

FORM 5

CHAPTER 3

Self Test 1

- Road accident, illness, death
- Principle of indemnity. The purpose of practising this principle is to restore the financial position of the policyholder to the pre-loss condition and thus, avoiding the policyholder to gain profit from the insurance purchased.
- The insurance company = ABC company
Policyholder = Encik Shamsuddin
 - Coverage limit = RM1 000 000
 - Annual premium = $12 \times \text{RM}300$
= RM3 600
 - Risk insured = Death, critical illness, total and permanent disability
- Puan Faza can claim for compensation for both her child and her injury.
 - Puan Faza can claim for compensation for both her child and her injury, and the damage to her car.

Self Test 2

- $$\text{Basic premium} = \text{RM}220 + \frac{\text{RM}(86\,000 - 1\,000)}{\text{RM}1\,000} \times \text{RM}20.30$$

$$= \text{RM}1\,945.50$$

$$\text{Gross premium} = (100 - 25)\% \times \text{RM}1\,945.50$$

$$= 0.75 \times \text{RM}1\,945.50$$

$$= \text{RM}1\,459.13$$
- Destination, travelling duration and number of people insured.
 - A longer travelling period increases the probability of loss to the policyholder while abroad.
 - She should buy two individual travel insurances amounting to RM208 because it is cheaper than the family package.
- $$\text{Monthly premium} = \frac{1}{12} \times \frac{\text{RM}150\,000}{\text{RM}1\,000} \times \text{RM}10.49$$

$$= \text{RM}131.13$$
 - Total coverage for critical illness = $40\% \times \text{RM}150\,000$
= RM60 000
Total annual premium for both policies

$$= \left(\frac{150\,000}{1\,000} \times \text{RM}10.49 \right) + \left(\frac{60\,000}{1\,000} \times \text{RM}6.29 \right)$$

$$= \text{RM}1\,950.90$$

Self Test 3

- Claim for compensation can be made.
Total compensation = RM(5 400 - 500)
= RM4 900
 - Claim for compensation cannot be made.

Loss (RM)	Compensation
430	Cannot be claimed
670	Can claim for RM170
820	Can claim for RM320

Total compensation that can be claimed for that year
 = RM(170 + 320)
 = RM490

- $$\text{Compensation} = \text{RM}(60\,000 - 1\,000)$$

$$= \text{RM}59\,000$$
 - $$\text{Total compensation} = \text{RM}(450 - 350) + \text{RM}(560 - 350)$$

$$= \text{RM}310$$
- Co-insurance borne by Puan Yati = RM(4 580 - 800)
= RM3 780

$$\text{Total co-insurance} = \frac{\text{RM}3\,780}{15\%} \times 100\%$$

$$= \text{RM}25\,200$$

$$\text{Total medical cost} = \text{RM}25\,200 + \text{RM}800$$

$$= \text{RM}26\,000$$
- $$\text{Amount of required insurance} = 85\% \times \text{RM}400\,000$$

$$= \text{RM}340\,000$$
 - $$\text{Compensation received} = \text{RM}16\,800 - \text{RM}4\,000$$

$$= \text{RM}12\,800$$
 - $$\text{Compensation received}$$

$$= \frac{\text{RM}250\,000}{\text{RM}340\,000} \times \text{RM}16\,800 - \text{RM}4\,000$$

$$= \text{RM}12\,352.94 - \text{RM}4\,000$$

$$= \text{RM}8\,352.94$$

$$\text{Co-insurance penalty} = \text{RM}(16\,800 - 12\,352.94)$$

$$= \text{RM}4\,447.06$$

SPM PRACTICE

Paper 1

- C** Principle of indemnity only restores the financial position of the policyholder to the pre-loss condition. It is impossible for the policyholder to gain profit from the insurance policies purchased.
- D** Classroom noise does not affect teachers' vision.
- C** The General Insurance Association of Malaysia (PIAM - *Persatuan Insurans Am Malaysia*)
- C** Life insurance and travel insurance provides coverage against death of policyholder.
- A**
- D**
- B**
- D** Difference between the annual premium of a smoker and a non-smoker

