

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE

DEPARTMENT OF INSURANCE AND ACTUARIAL SCIENCE

B.Com (Hons) RISK MANAGEMENT AND INSURANCE

PROPERTY AND LIABILITY INSURANCE 1 – CIN2105

EXAMINATION: APRIL/MAY 2009

DURATION: 3 HOURS

INSTRUCTIONS TO CANDIDATES

Answer any **FIVE** out of the seven questions, below. (Each question carries 20 marks)

- Q1. Property is normally insured on an indemnity basis. Discuss the several variations of the basis of cover, citing an example for each. (20 marks)
- Q2. (a) In property insurance, insurers deal with under-insurance by applying average. Calculate the settlement in the following accident –
- Henry's house is insured for R500 000.
 - The cost to rebuild the house, following a fire, is R750 000.
 - The house catches a fire and the cost of repairs is R210 000. (10 marks)
- (b) Explain what a deductible is, and how it offers the insured cash flow benefits and Cash flow protection. (10 marks)
- Q3. Discuss the perils which can be insured against or can be included in the fire insurance cover by way of extensions. State the miscellaneous clauses that may be included in the cover. (20 marks)
- Q4. (a) What purpose does the business Interruption Insurance serve? (6 marks)
- (b) Define the indemnity period.
What factors should the insured consider before she decides on an indemnity Period, after her business has been interrupted? (10 marks)
- (c) What are the two basis in which gross profit is defined in the Business Interruption Insurance policy? (4 marks)
- Q5. (a) Discuss the factors that must be considered by underwriters of public liability insurance. (10 marks)
- (b) State the specific exceptions under the public liability insurance policies and explain the reasons why they are excluded. (10 marks)

- Q6. Insurers place particular emphasis on certain factors when assessing motor risks.
Discuss these (a) micro-factors (15 marks)
(b) macro-factors (5 marks).
- Q7. (a) Explain fidelity guarantee insurance cover. How is the premium rated? (5 marks)
(b) Explain the modalities of theft covered and not covered by the Burglary/ theft insurance policy. (5 marks)
(c) The money insurance policy is meant to indemnify the insured for money lost or destroyed. Discuss this cover under the
i) major limit (4 marks)
ii) minor limit (4 marks)
iii) theft by employees. (2 marks)

***** **End of Examination** *****