MEGA TUTORS

RSK3701

2017 REVISION PACK

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Calculations

Question 20

Quota share

In terms of a quota share treaty, the reinsurer is bound to accept a fixed proportion of every risk. The risk is shared on a proportional basis between the cadent and reinsurer. The share of the different parties involved in the government is expressed as a percentage.

The reinsurer will pay 100% - 60%

= 40% *80000

= 32000

Section B: false / true

1.1 False – re-insurance does not assure that the buyer of insurance will charge the same premium for the same risk.

- The purpose of reinsurance is to spread risk and increases the financial stability of insurers.

1.2 The special condition of average applies to agricultural products, the insurer pays the full amount when the percentage of the loss is greater than 75% and the loss is should between the insured and the insurer when the percentage of the loss is less than 75% of the loss percentage of the loss calculation.

Total sum / total value * 100/ 1= 100000/125000* 100/1= 80%

- False because the percentage of the loss is 80% which is greater than 75%.
- The insurer would pay the full amount of the loss which is 50000 not 40000.

1.3 False: this principle applies to policies of indemnity contribution is where the insured has more than one policy. In force for the same risk, each insurer pays its share of risk and the insured does not profit.

1.4 True: pooling makes more and reliable predictions which results in smaller deviations from expectations in terms of possible losses.

- Pre- requisite for insurance is insurable interest.

1.5 False: insurable interest must be present at the inception or at the insurance of the policy and not when a claim is lodged.

- Insurable interest is the legally recognised relationship between the insured and the financial loss he or she suffers.

1.6. True: it is a policy of exclusion where by anything that is not specifically excluded will be covered under all risks insurance.

- A torn jacket will be covered under asset all risk policy as it makes provision while an individual is away from home and the jacket was not torn due to wear and tear.

1.7 calculation of a reduced deductible

P = (L-D) *(1+R)

P = amount payable by the insurer

L = Loss

D = deductible

R = recapture factor/ interest

Step 1. Calculate P = (L –D)*(1+R)

= (50000- 10000)* (1+0, 05)

= 40.000*1.0, 5

= 42.000

Step 2. Reduced deductible R= L- P	R= Reduced deductible
= 50.000 – 42.000	L= loss
= 8000	D= deductible

True – the statement is true due to the aforementioned calculation, the deductible is reduced from 10.000 to 8000. As the size of deductible decreases, the size of the loss increases.

1.8 False: Facultative cover of 60.000 000 will have to be placed by the insurer.

Calculation: step 1 Gross Retention

Net line	4000.000
+ 50% of loss profits and fixe	2000.000
Total net line	6000.000
9* retention	60.0000 000

Step 2 calculate total sum insured

Fixe	80.0000000
Loss of profits	40.000000
Total sum	120. 000 000

Step 3. Calculate the facultative cover required

Total sum insured – gross retention

= 120. 000000- 60.000000

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60.000000

1.9 False: premiums paid to an accredited intermediary credit or credit agent are deemed to have been received by the insurer, the insured is covered by the policy even through the broker fuelled to pay the premiums.

1. 10 False- she will not be able to claim from personal accident policy in this case because it only compensate the insured if he or she is injured or ladled as a direct result of an accident.

- Personal accident policy provides no cover for illnesses

- She will be able to claim for compensation in terms of occupational injuries and diseases act. (CO1D)

Question 2

- Working capital reflects the liquidity of the n business.
- A range between 1% and 25% of working capital is considered as a guideline when deciding on the amount to be reserved for loss assumption.
- A higher end of scale for loss assumption of 25% / should be considered due to the higher profitability ratios of 2,5 % as compared to the industry average of 2,1: 1
- The higher end of scale applies to stable and higher liquidity ratios.
- Where the current assets of a business cannot be easily liquidated or where the liquidity levels fluctuate throughout the financial period, the lower end of scale should be considered for loss assumption.

- In terms of CO1D employees cannot sue their employers for injuries following an accident at work, but they are entitled to receive compensation it compensates the employees as a result of injury, disability and death due the negligence of the employer.
- In terms of the new legislation, the compensation for CO1D states that all employees now fall within the scope of the Act.
- This means that employees no longer have the right to sue an employer but must claim in terms of act.

  Categories of people who are not entitled to receive the benefits from the act are as follows:
- Domestic employees.
- Contractors.
- SAPS (South African Police Service) and defence force members on active service.
- Contractors (people who contract to carry out work, but engage others to do the actual work).

