

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

BACHELOR OF COMMERCE HONOURS DEGREE

RISK AND INSURANCE – CIN 1202

DECEMBER 2002 2ND SEMESTER EXAMINATION

DURATION: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Choose any **four** questions.
 2. You are required to refer to legal material, where appropriate.
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1. “Subrogation and contribution are corollaries of Indemnity” Explain what is meant by this statement and state, with reasons, whether you think that insurers should have subrogation and contribution rights.

[25 marks]

2. Discuss the benefits of insurance to the Zimbabwean economy.

[25 marks]

3. (a) Describe the physical inspection and fault tree methods of risk identification. Include an outline of the advantages and disadvantages.

[18 marks]

(b) Outline the common features of risk identification.

[7 marks]

4. Explain the following:

a) Insurable interest

[6 marks]

b) Proximate cause

[6 marks]

c) Utmost good faith

[4 marks]

d) Average condition

[6 marks]

e) Self insurance

[3 marks]

5. Why is government regulation of the insurance industry necessary?

[25 marks]

6. a) Discuss the various ways that risks can be classified.

[15 marks]

(b) Describe the following: (i) physical risk control.

(ii) financial risk control [10 marks]

7. a) Use the following unordered array of data (claims cost) to construct a group frequency distribution table.

54	67	95
88	72	57
63	87	76
91	51	84
75	81	55
96	97	69
59	79	64
84	68	95
72	93	82
61	88	77

[8 marks]

- b) Represent the group frequency distribution on a
- histogram
 - frequency polygon
- [4 marks]
- c) Risk has a negative connotation. Risk can however have positive benefits. Discuss the positive benefits of risk.
- [9 marks]
- d) Outline two ways of defining the actual level of risk.
- [4 marks]

END OF EXAMINATION