

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**B. COMM INSURANCE AND RISK MANAGEMENT PART II**

**APRIL/MAY 2003 EXAMINATIONS**

**PROPERTY-LIABILITY INSURANCE II : CIN 2205**

**TIME ALLOWED: 3 HRS**

**INSTRUCTIONS TO CANDIDATES**

1. Answer **Five** questions IN ALL.
2. All Questions carry equal marks.

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**Question 1**

Outline the product liability law regimes for Zimbabwe, the UK and the US. Comment briefly on areas you think our law is in need of reform.

**[20**

**marks]**

**Question 2**

You are a bonds and guarantees underwriter with a leading insurance company in Zimbabwe. You have been invited to address a workshop organised by the construction industry in Zimbabwe. You are informed that the participants will be keen to know how insurance companies underwrite construction bonds in particular so that when they approach insurance companies for bonding they have “a general idea” of what their requirements are. Delegates feel that if they know these details, it will help in minimising delays in having their bonds issued by insurance companies.

Prepare a draft paper for presentation at the workshop.

**[20 marks]**

**Question 3**

- (a) Discuss the issues which have to be taken into account by an insurer when designing an underwriting plan or policy.

**[12 marks]**

- (b) An insurance company posts the following results over two year period:

	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>
Written Premium	\$12m	\$9.5m
Unearned Premium	\$3.2m	\$2.5m

Underwriting Expenses	\$2.8m	\$2,1m
Incurred losses	\$6.3m	\$6.4m

Calculate the loss ratio and the expense ratio of the company for the two years using the Financial basis and the Trade basis.

**[8 marks]**

#### **Question 4**

(a) Outline the importance of claims information in the transaction of insurance business.

**[8 marks]**

(b) Briefly discuss the issues to be considered by a claims adjuster when adjusting an insurance claim.

**[12 marks]**

#### **Question 5**

You work for a leading liability insurer in town. You have been invited to deliver a paper at a workshop organised by the Association of Indigenous Businesses. In your paper you are expected to cover the following issues which are of grave concern to indigenous business people.

- (a) The purpose and function of Professional Indemnity insurance.
- (b) The reasons why Zimbabwean liability insurers are not willing to cover liabilities emanating from the US and Canada.

Outline the main points you would include in your paper.

**[20 marks]**

#### **Question 6**

Discuss the factors limiting the use of insurance in the management of environmental impairment and pollution risks. What in your opinion is the most effective way of handling this type of exposure?

**[20 marks]**

#### **Question 7**

An insurer discovers that over a three year period, its fire portfolio has been recording very poor results with loss ratios averaging 140%. They call you as a consultant to try and address the problem. Outline some of the possible measures you would recommend in an effort to solve this problem.

**[20 marks]**

**Question 8**

Discuss the impact of technology on the creation of property liability risks.

**[20 marks]**

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**END OF EXAMINATION**