- Domestic employees (for this reason, householders policies give liability cover for domestic workers.)

Question 5

- Proximate cause refers to the dominant cause of the loss, it means that the insured will be identified if the cause of the loss was an insured peril.
- It is not necessarily the first or the last cause of the loss but the dominant cause of the loss.
- Proximate cause is defined as the “active and efficient cause that sets in motion a train of events which brings about a result, without the intervention of any force started and working effectively from a new and independent source.”
- The policy holder is required to demonstrate that an insured peril has caused the loss or damage claim.
- If the insurer wants to repudiate the claim, they must demonstrate that an exclusion applies.
- The insured need only demonstrate that damage has occurred to the insured property during the period of insurance.
- Determining the actual cause of the loss or damage is therefore a fundamental step in the consideration of any claim.
- E.g if the house was burnt by fire, this means that the insured will be indemnified if the dominant cause of the loss was fire.

Question 6

The principle of contribution applies to a situation where by the insured has more than one policy in force for the same risk. This means that if people are insured by more than one insurer, they may seek to recover their indemnity from all or any of the insurers.

- These insurers then have the natural right to claim from their co- insurers a pro rata portion of the amount they have paid in fulfilment of the indemnification.
- Policy from A B c insurer 2000 000
  Policy from DEF insurer 1000 1000
  Total sum insured 3000 000
  Loss 500 000
  Amount payable by ABC insurer = sum insured by ABC insurer / total of all policies * loss/ 1
  = 2000000/3000000 * 500000/1
  =R 3333333, 33
  Amount payable by DEF insurer: sum insured by DEF insurer/ total of all policies * loos/ 1
  = 1000000/3000000* 500 000/1

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= R 166667

Question 7

Money insurance indemnifies the insured for the money lost or damaged whilst at the insured premises or being transported to and from a bank.

- Major limit

- This is in respect of money in transit to and from the bank whilst kept in a locked safe overnight
- It covers theft of money at the premises during the day provided it is in a locked safe.

- Minor limit

- This convers theft of money whilst in the custody of the directors on the business of the insured and anywhere in the world.
- It makes a provision of cover whilst the money is at home of any partner or director whilst on the premises of the insured, outside business hours and not contained in a locked safe.

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EXAM PACK MAY/ JUNE 2016

RSK3701

SECTION A

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SECTION B

1. 1 False: because insurable interest is the pre- requisite of insurance.

- Indemnity is enforced by the principles of subrogation, average and contribution.

1.2 The special condition of average applies to agricultural products, the insurer pays the full amount when the percentage of the loss is greater than 75% and the loss is should between the insured and the insurer when the percentage of the loss is less than 75% of the loss percentage of the loss calculation.
Total sum / total value * 100/ 1= 90 000 /125000* 100/1= 72%
Amount payable by the insurer = 72% * 50 000
= 36 000

- False because Amount payable by the insurer is 36 000 and not 40 000 due to the mentioned calculation.

1.3 False – Arbitration is used to resolve problems of quantum

- Negotiation is the most common way of handling disputed claims, discussions are held until amicable agreement is reached.

1.4 False – the pillion passenger extension means that the motorcycle is covered but there is still no liability cover for the injury passenger.

- The policy needs to be further extended to cover passenger liability.

1.5 False – money transported to from a bank is covered under money insurance.

- Fidelity guarantee insurance is specifically designed to deal with fraud and theft of goods and stock by employees.

1.6 True – exgration payments are compensation payments and do not affect future claims payments.

1.7 7 calculation of a reduced deductible

P = (L-D) *(1+R)

P = amount payable by the insurer

L = Loss

D = deductible

R = recapture factor/ interest

Step 1. Calculate P = (L –D)*(1+R)

= (50000- 10000)* (1+0, 05)

= 40.000*1.0, 5

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= 42.000

Step 2. Reduced deductible R= L- P	R= Reduced deductible
= 50.000 – 42.000	L= loss
= 8000	D= deductible

- False because the insured will have to pay a reduced deductible of 8000 and not 10 000. Furthermore within a disappearing deductible is used, the size of the deductible decreases as the size of the loss increases.

1.8 False – because a facultative of 45 000 000 has to be placed.

Calculation: step 1 Gross Retention

Net line	5 000 000
+ 50% of loss profits and fixe	25 00 000
Total net line	75 00 000
9* 75 00 000	67 500 000
Gross retention	75 000 000

Step 2 calculate total sum insured

Fire	80 000 0000
Loss of profits	40 000000
Total sum	120 000 000

Step 3. Calculate the facultative cover required

Total sum insured – gross retention

= 120. 000000 - 75 000 000

45 000 000

A facultative cover of 45 000 000 will have to be placed by the insurer.

