

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

COMMERCE DEPARTMENT

FINAL EXAMINATION

DECEMBER 2011 SESSION

**P5125: INSURANCE PRINCIPLES AND PRACTICES**

**DATE: 23 APRIL 2012 (MONDAY)**  
**DURATION: 2 HOURS (8.30 AM - 10.30 AM)**

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This paper consists of **THREE (3)** pages including the front page.  
Essay (4 questions - answer all)

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**DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED BY**  
**THE CHIEF INVIGILATOR**

**ESSAY (100 marks)**

Instruction: This section consists of **FOUR (4)** questions. Answer all questions.

**QUESTION 1**

- (a) Hazard is a condition that may create or increase the chance of a loss. Briefly explain the **TWO (2)** categories of hazard and give an example for each category. (6 marks)
- (b) List the major techniques that can be used by an organization in managing business risk according to loss frequency and loss severity. (4 marks)
- (c) Describe the steps in managing risk. (15 marks)

**QUESTION 2**

Takaful is not only offers to Muslims community but non-Muslims as well. Recently, Jaganathan seeks for your guidance based on Takaful operation as an alternative to conventional insurance available in Malaysia.

- (a) Explain to Jaganathan on Takaful operation and its connection to Ta'awun concept. (4 marks)
- (b) Explain on Tabarru', Mudharabah and Wakala based in Takaful. (13 marks)
- (c) Explain on **THREE (3)** major differences found between conventional to Takaful. (8 marks)

**QUESTION 3**

- (a) Briefly describe:
- i) Re-insurer ( 3 marks)
  - ii) Underwriter ( 3 marks)
  - iii) Loss Adjuster ( 3 marks)
- (b) Car insurance is one of the general insurance products.
- i) Elaborate **FOUR (4)** types of motor insurance coverage.  
(12 marks)
  - ii) Give **TWO (2)** explanations the concept of No Claim Discount (NCD) that applied in car insurance and give **ONE (1)** relevant example.  
(4 marks)

**QUESTION 4**

- (a) What is proposal form and explain the importance of proposal form in life insurance business.  
(6 marks)
- (b) Discuss the **FOUR (4)** contents of proposal form  
(8 marks)
- (c) Endorsement is used to modify the terms and the standard policy document. Describe **THREE (3)** situations where endorsement may be issued by insurer  
(6 marks)
- (d) Explain Renewal Notice  
(5 marks)