

SECTION A

ESSAY (100 MARKS)

Instruction: This section consists of five (5) questions. Answer four (4) questions.

QUESTION 1

- (a) Define **FOUR (4)** pure risks. (4 marks)
- (b) Explain the relationship between frequency and severity concept. (5 marks)
- (c) Discuss **FOUR (4)** methods of handling risks. (16 marks)

QUESTION 2

- (a) Insurable interest in the legal right to insure arising from legitimate financial interest which an insured has in a subject matter of insurance. Explain the concept of subject matter of insurance and subject matter of contract of insurance. (5 marks)
- (b) State **TWO (2)** example of subject matter of insurance under following policy:
- Fire insurance policy
 - Marine insurance policy
 - Aviation insurance policy
 - Motor insurance policy
- (8 marks)
- (c) 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)

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

COMMERCE DEPARTMENT

FINAL EXAMINATION
DECEMBER 2011 SESSION

P4502 : INSURANS

DATE : 27.04.2012
DURATION : 2 HOURS (08:30AM – 10:30AM)

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

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CHIEF INVIGILATOR

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 need for 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) The insurance company consists of several departments that greatly depend to each other. Among the important departments that directly deal with insured are marketing department, underwriting department and claim department. Relate those departments in terms of their function to provide services for 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)

QUESTION 4

- (a) Give any **FOUR (4)** reasons why do traders need cargo insurance.
(4 marks)
- (b) Explain the following categories of cargo.
- 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)