1.9 False- electricians working tools will be covered under business all risk policy as it is specifically designed the assets or tools that are used for business purposes.

- Electrical equipment that needs to be fitted at a certain destination will be covered under goods designed to cover goods which are being delivered by the insured or to the insured.

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1.10 True: because he will be able to claim from personal accident policy in this case it only compensates the insured if he or she is injured or killed by the violent external and visible means as a direct of an accident.

Section 3: paragraph questions

Question 2

-A proposal form refers to an offer by the insured to the insurer to do business.

- Purposes of a proposal form
  1. To elicit information
     - The main use of a proposal form is to provide information that underwriters need to decide whether to accept the proposal and if so, at what price and on what terms.
  2. To advertise
     - A proposal form also advertise other products available from the insurer.
  3. To describe the cover available
     - Many proposal forms summarise the cover available in terms of an insurance contract.
  4. To elicit a quotation
     - Sometimes a proposal form is completed as a request to the insurer for a quotation on price and terms. The insurers quotation is than a legal offer
  5. To make a legal offer
     - The completion of a proposal form often constitutes the legal offer by the proposer, although offers can also be verbal.

Question 3

The principle of contribution applies to a situation where by the insured has more than one policy in force for the same risk. This means that if people are insured by more than one insurer, they may seek to recover their indemnity from all or any of the insurers.

- These insurers then have the natural right to claim from their co- insurers a pro rata portion of the amount they have paid in fulfilment of the indemnification.
- Policy from A B c insurer 2000 000
  Policy from DEF insurer 1000 1000
  Total sum insured 3000 000
  Loss 500 000
  Amount payable by ABC insurer = sum insured by ABC insurer / total of all policies * loss/ 1
  = 2000000/3000000 * 500000/1

=R 3333333, 33

- Amount payable by DEF insurer: sum insured by DEF insurer/ total of all policies * loos/ 1
  = 1000000/3000000* 500 000/1
  = R 166667

Question 4

Broker can make use of a reinsurance as it refers to the process of transferring Risk from the ceding company or primary insurer to the reinsurer.

The main reason for reinsurance is because the ceding company wants to protect itself against losses beyond a specified sum, but competition and the demands of its agency may require insurance of policies for greater amounts.

A company that issued policies no larger than its retention, would severely limit its opportunities in the market.

Many of the insured do not want to place their insurance with several companies but prefer to have one policy with one company for each risk.

Furthermore reinsurance stabilities profits and reduce losses.

This could protect it against all or part of the losses against which it is insuring its policy holders e.g a company which insures a building for 100 00 against the loss by fire, could enter into an agreement with a reinsurer who requires the reinsurer to pay half of all losses under the policy. In the event of a R 10 000 loss, the insurer would pay the insured R 10 000 and then collects R 5000N from re – insurer.

Question 5

- The claims estimate should be realistic, as the insurer has to put this money in a reserve so that it can full meet its liabilities.
- If claims estimates are too high this means that
  - The company is reserving money that could have been used for the expansion of the business.
  - It also affects the insurer's solvency margin.
  - The loss ratio of the company looks worse than it really is, which can affect confidence in the company.
  - Lack of confidence can reduce the share price of shares and investments from external sources.
  - If claims estimates are too low it means that
    - The insurer is giving false or misleading information to the registrar as they not be enough money in reserves to cover claims.

Question 6

High low

predictability

Loss size

- Type i losses

-The first loss type emanates from risks that produce aggregate yearly costs which are over time considered stable.
- The stability estimate is usually based on past experiences projected into the future year after year. This type of a loss shows little variation between the aggregate value of the predicted losses and the aggregate of annual losses.

- Type ii losses
  - This type of loss emanates from risks that produce annual aggregate losses in excess of those associated with the first loss type. However a company can absorb those losses within a year and remain as a going concern.
  - The maximum cost consequence of risk in this class varies according to the company's ability to absorb losses and the risk aversion of its management.

- Type iii losses
  - The third loss type covers losses which produce aggregate annual cost in excess of those in the first two type's losses.
  - The aforementioned two diagrams show that the cost of insuring the highly predictable losses and high frequency and low severity is high. The main raison is the high cost associated with predictable losses.
  - The insurance company has to recover an amount that is at least to the size of the loss plus an additional amount for profits and administrative costs.

