

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

B. COMM INSURANCE AND RISK MANAGEMENT

PROPERTY-LIABILITY INSURANCE II : CIN 2205

MAY/JUNE SECOND SEMESTER FINAL EXAMINATION

DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES

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

Question One

The common law principle relating to the sale of goods is “Caveat Emptor”, let the buyer beware. Discuss the extent to which the above rule holds in light of all liabilities attached to suppliers and manufacturers of products giving relevant case authority to support your arguments. **[25 marks]**

Question Two

Agrichem (Pvt) Ltd is a pesticides and herbicides manufacturer based in Zimbabwe with branches across Southern Africa. Its long term plan is to supply the US market. You are the Senior products liability underwriter at a large local insurance company. What factors will influence your decision in the provision of Agrichem’s products liability insurance needs? **[25 marks]**

Question Three

- (a) What are the distinguishing features between a bond contract and an insurance policy? **[10 marks]**
- (b) Describe the commercial purpose of different types of bonds issued in the financial sector. **[10 marks]**
- (c) The contractors (obligor) will normally prefer a bond issued by an insurance company whilst the principal will prefer a bank issued bond. Why is this so? **[5 marks]**

Question Four

Professional Indemnity insurance evolved from the principle of “Duty of Care”. With the

aid of authority cases where appropriate, explain the different ways in which professionals owe this duty of care to their clients. [25 marks]

Questions Five

- (a) Explain the main features of hedgeable risks. [10 marks]
- (b) Describe in detail how the insurance industry benefits from the trading of insurance derivatives and also identify any problem gaps associated with insurance derivatives. [15 marks]

Questions Six

“Dealing with liability claims is indeed a challenge”. How do you justify this statement? [25 marks]

Question Seven

Describe the problems faced in the marketing of property-liability insurance products and explain various ways that can be implemented to mitigate them. [25 marks]

END OF EXAMINATION PAPER