

POLITEKNIK
Jabatan Pengajian Politeknik

EXAMINATION AND EVALUATION DIVISION
DEPARTMENT OF POLYTECHNIC EDUCATION
(MINISTRY OF HIGHER EDUCATION)

COMMERCE DEPARTMENT

FINAL EXAMINATION
DECEMBER 2011 SESSION

P5313 : PROPERTY INSURANCE

DATE : 24.04.2012 (SELASA)
DURATION : 2 HOURS (11:15AM – 1:15PM)

This paper consists of **SEVEN (7)** pages including the front page.
Section A: Essay (6 questions – answer 4)

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CHIEF INVIGILATOR

QUESTION 2

- (a) Contribution can be defined as the amount which each insurer has to contribute to the cost of a loss covered by two or more insurers. State the condition when contribution can be fulfilled. (5 mark)
- (b) Explain the following basis of claim settlement:
- i. Strict indemnity (5 marks)
 - ii. Valued basis (3 marks)
 - iii. Reinstatement (3 marks)
 - iv. Subrogation (3 marks)
- (c) Claim process may begin in one of two ways and insurance company will send a claim form known as "proof of loss" to complete by the insured. Identify:
- i. How insurance company indemnified insured for building damage (4 marks)
 - ii. What type of property may be insured against flood loss (2 marks)

INSTRUCTION: This section consists of **SIX (6)** essay questions. Answer **FOUR (4)** questions only in the answers booklet.

QUESTION 1

- (a) What is insurable interest in property Insurance? Give your example. (4 marks)
- (b) Property Insurance provides protection against most risk to property, such as fire, theft and some weather day. Explain:
- i. Open perils cover including exclusions under property Insurance (4 marks)
 - ii. **Five (5)** perils normally insured (5 marks)
 - iii. Types of property (5 marks)
- (c) Combined policies were introduced to cater for business risk where more than one type of insurance was required. State **FOUR (4)** benefits to insured and **THREE (3)** benefits to insurer when using combine policies. (7 marks)

QUESTION 4

- (a) First loss policies are sometimes demand where a proposer feels that any loss he may sustain from a certain peril cannot amount to more than a fraction of the value at risk. Explain:
- i. Features of first loss insurance. (5 marks)
 - ii. Factors that must be taken into account to calculate correct amount of premium for first loss. (4 marks)
- (b) Describe **THREE (3)** types of average conditions. (6 marks)
- (c) Reinstatement means the restoration of the property insured to the condition in which it was immediately before the fire. Briefly explain reinstatement:
- i. By the insurer under the terms of the policy. (6 marks)
 - ii. By the insured under statute or contract. (4 marks)

QUESTION 3

- (a) Proposal form is a document drafted by the insurer in the form of a questionnaire for each class of insurance. State the comment about the use of proposal form for the following class of insurance:
- i. Money (2 marks)
 - ii. Good in Transit (3 marks)
 - iii. Fidelity Guaranteed and Bonds (2 marks)
- (b) Estimated Maximum Loss (EML) is percentage or monetary estimate of the worst effect a fire could have at any one location. Elaborate **SIX (6)** factors to be considered when assessing the EML. (12 marks)
- (c) There are several ways of reducing premium levels. Describe **THREE (3)** ways Of reducing premium. (6 marks)

QUESTION 6

- (a) Underwriting of property is the selecting insured properly and charging them a rate fairly reflecting the expected loss is a substance of underwriting. Interpret the factors of property underwriting and rating that should be considered by the underwriter.
(10 marks)
- (b) Risk manager has several sources of information that can be used to identify major and minor loss exposures. Outline the risk management process in identifying potential losses.
(10 marks)
- (c) Explain how a risk manager valued a property in order to place a value of potential property losses
(5 marks)

QUESTION 5

- (a) House owner/householder policy provides cover for loss or damage to building and content of the premise. Explain Section II (content) for:
- i. Property temporarily removed
(3 marks)
 - ii. Servant's property
(3 marks)
 - iii. Loss or damage to contents
(4 marks)
 - iv. Compensation for death of the insured.
(3 marks)
- (b) Define based on house owner/householder policy for:
- i. Private dwelling
(3 marks)
 - ii. Content
(4 marks)
- (c) Briefly explain any **TWO (2)** clauses in the house owner/householder policy.
(5 marks)