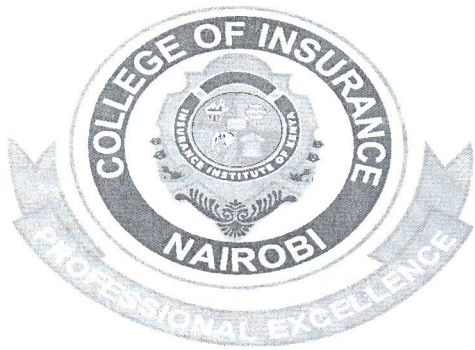
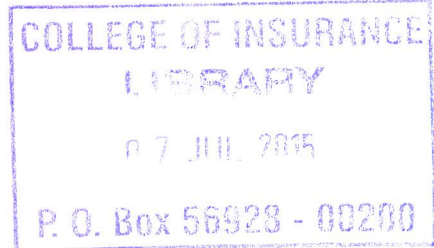


COLLEGE OF INSURANCE



DIPLOMA IN INSURANCE

EXAMINATION



SUBJECT TITLE : PRINCIPLES AND PRACTICE OF INSURANCE

SUBJECT CODE :DIP 102

DATE: 12TH MAY 2015

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. Explain how breach of the principle of utmost good faith (ubberima fides) may arise in insurance. (4 marks)
2. Outline four features of long term agreements under fire insurance policy. (4 marks)
3. Highlight two ways in which claim disputes may arise in a motor insurance policy. (4 marks)
4. Explain two types of reinsurance arrangements in life assurance. (4 marks)
5. An insured may sometimes be paid more than the loss incurred. Explain two circumstances under which this is possible. (4 marks)
6. State four essentials of insurable interest. (4 marks)
7. Subrogation is a corollary of the principle of indemnity. However, sometimes it may be dispensed with. Outline two circumstances under which subrogation does not apply. (4 marks)

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8. Explain how the principle of proximate cause may be used to categorize claims in insurance. (4 marks)
9. Outline four reasons for consumer protection in insurance. (4 marks)
10. State four circumstances under which ex-gratia payment may be made. (4 marks)

SECTION B (60 MARKS)

Answer ALL questions in this section

12. Mr. Jones insured his property for sh 1,000,000/-. After a few months the property was completely destroyed by an insured event. Mr. Jones lodged a claim for sh 1,000,000/- which was the sum insured. The insurer rejected the figure and instead offered to pay sh 800,000/-. Mr. Jones protested the offer by the insurer on the grounds that it was less than the sum insured.
- a) Explain five reasons which could have informed the decision of the insurer. (10 marks)
- b) Explain five circumstances under which contribution may arise in an insurance policy. (10 marks)
13. An insurance policy once issued is expected to run its full term. However sometimes a policy may be terminated mid-term by either party.
- a) Explain six circumstances under which full premium may be refunded on termination of a policy. (12 marks)
- b) Outline eight facts which, even though material, need not be disclosed by a proposer for an insurance policy. (8 marks)
14. a) Explain five treaty reinsurance arrangements by which general insurance companies may use to protect themselves against fluctuations in claims. (10 marks)
- b) Explain five reasons why takaful is acceptable to the Muslim community. (10 marks)