

## INSURANCE

### What is Insurance?

# Insurance

- An agreement between the insured & insurer, where any anticipated risk, damage or liability is transferred to the insurer by the insured for a fee.

### What are the special terms used in Insurance?

- ✓ Insurer
- ✓ Insured
- ✓ Insurance policy
- ✓ Insurance premium
- ✓ Insurance claim
- ✓ Risk
- ✓ Cause
- ✓ Loss
- ✓ Damage

### What are the methods of controlling Risk?

1. Prevention
2. Minimize
3. Bearing
4. Transfer

# Insurance

---

## What are the risks that can be insured?

Risks that can be insured are the ones that can be measured by money. Any uncertainty that cannot be measured by monetary terms cannot be insured since the claim will be paid by money. Therefore all risks cannot be insured. Ex-

Insurable Risks	Non-insurable Risks

## What are the features of an Insurable Risk?

1. Predictability
2. Casualty
3. Un-connectedness
4. Verifiability
5. Uncertainty
6. Insurable Interest
7. Legality

## What is an Insurance Agreement?

### Insurance Agreement

- A written agreement between the insured & insurer, after an application for insurance policy from the insured was accepted by the insurer

# Insurance

---

## Who are parties found in an insurance agreement?

1. Insurer
2. Insured
3. Third party

## What is an Insurance Policy & Policy Application?

### Insurance Policy

- A certification given by the insurer to the insured to bear an anticipated loss after an insurance agreement for a life or property

### Policy Application

- A written application form submitted by a potential insurer to the insured including the necessary details & requesting for an insurance policy

The following information is requested in the insurance policy application;

.....

.....

.....

.....

.....

.....

.....

.....

.....

# Insurance

---

## **What are the elements for a valid insurance agreement?**

1. Idea of legal obligation
2. Insurance offer / proposal
3. Acceptance
4. Legal validity
5. Ability for legal obligation by parties

## **What are the Principles of Insurance?**

These are the set of principles followed by all parties to ensure a good insurance industry beneficial to all parties, trustworthiness, ensure no insured makes profit from insurance & be legally fair.

1. Insurable interest
2. Utmost good faith
3. Indemnity
4. Contribution
5. Subrogation
6. Proximate cause

### **1. Insurable interest**

.....  
.....  
.....  
.....

### **2. Utmost good faith**

.....  
.....

# Insurance

---

.....  
.....

### 3. Indemnity

.....  
.....  
.....  
.....

### 4. Contribution

.....  
.....  
.....  
.....  
.....  
.....

### 5. Subrogation

.....  
.....  
.....  
.....

### 6. Proximate cause

# Insurance

---

## **What are the situations where utmost good faith may be breached?**

1. Non-revealing
2. Hiding
3. Innocent misrepresentation
4. Fraudulent misrepresentation

## **What is the importance of principle of indemnity in Insurance?**

.....

.....

.....

.....

.....

### **1. Over Insurance**

.....

.....

.....

### **2. Under Insurance**

.....

.....

.....

## **What is Subrogation Letter?**

.....

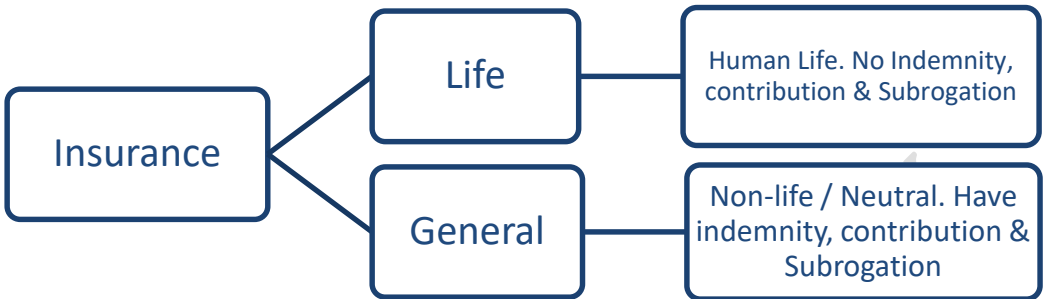
.....

.....

.....

# Insurance

---



## What is Life Insurance?

### Life Insurance

- An insurance policy taken to cover losses to a human life in death or accidents, where the insured or his dependants may receive financial benefits.

Life insurance can be classified based personal requirements as follows;

1. Family
2. Wealth creation
3. Special needs
4. Wealth growth

## What are the benefits to an insured from Life Insurance?

.....

.....

.....

.....

.....

.....

.....

.....

# Insurance

---

## **What are the types of Life Insurance policies?**

### **1. Term life insurance policy**

.....  
.....  
.....  
.....

### **2. Whole-life insurance policy**

.....  
.....  
.....  
.....

### **3. Endowment insurance policy**

.....  
.....  
.....  
.....

### **4. Annuities**

.....  
.....  
.....  
.....

### **5. Children Insurance policy**

.....  
.....  
.....  
.....



