



UNIVERSITY OF KELANIYA – SRI LANKA

Centre for Distance and Continuing Education

FACULTY OF COMMERCE & MANAGEMENT STUDIES

Bachelor of Commerce (Special) Degree First Year Examination (External) – 2012

February 2015

Year IV

BCOM E4544 – Practices in Insurance

No. of questions: Five (05)

Time: 03 hours

Answer all questions.

(01) Write the letter of correct answer against the question number on the answer script.

I. Insurance works on the principle of:

- a. Sharing of losses
- b. Probabilities
- c. Large numbers
- d. Randomness
- e. All of the above

II. Insurance helps to:

- a. Prevent adverse situations from occurring
- b. Reduce the financial consequences of adverse situations
- c. Negate all consequences of adverse situations
- d. Make assets continuously productive
- e. All of the above

III. The term 'Risk' includes:

- a. Damage to machinery and property
- b. Impact on the health or life of a person
- c. Leakage of toxic products into the atmosphere
- d. Effect on the healthy life of the neighborhood
- e. All of the above

- IV. The main purpose of having Life insurance is:
- a. As an avenue for long term investment
 - b. As a medium for getting income tax benefits from savings
 - c. As a governmental programme for reducing poverty
 - d. As an avenue for short term investment
 - e. None of the above
- V. The principle of _____ ensures that an insured does not profit by insuring with multiple insurers
- a. Subrogation
 - b. Contribution
 - c. Nearest reason
 - d. Indemnity
 - e. Insurable interest
- VI. The principle of _____ ensures that after the insured is compensated for the loss due to damage to property insured, then the right of ownership of such property passes to the insurer.
- a. Subrogation
 - b. Contribution
 - c. Nearest reason
 - d. Indemnity
 - e. Insurable interest
- VII. Fidelity Guarantee Policies cover losses due to fraud by _____
- a. Employees
 - b. Customers
 - c. Borrowers
 - d. Suppliers
 - e. Financiers

VIII. Which of the following terms matches closest with 'life insurance'?

- a. Health insurance
- b. Property insurance
- c. Accidental injury
- d. Consequential loss
- e. Marine Partial Loss

IX. Which of the following types of insurances is mandatory?

- a. Motor Own Damage
- b. Motor Third Party Legal Liability
- c. Personal Accident Insurance
- d. Product Liability
- e. Professional Liability

X. Method/s of controlling risk is/are

- a. Avoidance
- b. Reducing risk
- c. Bearing
- d. Insurance
- e. All of the above

(Total 2 x 10 = 20 marks)

(02)

i). Insurance is a one of the options in managing risk, therefore, explain the importance of insurance for business organizations.

(07 Marks)

ii). Risk is either negative or positive, however as business organization they should have a proper process of managing the risk of the organization. Explain the steps involved in the risk management process.

(07 Marks)

iii). Explain the different ways of classifying risk with suitable examples.

(06 Marks)

(Total 20 Marks)

(03)

- i). The following incidents are related to the principles of insurance. You are required to explain the situation with the relevant principle.
- a). Mr. Perera insures his property worth Rs. 100,000 with two insurers "AIG Ltd." for Rs. 90,000 and "MetLife Ltd." for Rs. 60,000. Perera's actual property destroyed is worth Rs. 60,000. Therefore, explain the different ways that the Mr. Perera can claim for his damages.
- b). Mr. Silva insures his house for Rs. 1 million. The house is totally destroyed by the negligence of his neighbor Mr. Karu. At the same time, he filed a law suit against Mr. Karu for Rs. 1.2 million, the market value of the house. Explain what amount that Mr. Silva received as the claim.
- c). A cargo ship's base was punctured due to rats and so sea water entered and cargo was damaged. Here there are two causes for the damage of the cargo ship - (i) The cargo ship getting punctured because of rats, and (ii) The sea water entering ship through puncture. Explain which cause of damage can be recover.

(4x3=12 marks)

- ii). Explain the principle of utmost good faith and principle of insurable interest.

(08 Marks)

(Total 20 Marks)

(04)

- i). Briefly explain why life insurance schemes are becoming popular in Sri Lanka.

(07 Marks)

- ii). How do you classify the general insurance?

(07 Marks)

- iii). What are the factors that are considered in calculating the insurance premium?

(06 Marks)

(Total 20 Marks)

(05) Write short notes of the followings;

- i). Insurance market
- ii). Risk management
- iii). Insurance methods relating to life insurance
- iv). Insurance agreement

(5X4= 20 Marks)