it must meet certain conditions that ensure it is manageable for insurance companies and beneficial for policyholders. These requirements include:

1. **Pure Risk**: The risk must involve the possibility of loss or no loss, without any potential for gain. Speculative risks, which include profit possibilities, are not insurable.
2. **Fortuitous Event**: The event must occur accidentally or unexpectedly. Predictable losses or those caused intentionally by the policyholder are excluded.
3. **Measurability of Loss**: The loss should be quantifiable in monetary terms, enabling

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**2. Define Brokerage regarding functions performed by brokers. Discuss the difference between brokers and underwriters. 5+5**

**Ans 2.**

**Brokerage and Difference Between Brokers and Underwriters**

**Definition and Functions of Brokerage**

Brokerage refers to the intermediary services provided by insurance brokers who connect clients with insurers to meet their insurance needs. Brokers act as representatives of the insured rather than the insurer, ensuring that clients receive the best coverage options available in the market. They provide expert advice, analyze client requirements, and negotiate policy terms to secure optimal insurance solutions.

Key functions performed by brokers include:

* **Risk Assessment and Management**: Brokers analyze the client's exposure to risks and

**3. What is an insurance contract? Explain in brief the elements of an Insurance Contract.**

### ****Ans 3.****

### ****Insurance Contract and Elements of an Insurance Contract****

**Definition of an Insurance Contract**

An insurance contract is a legal agreement between an insurer (insurance company) and an insured (individual or entity) whereby the insurer agrees to provide financial compensation or protection against specific risks in exchange for a premium paid by the insured. The primary purpose of such a contract is to transfer risk from the insured to the insurer, ensuring financial security against potential losses. It is a binding agreement governed by legal principles and is

**Assignment Set – 2**

**4. What is the Customer’s buying behavior? What are the key things that influence the customer’s behavior at the purchase point?**

### ****Ans 4.****

### ****Customer’s Buying Behavior and Influencing Factors****

Customer’s buying behavior refers to the decision-making process and actions undertaken by consumers when selecting, purchasing, using, or disposing of goods and services. It encompasses the psychological, social, and economic factors that influence how individuals make choices and fulfill their needs or desires. Understanding customer behavior helps businesses tailor their marketing strategies, products, and services to align with consumer expectations.

**Key Factors Influencing Customer Behavior at the Purchase Point**

Several factors shape a customer’s behavior during the decision-making process and at the

**5. Explain the Life Insurance Act, 1956.**

**Ans 5.**

**Life Insurance Act, 1956**

The Life Insurance Act, 1956, is a landmark legislation in India that led to the nationalization of the life insurance industry. The act established the Life Insurance Corporation of India (LIC), a state-owned entity, to centralize and regulate life insurance operations in the country. Prior to this, life insurance was handled by multiple private entities, leading to issues such as financial instability, fraud, and lack of trust among policyholders. This act was introduced to

**6. What are Survival benefits? Mention any four advantages Survival benefits from life insurance policies. 6+4**

**Ans 6.**

**Survival Benefits and Their Advantages**

Survival benefits refer to the periodic payments made to a policyholder during the term of a life insurance policy, provided they survive certain predefined milestones. These benefits are a feature of endowment and money-back policies, offering financial support at regular intervals, ensuring liquidity, and incentivizing long-term savings. Survival benefits are distinct from death benefits, as they focus on rewarding policyholders for maintaining their policies