Chapter 6 – Class Exam

Name:____________   **Score:___/50**

Answer all questions

Suggested Exam Length: 30 minutes

Student Input (Pre-exam)

How confident are you about this exam?

What topic am I worried about before I look at the exam? Why?

What strategies did you use to study for this exam? What was the best one?

Which activities in class did you most enjoy for this topic?

Student Reflection (Post-exam)

How happy were you with your result?

What were the hardest questions? Why?

Is there any exam technique I should change/use again for my next exam?

What topics should I look over again?

Q1 Insurance helps people manage risk.

(a) Explain the term **insurance premium**.

(b) Outline two reasons why people take out insurance.

1.
2.

Q2 Tick whether each risk **can** or **cannot** be insured against.

Risk	Can be insured	Cannot be insured
A house being damaged by a storm		
A person deliberately damaging their own car		
A laptop being stolen from a house		
Becoming ill while on holiday		

Q3 Diarmuid is renewing his motor insurance. His base premium is €800. He has penalty points on his licence, so the insurer applies a 25% loading.

Calculate the premium after the loading. Show your workings.

Step	Workings	Answers
Base premium	No workings	€800
Loading		
Premium after loading		

Q4 Aoife has built up a no claims bonus.

(a) Explain the term **no claims bonus**.

(b) Aoife's premium before any discount is €1,200. She has a no claims bonus of 30%. Calculate the premium Aoife will pay. Show your workings.

Workings	Premium
	€

Q5 Look at the following advertisement for an insurance company.

Coastal Insurance Ltd, Eyre Square, Galway.
Buildings €2 per €1,000
Burglar alarm installed - 10% discount

(a) The Byrne family insure their house for €250,000 and have no burglar alarm. Calculate the cost of their premium. Show your workings.

Cost of Insurance	Workings
€	

(b) Calculate how much the Byrnes could save if they installed a burglar alarm. Show your workings.

Saving	Workings
€	

(c) Besides installing an alarm, outline one other way the Byrne family could reduce the cost of their house insurance premium in the future.

Q6 Liam has fully comprehensive motor insurance with a policy excess of €350. He has an accident causing €1,800 of damage to his car.

(a) Explain the term **policy excess**.

(b) Calculate how much compensation Liam will receive. Show your workings.

Workings	Answer
	€

(c) Describe one impact making this claim will have on Liam's premium next year.

Q7 Saoirse's camera is worth €12,000 but it is insured for only €8,000. It is damaged and she makes a claim for €3,000 of repairs. Calculate the compensation she will receive. Show your workings.

Workings	Compensation
	€

Q8 Name the principle of insurance each example relates to.

Utmost Good Faith   Insurable Interest   Indemnity   Contribution   Subrogation

Example	Principle
1. Cian does not mention a previous flood when filling out his house insurance form.	
2. A shop owner insures the same stock with two insurers, who each pay half of a claim.	
3. Una tries to insure her neighbour's car, but cannot as she has no financial interest in it.	
4. After a fire, the insurer pays the current value of a five-year-old laptop, not the price of a new one.	

Total marks = 50 marks

Dock 1m for any missing € sign throughout answers for calculations*

Q1 Insurance basics.

MS: 8 marks - (a) 2m; (b) 2 × 3m

(a) An insurance premium is the amount of money a person pays to an insurer to be covered against a risk.
(b) 1. Financial protection - it covers the cost of risks too large to afford alone. 2. Motor insurance is a legal requirement. (Also acceptable: it reduces financial stress.)

Q2 Insurable v uninsurable risk.

MS: 8 marks - 4 × 2m

A house damaged by a storm = Can be insured. Deliberately damaging your own car = Cannot be insured. A laptop being stolen = Can be insured. Becoming ill on holiday = Can be insured.

Q3 Diarmuid's loading.

MS: 5 marks - loading 3m, premium after loading 2m

Loading: €800 × 0.25 = €200. Premium after loading: €800 + €200 = €1,000.

Q4 Aoife's no claims bonus.

MS: 6 marks - (a) 2m; (b) 4m

(a) A no claims bonus is a discount on the premium given to a driver who has not made a claim over a number of years.
(b) €1,200 × 0.30 = €360 discount. €1,200 - €360 = €840.

Q5 Coastal Insurance house premium.

MS: 9 marks - (a) 3m; (b) 3m; (c) 3m (2+1)

(a) €250,000 ÷ €1,000 = 250. 250 × €2 = €500.
(b) €500 × 0.10 = €50 saving.
(c) Shop around using a price comparison website or broker at renewal. (Also acceptable: build a no claims bonus, increase the excess, pay annually, fit security devices.)

Q6 Liam's policy excess.

MS: 7 marks - (a) 2m; (b) 3m; (c) 2m

(a) The policy excess is the amount the insured person must pay first towards a claim before the insurer covers the rest.

(b) €1,800 - €350 = €1,450.
(c) His premium is likely to increase, because he loses some or all of his no claims bonus after a claim and is treated as a higher risk.

Q7 Average clause.

MS: 3 marks - workings + answer

(€8,000 ÷ €12,000) × €3,000 = 0.6667 × €3,000 = €2,000.

Q8 Principles of insurance.

MS: 4 marks - 4 × 1m

1. Utmost Good Faith. 2. Contribution. 3. Insurable Interest. 4. Indemnity.