

NANYANG TECHNOLOGICAL UNIVERSITY
SEMESTER 2 EXAMINATION 2022-2023
BR2205 Insurance Practice
BR2209 Insurance Practice

April 2023

Time Allowed: 2½ hours

INSTRUCTIONS

1. This paper contains **TWO(2) Sections** and comprises **SIX(6)** pages.
2. This paper consists of TWO (2) sections (Total: 100 marks):
Section A: Two compulsory question (40 marks)
Section B: Two out of Three Short Essays Questions (60 marks)
3. Candidates should begin each question on a new sheet of paper.
4. The number of marks allocated is shown at the end of each question.
5. This is a **Closed Book** examination.

Note: Exam Questions begin on Page 2.

SECTION A (40 marks)

This section is Compulsory. Answer **ALL** questions.

Question 1

“The insurance market is a highly dynamic and robust ecosystem, comprises of buyers, sellers and intermediaries within an environment of regulator; professionals and trade associations.”

- (a) Identify the key buyers, sellers and intermediaries and briefly describe their respective roles in the insurance market ecosystem.

(15 marks)

- (b) Briefly describe how the role of trade associations in the insurance market ecosystem.

(5 marks)

(TOTAL: 20 marks)

Question 2

Write short notes to compare and contrast the main characteristics of the following insurance concepts:

- (a) Insurable Interest and Subrogation
- (b) Public Liability and All Risks Insurance
- (c) Policy Renewal and Policy Cancellation Conditions
- (d) Avoidance of Certain Terms and Right of Recovery

(5marks for each part)

(TOTAL: 20 marks)

SECTION B (60 marks)

This section comprises of THREE (3) questions. Answer any **TWO out of the THREE** questions. No marks will be given if more than TWO questions are answered.

Question 3

Insured ABC Company is now negotiating with your company, XYZ Insurer, for the renewal of a Fire Policy for their main operational headquarter situated in Tuas.

Before confirming the renewal terms, your underwriters are considering the followings:

The insured property is comprised of completed additions; permanently installed machinery and equipment; fixtures, including outdoor fixtures, such as lawnmowers, garden hoses, and materials, equipment, supplies, and temporary structures that are on or within 100 feet of the premises and being used for additions, alterations, or repairs. It is currently being occupied as an office cum warehouse.

The estimated cost of rebuilding the insured property that has been destroyed by fire is \$150 million.

Year Built	Loading Factor	Occupation of Building	Loading Factor
Pre-1969	2.0	Office	-
1970-1979	1.8	Factory	0.25
1980-1989	1.7	Warehouse	0.50
1990-1999	1.6	Mixed	0.75
2000-2010	1.5		
2010+	1.0		
Base Premium Rate	0.5% per dollar of sum insured		

- (a) Compute the risk-adjusted premium if your factory was built in 2000. Show all workings for the computation.

(10 marks)

Note: Question No.3 continues on page 4

Question 3 (Continued)

AnyHow Reinsurer and Bottomless Reinsurer have structured the following reinsurance arrangement for XYZ Insurer:

Reinsurance Program	
Cedant	Retention of \$5m
AnyHow Reinsurer	10 lines Surplus reinsurance treaty
Bottomless Reinsurer	Facultative Reinsurer

- (b) Calculate the apportionment of risk between the Cedant and Reinsurers AnyHow and Bottomless, respectively.

(15 marks)

- (c) Identify the TWO(2) critical underwriting information required for Fire insurance.

(5 marks)

(TOTAL: 30 marks)

Question 4

The Private Motor Vehicle Insurance has often been marketed as a unique 2-in-1 bundled insurance package.

Answer the following questions based on the annotated policy wordings of a typical Private Motor Insurance:

Your Comprehensive motor vehicle insurance policy shows the type of cover you have paid for.	<u>Your Car</u> <ul style="list-style-type: none"> • accidental loss or damage by fire • loss or damage by theft • accidental loss or damage by other insured causes • accidental loss or damage to accessories and spare parts • cost of towing to repairers or place of safety following accident
	<u>Your legal liability</u> <ul style="list-style-type: none"> • death or bodily injury to other people (including passenger) • loss or damage to property of other people • your legal costs and expenses
	<u>Other Benefits</u> <ul style="list-style-type: none"> • personal accident benefits (for you only) • medical expenses • liability of passengers

(a) Identify and compare the features and main differences in coverages as provided under the THREE(3) types of Private Motor Insurance policy.

(15marks)

(b) Briefly explain the importance of the Claims condition (What you must do after a road accident) in the Claims management process?

(5marks)

(c) Briefly explain the extent of insurance coverages under “liability of others.”

(10 marks)

(TOTAL: 30 marks)

Question 5

As the Claims Manager of an insurance company, determine whether the following claims presented by the Insured are payable with justifications drawing from your understanding of the terms and conditions of the property and liability insurance.

- (a) When an earthquake struck, the underground gas pipes were damaged and burst causing leading to a fire at the Insured properties. The damaged building was structurally damaged and ultimately collapsed. The Insured filed a claim under their commercial property policies for the damages resulting from the collapse of a building or structure. Subsequent investigation also revealed that the cause of the collapse was also partly due to the use of defective construction materials.

(10 marks)

- (b) The insured property was occupied as both an office and workshop. Last weekend, the property was badly damaged by the concussion impact resulting from an explosion of the oxyacetylene used for welding in the workshop. Two workers were also seriously injured and hospitalised. The Insured filed a claim under their commercial property and Workmen Injury policies for the accident.

(10 marks)

- (c) James is a Senior Engineer with Number Metaverse Software. He has a great passion as a footballer and is leading the company's football team for competition. At a recent competition that he participated, he was badly injured and was hospitalized for a major operation of his broken knee. Whilst recuperating in the hospital, he contacted COVID-19. Subsequently his condition deteriorated, and he passed away. The Insured file a claim under their commercial policies (Workmen Injury and Personal Accident policies) for the death of James.

(10 marks)

(TOTAL: 30 marks)

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