

COLLEGE OF INSURANCE



DIPLOMA IN INSURANCE

EXAMINATION

SUBJECT TITLE: PRINCIPLES AND PRACTICE OF INSURANCE

SUBJECT CODE: DIP 102

DATE: 5TH NOVEMBER 2013

TIME: 9.00 A.M – 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. As a clerical officer in a motor insurance underwriting department, state four features of insurable interest that will enable you accept the risk. **(4 Marks)**
2. You have received a proposal for insurance. State two facts which you would not expect to be disclosed by the proposer. **(2 Marks)**
3. You are a clerk in the claims department. State four reasons that will prompt you to investigate the cause of loss. **(4 Marks)**
4. State four methods which will enable the underwriter to fix the sum insured in property insurance. **(4 Marks)**
5. State two reasons that support reinsurance of catastrophic risks by a primary insurer. **(2 Marks)**
6. You are in the process of paying a claim. State four persons who may be entitled to receive the claim proceeds. **(4 Marks)**

7. State two halal investment channels available to an Islamic insurance company. **(2 Marks)**
8. Kiprop insures his property with insurer X and Y 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/-.
If the two insurers are liable to contribute to the indemnity payment, calculate the liability of each. **(4 marks)**
9. Bancassurance is one of the channels your insurance company distributes its insurance products. State two benefits of such a channel to your company. **(2 Marks)**
10. Your company has launched a microinsurance product. State four characteristics of the prospective clients of this product. **(4 Marks)**
11. One of your policy holders has recently complained that your company is lacking consumer confidentiality. State three statutes that are intended for insurance consumer protection. **(3 Marks)**
12. State two circumstances under which an insured can receive renewal premium rates for motor insurance cover. **(2 Marks)**
13. State the circumstances that may give rise to subrogation rights to an insurer. **(3 Marks)**

SECTION B (60 MARKS)

Answer ALL questions in this section

14. a) Explain six possible insurable interest relationships which may arise from shared ownership of property. **(12 Marks)**
- b) An insured's residential property has been destroyed by fire. Explain four possible ways in which the insured may be compensated. **(8 marks)**
15. a) Outline five ways in which "Risk Address" is significant in the underwriting of a fire risk. **(10 Marks)**
- b) A claim has been reported for a personal accident policyholder. The insured was hit by a motorcycle and was immobilized for five hours before reaching hospital. He lost a lot of blood. While being treated for multiple injuries, it was also detected that he had fever and was also infected with HIV.
Outline the chain of events that could have caused the death. **(10 Marks)**
16. a) An insured's office has been broken into and valuable items stolen. The claim was paid but later some items were recovered. Explain five ways in which the insurer will handle the recovery. **(10 Marks)**
- b) Explain five conditions that must exist for contribution to apply. **(10 Marks)**