



UNIVERSITY OF KELANIYA – SRI LANKA
Centre for Distance and Continuing Education
Faculty of Commerce & Management Studies

Bachelor of Commerce (Special) Degree Fourth Year Examination (External) – 2019

July – 2025

BCOM E 4544 - Practices in Insurance

No. of questions: Five (05)

Answer All Questions.

Time: 03 hours

Question No. 01

Write the letter of the correct answer against each question on the answer script.

- i. The concept of "Insurable Interest" in insurance is best described as:
 - a. The amount an insurer is willing to cover
 - b. Financial interest the insured has in the subject matter of insurance
 - c. The expected rate of premium
 - d. The maximum possible loss
- ii. Which one of the following is a principle of indemnity?
 - a. Insured must gain from loss
 - b. Insured must not profit from insurance
 - c. Insured must declare all assets
 - d. Insured pays deductible
- iii. Insurance helps the economy by:
 - a. Preventing inflation
 - b. Encouraging speculation
 - c. Reducing uncertainty and risk
 - d. Limiting savings
- iv. Which of the following types of insurance is compulsory by law in Sri Lanka for motor vehicles?
 - a. Motor Own Damage Insurance
 - b. Comprehensive Insurance
 - c. Motor Third Party Liability Insurance
 - d. Fire & Theft Insurance

- v. Which insurance principle allows the insurer to claim from a third party after compensating the insured?
 - a. Contribution
 - b. Subrogation
 - c. Utmost Good Faith
 - d. Indemnity

- vi. What is the role of the Insurance Regulatory Commission of Sri Lanka (IRCSL)?
 - a. Selling insurance to the public
 - b. Setting vehicle prices
 - c. Regulating and supervising insurance companies
 - d. Handling bank mergers

- vii. The primary objective of life insurance is:
 - a. To fund children's education
 - b. To protect business losses
 - c. To provide financial security to dependents
 - d. To pay for car repairs

- viii. Methods of controlling risk is/are?
 - a. Reducing
 - b. Bearing
 - c. Insurance
 - d. All of the above

- ix. A Fidelity Guarantee policy typically covers losses caused by:
 - a. Natural disasters
 - b. Product defects
 - c. Employee dishonesty or fraud
 - d. Terrorism

- x. The method of managing risk that involves transferring it to another party is known as:
 - a. Risk avoidance
 - b. Risk retention
 - c. Risk transfer
 - d. Risk minimization

(02x10 Marks)
(Total 20 Marks)

Question No. 02

- a). Briefly describe how reinsurance works and its importance to insurers in Sri Lanka.

(08 Marks)

- b). Explain any four principles of insurance using local or hypothetical examples.

(12 Marks)

(Total 20 Marks)

Question No. 03

- a). A company insures its warehouse for Rs. 5 million but the actual value is Rs. 10 million. After a fire, damages worth Rs. 4 million occur. Using relevant principles, calculate and explain how much the company can claim.

(10 Marks)

- b). A person takes insurance for their property with two different insurers. After damage worth Rs. 200,000, both insurers are approached. Explain how the Principle of Contribution will apply.

(10 Marks)

(Total 20 Marks)

Question No. 04

- a). Describe the five steps of the risk management process followed by businesses.

(10 Marks)

- b). Explain in detail the concept of Utmost Good Faith and why it's a necessary precursor in Insurance Law.

(10 Marks)

(Total 20 Marks)

Question No. 05

Write Short Notes.

- a). Life Insurance
- b). Indemnity
- c). Insurance Market
- d). Insurance Agreement

(05x04 Marks)

(Total 20 Marks)

