NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

B. COMM (HONOURS) ACTUARIAL SCIENCE

GENERAL (CASUALTY) INSURANCE : CIN 2113

NOVEMBER/DECEMBER 2004 FIRST SEMESTER EXAMINATION

DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Answer any four questions
2. All questions carry equal marks
3. Write clearly and legibly

Question 1

Explain the following insurance phrases:

(a) one day average condition **[5 marks]**
(b) abandonment in marine insurance **[5 marks]**
(c) reinstatement of limit of liability **[5 marks]**
(d) reinstatement as a form of indemnity **[5 marks]**
(e) limitation of indemnity provision by reinstatement. **[5 marks]**

Question 2

Governments have always shown interest in the operations of insurance business and tend to supervise this sector very closely. Why is this so? **[25 marks]**

Question 3

(a) Distinguish between captive insurance and self-insurance arrangements. **15 marks]**

(b) What are the advantages and disadvantages of self-insurance. **[10 marks]**

Question 4

A proprietor has purchased a five storey block of flats, with the ground floor comprising of business premises. He intends to live in one of the flats apartments, let out the rest and use the business premises for retail purposes.

Discuss the general insurance he is likely to need and the scope of cover provided therein. **[25 marks]**

Question 5

With the aid of an authority case, explain how subrogation rights may arise and the extent to which insurers may subrogate. **[25 marks]**

Question 6

Using appropriate illustrations or examples, provide an outline of services and institutions that support the insurance business both in Zimbabwe and the United Kingdom. **[25 marks]**

Question 7

Briefly explain the following reinsurance terms:

(a) stop loss treaty **[5 marks]**
(b) working excess of loss cover/per risk excess of loss **[5 marks]**
(c) excess of loss catastrophe cover\per event excess of loss. **[5 marks]**

Consider that the direct office operates a 3 line surplus fire treaty with a gross retention of $20 000 000. The direct office's retention is protected by a one layer excess of loss treaty of $14 000 000 net loss excess of $6 000 000 net loss each and every loss.

(d) Calculate the direct office's underwriting capacity. **[3 marks]**

(e) Show how a loss of $100 000 000 on a fire risk with a total sum insured of $1 000 000 000 would be settled between the cedant and reinsurers assuming that the balance of the risk beyond the direct's underwriting capacity was placed facultatively and no average was applied. **[7 marks]**

END OF EXAMINATION PAPER!!!