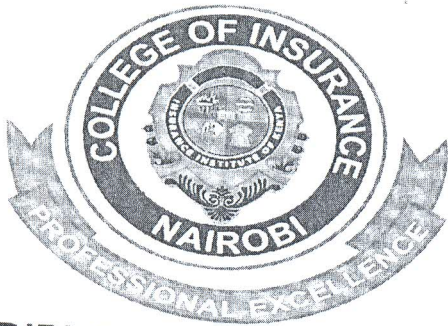


COLLEGE OF INSURANCE



DIPLOMA IN INSURANCE

CONTINUOUS ASSESSMENT TEST

SUBJECT TITLE : PRINCIPLES AND PRACTICE OF INSURANCE

SUBJECT CODE :DIP 102

DATE: 2ND APRIL 2014

TIME: 11.30 A. M. TO 12.30 P. M. (1 HOURS)

(CAT 1)

ANSWER ALL QUESTIONS

SECTION A (20 MARKS)

1. Explain the application of insurable interest to life assurance. (3 Marks)
2. Outline two distinctions between representations and warranties. (4 Marks)
3. Define proximate cause. (2 Marks)
4. Explain the link between insurable interest and indemnity. (4 Marks)
5. Explain how subrogation rights can arise out of a contract. (3 Marks)
6. At common law, contribution applies when five conditions are met. State four of such conditions. (4 Marks)

SECTION B (30 MARKS)

7. Explain four facts that do not have to be disclosed even if they are material facts. (10 Marks)
8. Describe four methods of providing indemnity. (12 Marks)

9. Shah insures his property with insurer A and B for Ksh 20 million and Ksh 10 million respectively, subject to prorata average. The value of the property at the time of loss was Ksh 45 million and the loss under consideration is Ksh 450,000/-

- i) If the two insurers are liable to contribute to the indemnity payment, calculate the liability of each. **(6 Marks)**
- ii) Calculate the loss the insured would bear under provision of average condition. **(2 Marks)**

$$A - 10,000,000$$

$$B - 10,000,000$$

$$\frac{10,000,000}{450,000} \times 450,000$$

100,000

$$\frac{10,000,000}{450,000} \times 450,000$$

$$\frac{10}{45} \times 450,000$$

$$\frac{450,000}{45}$$

$$\frac{20,000,000}{450,000} \times 450,000$$

$$= 200,000$$