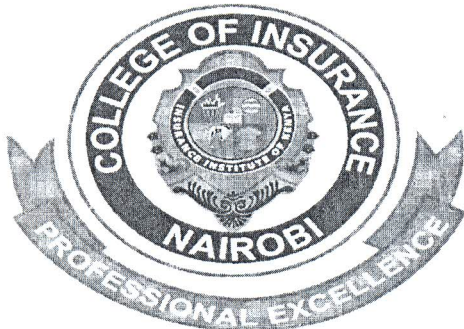# COLLEGE OF INSURANCE

DIPLOMA IN INSURANCE

EXAMINATION

SUBJECT TITLE : PRINCIPLES AND PRACTICE OF INSURANCE

SUBJECT CODE :DIP 102

DATE: 13TH MAY 2014

TIME: 9.00 A. M. TO 12.00 NOON.

INSTRUCTIONS TO CANDIDATES

1. Three hours are allowed for this paper
2. This paper has two Sections: A and B
3. Section A carries 40 Marks and Section B 60 Marks
4. Answer ALL questions in Section A and Section B in the answer booklet provided.

SECTION A (40 MARKS)
Answer ALL questions in this section

1. State three benefits that insurance companies can derive from bancassurance. **(3 Marks)**

2. State four ways in which insurable interest may arise in property insurance. **(4 Marks)**

3. State four ways in which subrogation may arise. **(4 Marks)**

4. Highlight three headings under which perils relevant to insurance claims maybe classified. **(3 Marks)**

5. Outline two instances when the insured may be required to disclose new material facts affecting the risk insured. **(4 Marks)**

6. State four ways in which indemnity may be provided in general insurance. **(4 Marks)**

7. Outline two reasons that would make an insurer draft warranties in certain insurance policies.
(4 Marks)

8. State two reasons that may compel an insurer to arrange for reinsurance. **(4 Marks)**

9. List four types of persons who may refer a dispute to the Insurance Regulatory Authority (IRA) for determination. **(4 Marks)**

10. State three options available to the insurer in the event that the insured breaches utmost good faith condition. **(3 Marks)**

11. There are number of methods that are used by Islamic insurance companies to distribute surplus. State three of these methods. **(3 Marks)**

SECTION B (60 MARKS)
Answer ALL questions in this section

12. a) Explain five features of microinsurance that make it an attractive insurance product.
(10 Marks)

    b) Explain five forms of treaty reinsurance. **(10 Marks)**

13. a) Explain four circumstances under which an insured may be paid less than the loss incurred. **(8 Marks)**

    b) Tausi Nyeupe Ltd is a manufacturing concern. It has taken out two public liability policies with Ndege Insurance Ltd and Mwewe Insurance Ltd. The Public liability policy with Ndege has a limit of liability of indemnity of Ksh 20,000,000 while the public liability policy with Mwewe has a limit of liability of Ksh 40,000,000. Tausi is liable to pay a third party Ksh 10,000,000.

    Calculate showing your formula and your full workings the contribution of each of the two insurers to the claim. **(12 Marks)**

14. a) Njoki is a customer service officer at ABC insurance. She has lately been faced with a challenge of customers requesting to have premiums paid refunded to them.

    Explain to her four circumstances under which a partial return of premium may be given.
(8 Marks)

    b) An insured house has been destroyed by fire. Explain the steps the insured should follow for the settlement of the claim. **(12 Marks)**