Question 7

- As for any other project or business, a feasibility study is required to test and verify the viability and competitiveness of the captive and as for total risk management function, it has to be reviewed regularly. It is necessary to determine whether using a captive is preferable to existing or alternative insurance and financing options.
- Key input factors to be considered are as follows:

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1. An effective and appropriate risk control programme must be in place in the insured's business and must have proven statically to produce a better (lower) than average loss experience.
2. Statistics covering risk financing costs and loss experiences must be available for at least a three year period.
3. A decision is required about the nature and limit of risks to be insured in order to determine the equity capital and premium income needs. To arrive at such decision, a detailed analysis is required of the characteristics of the various risks to which the company is exposed and of unsatisfactory features of existing insurance arrangements. (e.g unprotected exposure)
4. For joint or multi-parent captives, premiums need to be adjusted to reflect individual experience and whether funding will be on pre-loss or post loss basis.
5. Establishing amount of capital required by the captive is critical.
6. Establishing security of insurers / re-insurers that the captive may do business with.

October/ November 2016

Section A

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Section B: True / False questions

2.1 True because an insurance system combines risks into a pool where losses of a few are shared by all the participants. This is feasible because the insurer is able to estimate the total amount of the loss.

- Because an insurer can predict the amount accurately it is able to calculate the premium each owner must pay to cover his or her share of the possible loss.

2.2 The special condition of average applies to agricultural products, the insurer pays the full amount when the percentage of the loss is greater than 75% and the loss is should between the insured and the insurer when the percentage of the loss is less than 75% of the loss percentage of the loss calculation.

Total sum / total value * 100/ 1= 90 000/120 000* 100/1= 66, 67%
Step 2. Calculate amount payable by the insurer
= 66, 67% * 50 000
=33 333
True due to the aforementioned calculation.

2.3 False because the principle of indemnity states that the insured must not benefit from the loss.

- If the two policies are in force for the same risk, it means that insured may seek to recover their indemnity from all or any of the insurers. These insurers then house the natural right to claim from their co-insurers a pro rata portion of the amount they have paid in fulfilment of the indemnification.

2.4 True because the suicide clause in life insurance contracts avoids liability of an applicant who purchases life insurance because he or she contemplating to Laing his/ her own life.

2.5 False because high claims reserves are preferred by policy holders not shareholders.

- Shareholders prefer lower solvency margins which means that reserves are kept for investment purposes.
- Lower solver solvency margins that share price is high.

2.6 False – the pillion passenger extension means that the motorcycle is covered but there is still no liability cover for the injury passenger.

- The policy needs to be further extended to cover passenger liability.

2.7 True because as the size of the loss increases it means that the size of the deductible will be reduced. The deductible was reduced from 10 000 to 6400.

Step 1. Calculate amount payable by insurer.

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P = (L-D)* (1+R)

= (100 000 – 10 0000 * (1+0,o4)

= 90 000*1, 04

= 93 600

Step 2. Calculate a reduced deductible

R= L – D

= 100 000 – 93 600

= 6 400

2.8 True because the total sum insured is less than the gross retention.

Step 1. Calculate the gross retention

Net line	5 000 000
Add 50% of loss of profits	2500 000
Total net line	7500 000
8* total net line	60 000 000
Gross retention	67 500 000

Step 2 total sum = fire + loss of profits

= 40 000 000 + 20 000 00

= 60 000 000

Step 3 facultative cover = total sum insured – gross retention

= 60 000 000 – 20 000 000

= - 7500 000

2.9 False because plumbers working tools will be covered under business all risk policy and sanitary equipment which does not belong to him permanently will be covered under goods in transit policy.

2.10 False: premiums paid to an accredited intermediary credit or credit agent are deemed to have been received by the insurer.

Section c

Question 3

- Five Prescription periods enforced in terms of insurance claims.
    1. Notification
        - Short term policies require prompt notification of any occurrence likely to give raise to a claim.
    2. Final submission of a claim
        - There is a limited period for the final submission of a claim.
        - In the standard policy wording, this is two years, but some policies have shorter periods.
    3. Legal proceedings
        - If the claim is repudiated by the insurers, the insured has a limited period in which to institute legal proceedings.
    4. Recovery from the third parties
        - Apart from the policy prescription periods, there are statutory prescription periods that apply particularly to recoveries from third parties. The normal prescription period is three years.
    5. Governments claims
        - Claims involving government and semi government organisations, prompt notification is required of the intention to claim against them.

