

POLITEKNIK
Jabatan Pengajian Politeknik

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

COMMERCE DEPARTMENT

FINAL EXAMINATION
DECEMBER 2011 SESSION

P4309 : GENERAL INSURANCE UNDERWRITING & CLAIMS

DATE : 30.04.2012 (ISNIN)
DURATION : 2 HOURS (8:30AM – 10:30AM)

This paper consists of **FIVE (5)** pages including the front page.
Section A: Essay (46 questions – answer 4)

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CHIEF INVIGILATOR

SECTION A**STRUCTURE / ESSAY (100 marks)****INSTRUCTION:**

This section consists of **SIX (6)** structured questions. Answer **FOUR (4)** questions only.

QUESTION 1

- (a) Explain the **FIVE (5)** characteristics of General Insurance product.
(10 marks)
- (b) Risk management technique can be divided into 4 types. Explain **ALL** of them.
(8 marks)
- (c) In practice, what is the method of indemnity that is available for insured in total loss claim and damage claim?
(7 marks)

QUESTION 2

- (a) Marine underwriter is required to possess sound knowledge about the nature of the marine business before accepting any proposal from the proposer. Explain **FOUR (4)** factors of underwriting needed in underwriting a marine voyage.
(8 marks)

(b) A broker approaches your company for a quotation of a fire insurance policy.

Below are the details received:-

Occupation : Sausage manufacturer (no box making)

Construction : Class 1A

Location : Shah Alam

Description and items insured:

On building	RM 930,000
On plant & machinery	RM 1,200,000
On stock	RM 700,000
On removal of debris	RM 90,000
On professional fees	RM 70,000
On motor vehicle	RM 10,000
On money in transit	RM 10,000

Extraneous perils

Riot, Strike & malicious Damage	0.014%
Flood	0.086%
Storm, Tempest	0.015%
Earthquake & volcanic Eruption	0.010%
Impact Damage	0.004%
Aircraft Damage	0.005%
Electrical Installation Clause (B)	0.056%
Bursting an overflowing of water tank	0.005%
Subsidence and landslide	0.081%

Period of Insurance: 01/06/2009 – 31/05/2010

Others – Fire extinguisher discount – 10%
 Sprinkler discount - 50%
 Loading for use of LPG Gas – 25%

You are required to work out the premium chargeable in a clear and methodical manner if the rate for the occupation given by PIAM Revise Fire Tariff is 0.126%

(17 marks)

QUESTION 3

- (a) An insured is in dispute with his insurer over the settlement of a theft claim solely as regards to quantum. What course of action would now be open to the insured, and what would this course entail?

(12 marks)

- (b) Explain the **SEVEN (7)** conditions that insurer must satisfied before they pay the claims.

(13 marks)

QUESTION 4

- (a) Explain **THREE (3)** reasons why a claim following a loss may be unsuccessful.

(6 marks)

- (b) Distinguish between pro rata average and the two condition of average.

(7 marks)

- (c) Explain **SIX (6)** rights that are given by the common law to the insurer that is likely to give rise to a claim under their policy.

(12 marks)

QUESTION 5

- (a) Explain the inflation and economic factors when making decision on claim reserve
(9 marks)
- (b) What information that is likely needed by insurers to enable them to calculate an IBNR reserve?
(5 marks)
- (c) Describe the following reserves.
- i. Unexpired risk reserves
(4 marks)
 - ii. Unearned premium reserve
(4 marks)
 - iii. Catastrophe reserves
(3 marks)

QUESTION 6

- (a) Disputes causing delay in settlement of claims. The dispute will fall under 2 basic heading. Explain both heading
(4 marks)
- (b) The most common general method for reserving is to project claim development patterns for a cohort of claims defined by accident, underwriting or report year. Explain in detail **THREE (3)** methods of claim projection.
(12 marks)
- (c) How measurement for IBNR reserve is classified?
(9 marks)