

DIPLOMA IN INSURANCE

Unit Name: Fire Insurance Underwriting and Claims

Unit Code: DIP 311

SAMPLE QUESTION

Jack is an underwriting manager at LMD Insurance Company Ltd. The Company has recently been reviewing their risk acceptance criteria for various fire insurance products. They have also embarked on a policy of embracing fire insurance related special products recently introduced in the insurance market. These special types of fire insurance related products are meant to suit varying changing needs of different clients in the dynamic insurance market.

One such fire insurance related products recently introduced in the insurance market include Industrial All Risks (IAR) insurance which is now widely preferred by large industrial establishments as opposed to fire and perils cover. The other new insurance product on promotion by the underwriter is Floater insurance policy which also meets varying needs for various policyholders based on the nature of their operations. LMD Ltd has therefore embarked on the task of persuading some of the policyholders in their books to convert to Industrial All Risks insurance policies at renewal as opposed to the existing fire and perils cover. Floater insurance policy has also been recommended for other clients based on their insurance needs.

LMD Insurance Company Ltd has therefore organized for a workshop for all the clients in their fire insurance portfolio book of business with a view to update them on this policy change in the Company. The main convener of the workshop is Jack and his team of underwriters who have the task of implementing this paradigm shift in the Company policy and ensuring that their existing clients buy into these new policy.

- a) Discuss the reasons which Jack and his team may advance for review of their risk acceptance criteria at LMD insurance Company Ltd. **(8 Marks) 3c**
- b) Explain five reasons that Jack may highlight to convince Fire and perils insurance policyholders to embrace the newly developed Industrial All Risks (IAR) cover at renewal. **(10 Marks) 7a**
- c) Identify three ancillary clauses that enhance achievement of full reinstatement under Industrial All Risks (IAR) insurance cover which Jack may recommend to clients changing cover at renewal. **(3 Marks) 4a**
- d) Describe the nature of policyholders' operations that are best suited for Floater insurance cover being promoted by LMD Insurance Company Ltd. **(2 Marks) 6a**
- e) Discuss five features of Floater insurance policy which Jack and his team will leverage on to promote uptake of the newly introduced insurance product. **(12 Marks) 6b**