

# COLLEGE OF INSURANCE



## DIPLOMA IN INSURANCE

## EXAMINATION

SUBJECT TITLE : PRINCIPLES AND PRACTICE OF INSURANCE

SUBJECT CODE :DIP 102

DATE: 10<sup>TH</sup> NOVEMBER 2015

TIME: 9.00 A. M. TO 12.00 NOON (3 HOUR)

### 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. Outline four ways in which a life policy may be assigned to a third party. (4 marks)
2. The doctrine of utmost good faith applies to both parties to an insurance contract. State four ways in which an insurer is bound by this duty. (4 marks)
3. Highlight four circumstances under which an insurer may provide more compensation than the actual loss incurred by the insured. (4 marks)
4. State four instances in which subrogation rights may arise. (4 marks)
5. State two circumstances under which contribution may not arise in an insurance claim. (2 marks)
6. State four functions of the declaration part of a proposal form. (4 marks)
7. State two obligations of each party to a long term agreement under general insurance contracts. (4 marks)
8. Explain two features of the Knock-for-Knock agreements between insurance companies. (4 marks)
9. State two forms of non-proportional treaty reinsurance arrangements. (2 marks)

10. State four features of micro insurance. (4 marks)
11. Outline four advantages of bancassurance to an insurance company. (4 marks)

**SECTION B (60 MARKS)**

Answer ALL questions in this section

12. a) The spirit and the letter of the principle of indemnity is that an insured should not get more than full indemnity. Explain five ways in which an insurer can ensure that the compensation provided is not more than the loss incurred. (10 marks)
- b) Explain five reasons why an insurer may prefer arbitration to litigation in handling claims disputes. (10 marks)
13. a) Explain the effect of partial payments of claims on sums insured under the following policies, taking into account the adequacy of cover.
- i) Fire insurance (2 marks)
  - ii) Non-fire property insurance (2 marks)
  - iii) Liability insurance (2 marks)
  - iv) Marine insurance (2 marks)
  - v) Pecuniary insurance. (2 marks)
- b) In insurance transactions, agents generally act on behalf of insurance companies, but not always. Explain five instances where an agent is deemed to be an agent of the proposer. (10 marks)
14. a) Regulation of the insurance industry is necessary so as to protect the consumers of insurance products. Explain five reasons for this necessity. (10 marks)
- b) Explain five reasons why an insurer may require reinsurance cover. (10 marks)

Capacity  
 stability  
 catastrophe  
 spread of risk  
 pool

reluctantly

Automation  
 Stabilization  
 Contractual  
 Expertise