# POLITEKNIK
## Jabatan Pengajian Politeknik

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

COMMERCE DEPARTMENT

FINAL EXAMINATION

JUNE 2012 SESSION

**P4502: INSURANCE**

**DATE : 21 NOVEMBER 2012 (WEDNESDAY)**
**DURATION : 2 HOURS (11.15 AM – 1.15 PM)**

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This paper consists of **SEVEN ()** pages including the front page.

SECTION A: Structures (1 question – answer ALL)
SECTION B: Essay (5 question – answer 3 questions)

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## QUESTION 1

(a) Tokio Marine Life Insurance Malaysia Bhd offer life insurance, explain what is life insurance and list three risk covered under life insurance?

(5 marks)

(b) Give the strategy of Tokio Marine Life Insurance Malaysia Bhd. in generating its business growth.

(4 marks)

(c) Describe **FOUR (4)** roles of insurance agent.

(16 marks)

## SECTION A

## STRUCTURES / ESSAY (25 marks)

### INSTRUCTION:

This section consists of **ONE (1)** essay question. Answer **ALL** questions.

**Tokio Marine to be among top 5 insurers**

23 Jun 2010 – Tokio Marine Life Insurance Malaysia Bhd expects to be one of the top five insurance companies in the country by 2015, driven by aggressive business expansion and new product launches.

The company, formerly known as TM Asia Life Malaysia Bhd, expects to capture 6 per cent of the market share in the life insurance industry from its current 3.7 per cent.

For the first quarter of 2010, Tokio Marine Life was ranked 11th in the life insurance industry from 13th place with a1.6 per cent market share last year.

Its chief executive officer Kenneth Wong said Tokio Marine Life has lined up several strategies to meet the target and, at the same time, boost its position in the marketplace. "Although it's quite a leap, we are extremely confident it is achievable," he said.

Wong said Tokio Marine Life will, among others, focus on expanding and developing its agency force, as well as enhancing productivity through mentoring, coaching and training programmes.

He said currently, 70 per cent of Tokio Marine Life's annual total new business premiums are generated from its main distribution channel - the agency force.

Speaking to reporters after the launch of the company's new name in Kuala Lumpur yesterday, Wong said it will also be introducing new distribution channels such as bancassurance, which is expected to be a major contributor to its revenue in the longer term.

Wong said Tokio Marine Life expects its gross written premiums to surpass RM550 million for the year ending 2010, of which new businesses will make up 35 per cent or RM200 million, with the balance coming from renewal business.

"Last year, we recorded written premiums of RM526 million," he said, noting that it expects to exceed industry growth.

Commenting on the company's name change to Tokio Marine Life, Wong said it will make it more convenient for customers and the public to identify and associate with its life insurance business.

As at December 31 2009, the company had total assets worth RM4.44 billion and its life insurance fund stood at RM4.01 billion.

Sources: By Azlan Abu Bakar, NSTP

## QUESTION 2

(a)     Insurable interest can be defined as the right to insure arising out of legally recognized financial interest which a person has in the subject matter of insurance.

    i.  Explain the concept of subject matter of insurance and subject matter of contract of insurance.

(5 marks)

    ii.  State **TWO (2)** examples of subject matter of insurance under the following policy:

        a.  Fire insurance policy

        b.  Marine insurance policy

        c.  Aviation insurance policy

        d.  Motor insurance policy

(8 marks)

(b)     Under Subsection 152(2) of the Insurance Act 1996, provides that a person shall deem to have insurable interest in relation to another person. Describe **FOUR (4)** persons that you can insure.

(12 marks)

## SECTION B
## ESSAY (75 marks)

**INSTRUCTION:**

This section consists of **FIVE (5)** essay questions. Answer **THREE (3)** questions only.

## QUESTION 1

Mr Kamarol is an owner of Royal Teh Tarik Sdn Bhd which serving a Malay foods located in Rawang Mega Mall. He is very concern about the risk that he has take into his business, so he is asking you as a Risk Management Consultant to advise him on risk management.

(a)     Explain to him **FOUR (4)** pure risks that you have identify in his business.

(4 marks)

(b)     Explain the frequency and severity concept and their relationships.

(5 marks)

(c)     Discuss **FOUR (4)** methods of handling risks to Mr. Kamarol.

(16 marks)

**QUESTION 4**

(a)    Give any **FOUR (4)** reasons why do traders need cargo insurance.

                                                                                (4 marks)

(b)    Define the following categories of cargo that can be insured and give any
       **TWO (2)** example for each of category.

       i.      Household Goods and Personal Effects

       ii.     General Merchandise or General Cargo

       iii.    Glass & Fragile Goods

                                                                                (9 marks)

(c)    Explain the following trade terms:

       i.      Cost, Insurance and Freight (C.I.F)

       ii.     Cost and Freight (C & F)

       iii.    Free On Board (F.O.B)

                                                                                (12 marks)

**QUESTION 5**

(a)    Give any **THREE (3)** consumer criticisms toward Insolvent insurer and unfair
       trade practices of insurance companies.

                                                                                (3 marks)

(b)    Describe **FOUR (4)** reasons the need of law in insurance market.

                                                                                (12 marks)

(c)    Explain the following essential legal requirements of insurance contract.

       i.      Offer and acceptance

       ii.     Consent – consensus ad idem

       iii.    Consideration

       iv.     Legal capacity to contract

       v.      Legality of the contract

                                                                                (10 marks)

**QUESTION 3**

(a)    Insurance company consists of several departments that greatly depend on
       each other. Among the departments that directly deals with the insured are:

       i.      marketing department

       ii.     underwriting department and

       iii.    claim department

       Relate the departments in terms of their function to provide services for the
       insured.

                                                                                (15 marks)

(b)    Section 2 of Insurance Act 1996 defines an insurance agent and insurance
       broker, describe the following:

       i.      insurance agent

       ii.     insurance broker

                                                                                (10 marks)