

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

B.COMM INSURANCE AND RISK MANAGEMENT

PROPERTY AND LIABILITY INSURANCE I – CIN 2105

JULY/AUGUST 2006 SUPPLEMENTARY EXAMINATION

DURATION: 3 HOURS

Instructions to candidates

This paper has two (2) parts.

Candidates must attempt at least two questions from each part.

Answer a total of **five questions**.

All questions carry equal marks.

PART I

Question 1

Discuss the factors that define the loss potential in property insurance.

[20 marks]

Question 2

Company ABC Limited has US\$10m worth of assets. The assets are located at the company's three locations across the country as follows:

Harare	US\$5m
Bulawayo	US\$3m
Gweru	US\$2m
Total	US\$10m

- Discuss the various approaches that can be used to insure these assets against fire showing clearly how each one of them works. (14 marks)
- Assuming the premium charged by the insurer for the entire risk is US\$115 000 and that the risk is insured 50% estimated maximum loss (EML). Calculate the liability and premium distribution in a situation where the insurer's retention is US\$2m. **[6 marks]**

Question 3

Discuss the scope of cover provided under a comprehensive motor insurance policy.

[20 marks]

Question 4

Outline the meaning and importance of each of the following to property insurance:

- Inflation **[5 marks]**

- b) Loss accumulation [5 marks]
- c) Deductibles [5 marks]
- d) Adverse selection [5 marks]

PART II

Question 5

X is employed by Reliable (Pvt.) Limited as a driver. His job mainly involves making deliveries of the company's products to clients. One day after making a delivery X deviated from his normal route and went on a drinking spree. On his way to the company depot, X negligently hits and seriously injures Y a pedestrian. Y sues Reliable (Pvt.) Limited for damages he allegedly suffered as a result of X's negligent driving. Reliable (Pvt.) Limited approach for advice on whether they are liable to Y.

Advise Reliable about whether they are liable to Y. [20 marks]

Question 6

Discuss the liability risks faced by a large local authority like the Bulawayo City Council. [20 marks]

Question 7

Outline the meaning and relevance of each of the following to liability insurance:

- a) The "long-tail" feature of liability claims [5 marks]
- b) Superimposed inflation [5 marks]
- c) Claims-made basis of insurance [5 marks]
- d) Damages [5 marks]

Question 8

Discuss how the dynamics of law and legal systems impact on liability insurers. [20 marks]

END OF SUPPLEMENTARY EXAM PAPER