Question 4.

Brokers are the intermediaries who provide advisory and intermediary services.

They normally have an agency agreement with many insurers.

Brokers are considered to be professional insurance practioners and are legally liable for the advice that they give to clients.

If they give incorrect advice, the client may take legal action and for this reason, the broker would require a professional indemnity cover.

A broker is responsible for the collection of premiums from the insured.

A broker main course is the commission he is paid by the insurers, for introducing new business or renewing existing business.

Question 5

A collective policy is a policy in which a number of insurers share. It is placed with each insurer by the broker. It is the broker's responsibility to place any short fall in cover that might occur because of the insolvency of an individual insurer.

- Features of a collective policy
    - Each insurer has a share of the risk.
    - The lead insurer issues the policy
    - The policy reflects each insurers share
    - The claims are handled by the lead insurer
    - The other insurers normally follow the lead
    - A collective insurer cannot quote against the lead
    - The lead insurer receives a handling fee from the other insurers, who
      Share the risk.

Question 6

An organisation will be engaged in all unique venture for the next two years. The risks associated with the venture are not considered to be insurable by the pro rata insurance market. The risk manager of the company suggested that the company joins a rent-acceptive.

The rent acceptive would be appropriate insurance cover for business venture due to the nature of the period which is two years.

The rent acceptive is an insurance company established by a corporate cover to insure the risks of unrelated organisations (lessees) with the express purpose of returning underwriting profits and investments to the lessees.

Advantages/ benefits of a rent acceptive insurance.

- A rent acceptive may offer more flexibility to an insured who reads only a short term specific insurance coverage.
- The costs associated with a rent acceptive are lower
- Rent acceptive participants with smaller premium volumes may receive the benefits of increased investment returns because all the participants' funds are pooled.
- A rent acceptive does not require an initial capital investment from the insured company.

Participation in a rent a captive programme can usually be achieved in a significantly shorter time. Question 6

Aggregate deductible: it states that the insured absorbs all the losses until the deductible level is reached.

- It means that at that point, the insurer is obliged to pay for all the losses that occur over a specific amount for example a company's property insurance policy may have a 5 000 straight deductible subject to aggregate deductible of 1000 000.

- The company would never pay more than 5 000 on any one loss and would not absorb more than 100 000 in total property losses during the year.

Franchise deductible: it states that there is no liability on the part of the insurer unless the loss exceed a stated amount. E.g.: the policy might state that there is absolutely no loss payable unless the loss equals or exceeds 3% of the total revenue.

Straight deductible: it applies to each and is subtracted before a loss payment is made. E.g. MR A has a straight deductible of 1500 for motor car accidents and the scratches his car while parking and the damage amounts to 1000. The value is less than the deductible payment and the insurer will not be liable for any payment. Insurer pays an amount greater than the deductible.

Question 7

Glass insurance; this insurance provides cover the accidental breakage of glass. The cover is really designed for the breakage of plate windows, which are thinker than the sheet glass which you may have in your windows at home, although usually not for glass over 6mm thick. Which may need special consideration.

There is also cover for:

- Damage to the window frames and any lettering or sign- writing on the glass.
- The cost of boarding up windows after a loss,
- Plate glass shop counters and
- mirrors

Sum insured and rating: the policy is subject to average, and the sum insured should be the cost of replacing all the glass windows and doors and other items insured and not just the cost of one of these. The rate is a percentage of the sum insured.

May / june 2017

Section A

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Section B: True / False questions

2.1 True because an insurance system combines risks into a pool where losses of a few are shared by all the participants. This is feasible because the insurer is able to estimate the total amount of the loss.

- Because an insurer can predict the amount accurately it is able to calculate the premium each owner must pay to cover his or her share of the possible loss.

2.3 The special condition of average applies to agricultural products, the insurer pays the full amount when the percentage of the loss is greater than 75% and the loss is should between the insured and the insurer when the percentage of the loss is less than 75% of the loss percentage of the loss calculation.

Total sum / total value * 100/ 1= 90 000/120 000* 100/1= 66, 67%
Step 2. Calculate amount payable by the insurer
= 66, 67% * 50 000
=33 333
True due to the aforementioned calculation.

2.3 False because the principle of indemnity states that the insured must not benefit from the loss.

- If the two policies are in force for the same risk, it means that insured may seek to recover their indemnity from all or any of the insurers. These insurers then house the natural right to claim from their co-insurers a pro rata portion of the amount they have paid in fulfilment of the indemnification.

