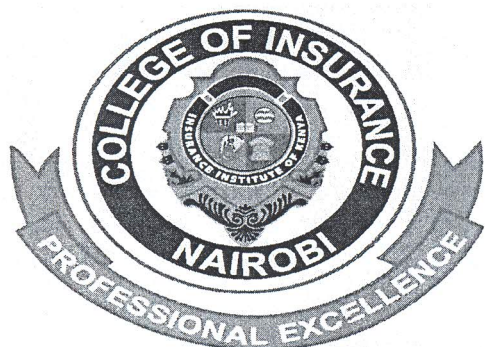


COLLEGE OF INSURANCE



DIPLOMA IN INSURANCE

CONTINUOUS ASSESSMENT TESTS

SUBJECT TITLE : PRINCIPLES AND PRACTICE OF INSURANCE

SUBJECT CODE :DIP102

DATE: 25TH OCTOBER 2013

TIME: 2.30 P. M. TO 4.30 P. M. (2 HOURS)

(CAT 1)

ANSWER ALL QUESTIONS

SECTION A (20 MARKS)

1. Mention four features essential to insurable interest. (4 Marks)
2. Differentiate between the contractual doctrines of 'caveat emptor' and 'uberima fides'. (4 Marks)
3. State four situations where an insured can enjoy the benefits of an insurance policy even where there is breach of Utmost Good Faith. (4 marks)
4. Distinguish between the principles of subrogation and indemnification *aliunde*. (4 Marks)
5. Explain the term abandonment and its relationship with the principle of subrogation. (4 Marks)

SECTION B

6. "If the insured seeks to claim from his insurers for a property loss, he must show that the loss was caused as a result of a peril covered by the policy. There must be a direct relationship of cause and effect, of which the cause must be proximate in efficiency though not necessarily in point of time".

Using examples drawn from case law, discuss the principle involved in the above statements and its relevance to insurance. (10 Marks)

7. Discuss four circumstances under which an insured may not receive full indemnity after a loss. (12 Marks)
8. Property is insured with two insurers A and B for Ksh.500,000 and Ksh.300,000 respectively, subject to the pro-rata condition of average. The value of the property at the time of loss was Ksh.900,000 and the loss suffered was Ksh.100,000. Calculate how much will each policy will contribute towards the loss. (8 Marks)

CONTINUOUS ASSESSMENT TEST (CAT 2)

ANSWER ALL QUESTIONS

SECTION A (20 MARKS)

1. Define the term "Microinsurance" as given by the International Association of Insurance Supervisors (IAIS) (4 Marks)
2. Distinguish between conditions and warranties and give one example of each. (4 Marks)
3. Distinguish between general and particular questions in a proposal form and give one example of each. (4 Marks)
4. List four circumstances in each case when a total return of premium is given on cancellation of a policy by the insurer. (4 Marks)
5. Outline four reasons why insurers sometimes make "ex-gratia" payments. (4 Marks)

SECTION B (20 MARKS)

6. "Every insurer needs a reinsurer". Discuss this statement to highlight five roles played by reinsurance companies. (10 Marks)
7. Students at the College of Insurance are having a debate at the end of November 2013 on the topic "There is NO consumer protection under the Insurance Act (Kenya)". You have been invited to oppose the motion. Outline six points you would advance to support your argument. (12 Marks)
8. Describe eight sections of a policy document. (8 Marks)