

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

B. COMM (ACTUARIAL SCIENCE) HONOURS DEGREE

GENERAL (CASUALTY) INSURANCE 1 – (CIN 2113)

JULY/AUGUST 2006 SUPPLEMENTARY EXAMINATIONS

DURATION: 3 HOURS

Instructions to candidates

1. Answer any **four** questions
 2. All questions carry equal marks
 3. Write neatly and eligibly
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Question One

Maylor Insurance Company has the following non-proportional treaties to cover their fire risk portfolio for the year 2005.

Fire Per Risk Excess of Loss

1 st layer	200 000 000	XL	100 000 000
2 nd layer	500 000 000	XL	300 000 000
3 rd layer	800 000 000	XL	800 000 000

Fire Per Event Excess of Loss

1 st layer	50 000 000 000	XL	25 000 000 000
2 nd layer	125 000 000 000	XL	75 000 000 000

It is given that Maylor's net account is also protected by a four lines surplus treaty, where one line equal to \$20 000 000. On the 18th of June 2005, there was a heavy storm which destroyed 200 houses in one city. 25% of the houses were insured for \$1 200 000 000 and the rest are insured for \$950 000 000. Show how the loss will be distributed between the insurer and all participating reinsurers (ie surplus treaty, per risk and per event excess of loss reinsurers). **(25 marks)**

Question Two

Explain the following main insurance monitoring periods;

- a) policy year
- b) underwriting year
- c) calendar year
- d) accounting year

(25 marks)

Question Three

Using the information below, calculate the portfolio loss ratio as at the end of year 2005, using both the underwriting and the calendar year monitoring periods. All premiums are paid at the beginning of each period of insurance.

(25 marks)

Policy	Insurance period	Premiums	Date of loss	Claims amounts
A	1.2.03-31.1.04	15000	21.04.03	4000
	1.2.04-31.1.05	20000	28.05.04	3000
	1.2.05-31.1.06	30000	31.10.05	2800
B	1.5.01-30.4.02	25000	1.08.03	14000
	1.5.02-30.4.03	22500	10.08.03	15000
	1.5.03-30.4.04	28000	31.12.03	8000
	1.5.04-30.4.05	40000	4.9.05	22500
C	1.10.02-30.9.03	12500	18.05.02	9500
	1.10.03-30.9.04	14500	19.11.03	27000
	1.10.04-30.9.05	22500	11.01.05	18000

Question Four

Giving relevant authority cases, explain why insurable interest is significant in the transaction of various general insurance policies?

(25 marks)

Question Five

Why is the availability of reinsurance so significant in the national economy? Discuss.

(25 marks)

Question Six

Mr Moyo owns a one and a half acre plot. In his plot is his residential house, half acre vegetables garden and the other acre is used to raise chickens. People always visit his plot to buy vegetables and chickens. On Fridays he likes going to play golf with other businessmen. Discuss the various general insurances that can be afforded to Mr Moyo.

(25 marks)

End of Examination