2.6 True because the suicide clause in life insurance contracts avoids liability of an applicant who purchases life insurance because he or she contemplating to Laing his/ her own life.

2.7 False because high claims reserves are preferred by policy holders not shareholders.

- Shareholders prefer lower solvency margins which means that reserves are kept for investment purposes.
- Lower solver solvency margins that share price is high.

2.6 False – the pillion passenger extension means that the motorcycle is covered but there is still no liability cover for the injury passenger.

- The policy needs to be further extended to cover passenger liability.

2.7 True because as the size of the loss increases it means that the size of the deductible will be reduced. The deductible was reduced from 10 000 to 6400.

Step 1. Calculate amount payable by insurer.

P = (L-D)* (1+R)

= (100 000 – 10 0000 * (1+0,o4)

= 90 000*1, 04

= 93 600

Step 2. Calculate a reduced deductible

R= L – D

= 100 000 – 93 600

= 6 400

2.8 True because the total sum insured is less than the gross retention.

Step 1. Calculate the gross retention

Net line	5 000 000
Add 50% of loss of profits	2500 000
Total net line	7500 000
8* total net line	60 000 000
Gross retention	67 500 000

Step 2 total sum = fire + loss of profits

= 40 000 000 + 20 000 00

= 60 000 000

Step 3 facultative cover = total sum insured – gross retention

= 60 000 000 – 20 000 000

= - 7500 000

2.9 False because plumbers working tools will be covered under business all risk policy and sanitary equipment which does not belong to him permanently will be covered under goods in transit policy.

2.10 False: premiums paid to an accredited intermediary credit or credit agent are deemed to have been received by the insurer.

Section c

Question 3

- Five Prescription periods enforced in terms of insurance claims.

6. Notification
    - Short term policies require prompt notification of any occurrence likely to give raise to a claim.
7. Final submission of a claim
    - There is a limited period for the final submission of a claim.
    - In the standard policy wording, this is two years, but some policies have shorter periods.
8. Legal proceedings
    - If the claim is repudiated by the insurers, the insured has a limited period in which to institute legal proceedings.
9. Recovery from the third parties
    - Apart from the policy prescription periods, there are statutory prescription periods that apply particularly to recoveries from third parties. The normal prescription period is three years.
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    - Claims involving government and semi government organisations, prompt notification is required of the intention to claim against them.

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The rent acceptive is an insurance company established by a corporate cover to insure the risks of unrelated organisations (lessees) with the express purpose of returning underwriting profits and investments to the lessees.

Advantages/ benefits of a rent acceptive insurance.

- A rent acceptive may offer more flexibility to an insured who reads only a short term specific insurance coverage.
- The costs associated with a rent acceptive are lower
- Rent acceptive participants with smaller premium volumes may receive the benefits of increased investment returns because all the participants' funds are pooled.
- A rent acceptive does not require an initial capital investment from the insured company.

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Participation in a rent a captive programme can usually be achieved in a significantly shorter time. **Question 7**

Aggregate deductible: it states that the insured absorbs all the losses until the deductible level is reached.

- It means that at that point, the insurer is obliged to pay for all the losses that occur over a specific amount for example a company's property insurance policy may have a 5 000 straight deductible subject to aggregate deductible of 1000 000.
- The company would never pay more than 5 000 on any one loss and would not absorb more than 100 000 in total property losses during the year.

Franchise deductible: it states that there is no liability on the part of the insurer unless the loss exceed a stated amount. E.g.: the policy might state that there is absolutely no loss payable unless the loss equals or exceeds 3% of the total revenue.

Straight deductible: it applies to each and is subtracted before a loss payment is made. E.g. MR A has a straight deductible of 1500 for motor car accidents and the scratches his car while parking and the damage amounts to 1000. The value is less than the deductible payment and the insurer will not be liable for any payment. Insurer pays an amount greater than the deductible.

Question 8

Glass insurance; this insurance provides cover the accidental breakage of glass. The cover is really designed for the breakage of plate windows, which are thinker than the sheet glass which you may have in your windows at home, although usually not for glass over 6mm thick. Which may need special consideration.

There is also cover for:

- Damage to the window frames and any lettering or sign- writing on the glass.
- The cost of boarding up windows after a loss,
- Plate glass shop counters and
- mirrors

Sum insured and rating: the policy is subject to average, and the sum insured should be the cost of replacing all the glass windows and doors and other items insured and not just the cost of one of these. The rate is a percentage of the sum insured.