# Insurance

---

## 6. Joint life insurance policy

.....

.....

.....

.....

## 7. Group life insurance policy

.....

.....

.....

.....

## 8. Disability insurance policy

.....

.....

.....

.....

## 9. Hospitalization cover

.....

.....

.....

.....

### **What is a Lapsed Policy?**

*This is the deactivation of the life insurance policy before the agreed time period due to the non-payment of agreed premium by the insured.*

*In other words, the policy for which all benefits to the policy holder cease & is terminated due to a non-payment of premium on the due date or even after the grace period.*

# Insurance

---

Such a policy can be revived / reinstated / reactivated by an ordinary reactivation or special reactivation. But if the insured is unable to continue. He may opt for either taking the surrender value or convert into a paid up policy.

**Ordinary revival** – The policy holder can easily revive the lapsed policy by simply paying the unpaid premiums along with interest charges applicable. Such revival can be done within 5 years from the initial lapse.

**Special revival** – The policy holder will have to fulfill special conditions in addition to paying the lapsed premium plus interest like a new medical test, Special amendments, new conditions etc. This criteria changes from insurer to insurer.

**Surrender Value** – This is the amount receivable by an insurer after he surrenders his life insurance policy to the insurer. Under normal circumstances. The insurer has to pay premium for at least 3 years to acquire any surrender value.

**Paid-up Policy** – Here the policy wont lapse but automatically continues with a reduced sum being assured.

The differences between a surrender value & paid up policy can be;

Surrender Value	Paid-up Policy

# Insurance

---

## What are the differences between Life & General Insurance?

Life Insurance	General Insurance

## What are the types of general insurance policies found?

1. Arson Insurance
2. Marine insurance
3. Burglary Insurance
4. Motor vehicle insurance
5. Natural disaster insurance
6. Goods in transit insurance
7. Cash in transit insurance
8. Liability insurance
9. Luggage insurance
10. Credit insurance
11. Aviation insurance

# Insurance

---

12. Fidelity insurance
13. Engineering insurance
14. Contractors insurance
15. Machinery insurance

## What is Arson / Fire Insurance?

### Fire Insurance

- This is the insurance policy covering any losses to property, assets & stocks belonging to the insured from fire & related causes. the premium is based on value of asset & probability of catching fire.

The risks that can be covered by fire insurance can be;

1. Strikes & protests
2. Short circuits
3. Explosions
4. Earthquakes
5. Floods
6. Hail storms
7. Lightning strikes
8. Aircraft crashes
9. Consequential loss

## What is Consequential Loss Insurance?

This is the policy covering the loss of income from business until restoration, due to the business & its assets being damaged from fire & other causes.

# Insurance

---

## What is Marine Insurance?

### Marine Insurance

- This is the insurance policy taken by persons with interest covering any losses to the ship, its crew & cargo for certain time. journey or route.

Marine Insurance can be classified into 2 as

#### 1. Hull Insurance

.....  
.....  
.....

The types of policies that fall under Hull insurance can be;

- A. All risk policy
- B. Total loss only policy
- C. Ports policy
- D. Hull construction policy
- E. Repair policy

#### 2. Cargo Insurance

.....  
.....  
.....

The types of policies that fall under cargo insurance can be;

- A. Valued policy
- B. Open policy
- C. Floating policy

# Insurance

---

**What are the risks that can be covered by Marine insurance?**

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

**What are the risks that fall under the “inherent - vice” in Marine Insurance?**

.....  
.....  
.....  
.....  
.....

**What is deviation of voyage & Jettison?**

Deviation of Voyage	Jettison

# Insurance

---

## What is Motor Insurance?

### Motor Insurance

- This is the insurance policy taken by a vehicle owner to cover any anticipated losses to the vehicle, its passengers & external parties & property by the vehicle.

3 types of Motor Insurance policies can be;

#### 1. Comprehensive Motor Insurance cover

.....  
.....  
.....  
.....

#### 2. Third party Arson & Burglary cover

.....  
.....  
.....

#### 3. Third party insurance cover

.....  
.....  
.....

## What is Liability Insurance?

### Liability Insurance

- This is the insurance policy taken by property owners & businessmen to cover any losses to third parties from their products, property & other external persons

# Insurance

---

The types of liability insurance covers can be;

**1. Property owners liability cover**

.....  
.....  
.....  
.....

**2. Product liability cover**

.....  
.....  
.....  
.....

**3. Employer's liability cover**

.....  
.....  
.....  
.....

**4. Professional liability cover**

.....  
.....  
.....  
.....

**5. Public liability insurance cover**

.....  
.....  
.....  
.....



# Insurance

---

## What is natural Re-insurance?

### Re- insurance

- This is an insurance policy taken by an insurer from another insurer covering the insurance policies it had undertaken from the insured.

