

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**B. COMM (HONOURS) DEGREE IN ACTUARIAL SCIENCE**

**GENERAL (CASUALTY) INSURANCE I : CIN 2113**

**DECEMBER 2002 1<sup>ST</sup> SEMESTER EXAMINATION**

**DURATION : THREE (3) HOURS**

**INSTRUCTIONS TO CANDIDATES**

1. Answer any **Four** questions.
2. All questions carry **equal** marks.

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**Question One**

Explain the principle of large numbers and how it supports theories behind insurance business.

**[25 marks]**

**Question Two**

Property insurance contracts can be viewed as contracts of indemnity and indemnity only. Citing the relevant case authority, explain the fundamental principle of indemnity and how it is provided for under different classes of property insurance.

**[25 marks]**

**Question Three**

You are the Marketing Manager of a large Insurance Company based in Zimbabwe and you are tasked to make a presentation to the Executive Team of a prospective corporate client. Prepare your presentation paper taking into account the role of insurance to the company, the society and the nation at large.

**[25 marks]**

**Question Four**

Distinguish between the following pairs of insurance terms:

- |   |                  |
|---|------------------|
| (a) Standard Average condition and Day One Average Condition          | <b>[5 marks]</b> |
| (b) Captive Insurance and Self-Insurance                              | <b>[5 marks]</b> |
| (c) Excess and Franchise  | <b>[5 marks]</b> |
| (d) Indemnity policy and non-indemnity policy                         | <b>[5 marks]</b> |
| (e) Per risk excess of loss cover and per event excess of loss cover. |                  |

**[5 marks]**  
**[Total 25 marks]**

**Question Five**

Insurance companies, just like any other financial institutions that deal with public funds, are heavily regulated and monitored to protect public interest. Notwithstanding these measures, insurers still require further protection and security in the form of reinsurance. Why do they need reinsurance?

**[25 marks]**

**Question Six**

Discuss areas that are of significance in the regulation of insurance business. How effective are these regulatory measures in preventing market failure.

**[25 marks]**

**Question 7**

- (a) The essence of property insurance is to provide indemnity, at least in theory but in practice this is not usually the case. What factors prohibit the provision of full indemnity?
- (b) Giving examples, explain how insurers' right to subrogate is waived by market agreements to which they are signatories.

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**END OF EXAMINATION**