

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

**B. COMM INSURANCE & RISK MANAGEMENT AND ACTUARIAL
SCIENCE**

RISK AND INSURANCE : CIN 1202

MARCH 2003 SUPPLIMENTARY EXAMINATION

DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Answer any four questions
 2. Refer to Legal material, where appropriate
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1. Define self-insurance and discuss its advantages and disadvantages. **[25 marks]**
2. Why is government regulation of the insurance industry necessary? **[25 marks]**
3. Outline the characteristics which are necessary for a risk to be insurable, and give reasons for each. **[25 marks]**
4. (a) Define the following terms:
 - (i) material fact **[4 marks]**
 - (ii) voluntary excess **[4 marks]**
 - (iii) risk management **[4 marks]**(b) Explain the following:
 - (i) average condition **[6 marks]**
 - (ii) utmost goodfaith **[4 marks]**
 - (iii) indemnity **[3 marks]**
5. "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]**
6. (a) What is the cost of risk? **[4 marks]**
(b) Describe the physical inspection and flow chart methods of risk identification. Include an outline of advantages and disadvantages. **[18 marks]**

(c) Outline the six items which might constitute all or part of the subject matter of insurance. **[3 marks]**

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

(a)

21	33	17	34
10	18	4	27
1	22	39	21
19	15	16	2
17	10	23	13
9	2	12	36
44	24	5	22
19	5	14	13
28	28	47	20
37	14	9	16

[8 marks]

(b) Represent the group frequency distribution on a
(i) histogram
(ii) frequency polygon **[4 marks]**

(c) Outline the common features of risk identification. **[7 marks]**

(d) Explain the difference between:
(i) peril and hazard
(ii) excess and deductible. **[6 marks]**

END OF EXAMINATION