

OCTOBER / NOVEMBER 2017

SECTION A TRUE / FALSE QUESTIONS

2.1 False

Houseowners policy covers the private dwelling not the contents thereof

2.2 True page 165

Items specified separately will have an individual rate applied to them, to reach a fair rate the type of article insured must be looked at

2.3 True page 173

Loss or damage arising from war, riot and labour disturbances are standard exceptions

2.4 True [page 168]

If the final amount (claim) is more than the policy cover, the insured is responsible for the rest

2.5 False page 178

When cover is purchased, the insured must decide on an indemnity period.

2.6 False

Goods in Transit Insurance covers local deliveries or neighbouring countries, overseas deliveries must be covered by Marine Insurance

2.7 False (see calculation)

$[50000 - 10000] \times 1.05$

$\frac{42000}{P}$

2.8 True (page 205)

Because the larger the engine capacity, the more powerful the machine

2-9 False page 244.

The effect of funding losses on the company's earnings per share is normally the most tightly constrained measure of its loss assumption ability

2-10 True pg 184.

Cover for money whilst at the premises overnight is a lock safe

SECTION B

SHORT QUESTIONS

Question 3:



## Question 4. pg 128

### Negotiation

- is the most common way of handling disputed claims, The process will normally involve the broker, insured and insurer
- Discussions are held until an amicable agreement is reached.

### Litigation

- Involves legal proceedings and is costly, it should be viewed as a last resort
- If the insurer repudiates liability, however, it may be the only option open to the insured.

### Arbitration

- is a process whereby an independent party is appointed to hear both sides of the argument
- Arbitration can only be used to resolve problems of quantum which is the amount of the settlement.

## Question 5 page 262

Finite Insurance	Conventional Insurance.
1. Multi-year contracts	- Normally one year only
2. aggregate limit of cover such that the insurer's exposure is limited	- the exposure of the insurer is usually unlimited.
3. Premiums are higher	→ Lower premiums

### Questions

## Question 6 Pg 32

### Role of Insurance Brokers.

- These are intermediaries who provide advisory services on behalf of insurance companies.
- They normally have an agency agreement with the insurer.
- They are considered to be professional insurance practitioners and are legally liable for the advice they give to clients. If they give incorrect advice, the client may institute a legal action against them.
- They may be responsible for collection of premiums from the insured. The broker must therefore have financial guarantee to cover any premiums.
- The broker also introduces new businesses or existing businesses to the market and earns commission for any business sold.

## Question 7 page 207

### Motor Traders External Cover.

#### ~~Vehicle cover~~ Circumstances

- Covers vehicles while:
  - on the road
  - temporarily garaged in the course of a journey.

#### Vehicles Covered

- Insured's own vehicles and vehicles in his custody and control.

#### Possible exclusions

- There is no cover while vehicles are at the insured's premises only when outside the boundaries of any premises owned or occupied by him for the purpose of the business.



## Question 8

Pro rata condition of average.

Suppose a house owner takes ₹20000 worth of fire insurance on his home. The home is actually valued ₹30000. A fire subsequently breaks out in the home causing ₹6000 worth of damage?

Since the insurance covers  $\frac{2}{3}$  of the value of the property, the insured will only recover two thirds of of the cost of damage =  $\frac{2}{3} \times 6000$

$$= \underline{4000}$$

Special condition of average.

In some cases it is very difficult to assess an exact sum insured as values may fluctuate. To avoid Average being unfairly applied in these cases some insurers also offer an amended average condition whereby if sum insured is 75% or more than the value at the time of loss no deduction is made for under insurance.

## Section A

1.1 A stable liquidity position throughout the sales cycle [1]

1.2 Consideration in terms of insurance policies is not essential for concluding a contract. [2]

1.3 All Risks [1]

1.4 option [1]

1.5  $70\% \times 20\,000\ \text{€} = 14\,000\ \text{€}$   
 $\text{Losses} = 18\,000\ \text{€}$   
 $\text{Excess} = 18\,000\ \text{€} - 14\,000\ \text{€} = 4\,000\ \text{€}$   
 $\text{Treaty} = 4\,000\ \text{€} \times 90\% = 3\,600\ \text{€}$  [4]

1.6 option 4 page 96.

1.7 option 2 page 69

1.8 ~~18~~ A set of golf clubs stolen from a locker at school. [2] p

1.7 ~~option~~

1.9. Insurable interest must exist when a life policy is issued

1.10 Net line = 5000 € [3]

Net net line = 5000 € + 50% = 7500 €

9 treaty = 7500 € × 9 = 67500 €

Gross Retention = 67500 € + 7500 € = 75000 €

Sum Insured = 110000 €

Facultative = 110000 € - 75000 €

= 35000 €

1.11 option 4 page 105.



last page

- 1.13 An excessive claim reserve may result in a higher solvency margin [pg 140] [4]
- 1.14 Policyholders usually prefer higher solvency ratios [pg 139.] [4]
- 1.15 Be able to claim the full benefits of both policies. [pg 165] [3]
- 1.16 Under Third party only cover, no cover is provided for the insured's vehicle [pg 199] [1]
- 1.17 Are normally rated on the wage figure of the business [3]  
page 207
- 1.18 Damages caused by a nuclear attack is a typical example of an uninsurable risk [1] page 71
- 1.19 Hull insurance covers the vessel and associated machinery [2] page 225
- 1.20 Fidelity guarantee insurance provides cover against theft of money and stock by employees [1]

End of 4<sup>th</sup> paper