The advantages of Re-insurance can be;

To the Insurer	To the Insured

## What is Double Insurance?

### Double Insurance

- This is where one asset has been insured in 2 or more insurance companies by the insured. therefore one asset has 2 or more policies

## What is underwriting?

### Under Writing

- This is where a higher value asset is being insured in 2 or insurance companies in proportions. therefore one insurer is liable only a given portion

# Insurance

---

## What is insurance agent & insurance broker?

Insurance Agent	Insurance Broker

## What is the Insurance Board of Sri Lanka / Insurance Regulatory Commission of Sri Lanka?

The is the government appointed developing, monitoring & controlling body for the insurance industry in Sri Lanka, incorporated under “Insurance industries standardization act no-43 of 2000”.

But with effect from the 19<sup>th</sup> of October 2017, the organization was renamed as “Insurance regulatory commission of Sri Lanka” under “Insurance industries standardization act no-23 of 2017 (amended). The functions of the “Insurance Regulatory Commission of Sri Lanka” can be;

.....

.....

.....

.....

.....

.....

.....

.....

.....

## What is SLECI?

This is an insurance company setup & owned by the government to provide insurance & related services to the export sector in Sri Lanka. It was incorporated under “Sri Lanka Export Credit Insurance Corporation

# Insurance

---

Act no-15 of 1978” with the intention of uplifting & developing exports.  
Some of its services can be;

.....  
.....  
.....  
.....

## **What is Agriculture & Agrarian Insurance board?**

This is a government owned insurance organization established under the “Agricultural insurance board act no-27 of 1973” to provide insurance related benefits to farmers

## **What is CESS Tax?**

This a surcharge deducted by the government from the value of policies as per the insurance industries standardization act no-43 or 2000 & deposited in the policy holders protection fund. The surcharge will be at 0.2% for life & 0.4 for general insurance.

## **What is Policy Holder’s Protection Fund?**

This is the fund created with the intention the policy holders / insured from any issues, problems & unethical activities by insurers. The funds are collected from the cess tax & it will be reinvested in government securities.

## **What is Insurance Association of Sri Lanka?**

This is the association consisting all insurers registered at the insurance regulatory commission of Sri Lanka. This is an approved association by the insurance regulatory commission of SL.

# Insurance

---

## **What is Sri Lanka Insurance Brokers Association?**

This is the association consisting all brokers registered at the insurance regulatory commission of Sri Lanka. This is an approved association by the insurance regulatory commission of SL.

## **What is Sri Lanka Insurance Institute?**

This is a non-profit institution set up in 1982 with the intention of developing the skills & knowledge of persons who wish to pursue a career in insurance or engage in insurance. This is affiliated to the chartered institute of insurers in London.

## **What are the benefits of Insurance policies?**

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

## **What are the disadvantages of insurance policies?**

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

# Insurance

---

**What are the factors considered by the insurer when deciding the premium of a life insurance policy?**

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

**What are the reasons for the speedy expansion in the insurance industry in Sri Lanka?**

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

**Most insurers are from the private sector. What are its advantages to the insured?**

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

# Insurance

---

**What are the criticisms against the insurance industry in Sri Lanka?**

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

**What are your suggestions towards improving the insurance industry in Sri Lanka?**

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

**What are the factors considered by you when getting an insurance policy?**

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

# Insurance

## Why many people don't prefer getting insurance policies?

.....

.....

.....

.....

.....

.....

.....

.....

UWS UNIVERSITY OF THE WEST OF SCOTLAND

Imperial College  
OF BUSINESS STUDIES  
THE LEARNING EXPERIENCE OF A LIFETIME

**WE LEAD  
MANY FOLLOW!**

THE ONLY  
**DEGREE**  
THAT PROVIDE

**13 EXAMS EXEMPTIONS**

**BA(HONS) INTERNATIONAL  
BUSINESS & FINANCE**

**03 YEARS 480 CREDITS**  
PART TIME | FULL TIME CLASSES

OTHER QUALIFICATIONS

CIMA Registered Tuition Provider  
ifa Institute of Accountants  
CIPFA The Chartered Institute of Public Finance & Accountancy  
CPA  
CMI  
aat  
ICAEW CHARTERED ACCOUNTANTS  
AIA  
IPA INSTITUTE OF PUBLIC ACCOUNTANTS  
CMA

Head Office - Colombo  
No 320, 1/1, Galle Road,  
Colombo 3, Sri Lanka  
+ (94) 114 515 253  
+ (94) 773 918 777

www.icbgroup.com

Branch - Kandy  
No 15, George E De Silva  
Mawatha Kandy  
+ (94) 814 950 950  
+ (94) 773 919 777

# Insurance

---

## Questions – Past Papers

Year	MCQ's	Other Questions
2000		
2001		
2002		
2003		
2004		
2005		
2006		
2007		
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
Total		

Note – This is simply a Revision tutorial with suggested questions for the students of Mind-ventures Educational Services only & not allowed unauthorized referencing, extractions, usage etc by external parties. Mind-ventures believe in ethical teaching practices at all times.

Dilon Anthonys