$$= \left(\frac{\text{RM}150\,000}{\text{RM}1\,000} \times \text{RM}13.95 \right) - \left(\frac{\text{RM}150\,000}{\text{RM}1\,000} \times \text{RM}7.76 \right)$$

$$= \text{RM}928.50$$
- B**
- B**
- C** Three siblings go on a vacation for 11 days. Choose family package.
- C** Compensation received = Loss - deductible

$$\text{RM}1\,740 = \text{Loss} - \text{RM}500$$

$$\text{Loss} = \text{RM}(1\,740 + 500)$$

$$= \text{RM}2\,240$$
- B**
- C** Total compensation paid

$$= 90\% \times (\text{RM}120\,000 - \text{RM}2\,000)$$

$$= 0.9 \times \text{RM}118\,000$$

$$= \text{RM}106\,200$$
- C** Basic premium = $75\% \times [\text{RM}220 + \frac{\text{RM}(19\,000 - 1\,000)}{\text{RM}1\,000} \times (\text{RM}20.30)]$

$$= 75\% \times (\text{RM}220 + \text{RM}365.40)$$

$$= \text{RM}439.05$$

$$\text{Gross premium} = (100\% - 25\%) \times \text{RM}439.05$$

$$= \text{RM}329.29$$

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Paper 2

Section A

1 (a) Annual premium = $\frac{\text{RM}150\,000}{\text{RM}1\,000} \times \text{RM}10.49$

$$= \text{RM}1\,573.50$$

$$\text{Monthly premium} = \frac{1}{12} \times \text{RM}1\,573.50$$

$$= \text{RM}131.13$$

(b) Total insured value of critical illness policy

$$= 40\% \times \text{RM}150\,000$$

$$= \text{RM}60\,000$$

$$\text{Annual premium} = \text{RM}377.40$$

$$\frac{\text{RM}60\,000}{\text{RM}1\,000} \times \text{Premium rate} = \text{RM}377.40$$

$$\text{Premium rate} = \text{RM}377.40 \times \frac{\text{RM}1\,000}{\text{RM}60\,000}$$

$$= \text{RM}5.62$$

2 Insurance policy plan M is better for Javin. Overall annual limit of the policy is higher and the compensation for the intensive care unit is as charged. This is very important because the cost of intensive unit care is usually high.

3 (a) Deductible amount, percentage of co-insurance, premium rate, total coverage, scope of coverage, benefits of insurance, terms and conditions of policy (*accept any two*)

(b) Amount of required insurance = $80\% \times \text{RM}560\,000$

$$= \text{RM}448\,000$$

$$\text{Amount of insured} = 60\% \times \text{RM}560\,000$$

$$= \text{RM}336\,000$$

$$\text{Compensation paid} = \frac{\text{RM}336\,000}{\text{RM}448\,000} \times \text{RM}55\,000 - \text{RM}2\,500$$

$$= \text{RM}41\,250 - \text{RM}2\,500$$

$$= \text{RM}38\,750$$

4 Total medical cost borne by Susan

$$= 15\% \times (\text{RM}18\,600 - \text{RM}500) + \text{RM}500$$

$$= \text{RM}2\,715 + \text{RM}500$$

$$= \text{RM}3\,215$$

5 (a) Age, gender, occupation, health condition/record, smoking habit, drinking habit (*accept any two*)

(b) Life insurance, medical and health insurance, personal accident insurance

Section B

6 (a) Comprehensive policy

$$\text{Basic premium} = \text{RM}243.90 + \frac{\text{RM}(140\,000 - 1\,000)}{\text{RM}1\,000} \times$$

$$(\text{RM}20.30)$$

$$= \text{RM}243.90 + \text{RM}2\,821.70$$

$$= \text{RM}3\,065.60$$

$$\text{Gross premium} = 70\% \times \text{RM}3\,065.60$$

$$= \text{RM}2\,145.92$$

(b) Third party, fire and theft policy

$$\text{Gross premium} = 75\% \text{ of the gross premium of comprehensive policy}$$

$$= 75\% \times \text{RM}2\,145.92$$

$$= \text{RM}1\,609$$

(c) Third party policy

$$\text{Basic premium} = \text{RM}85.20$$

$$\text{Gross premium} = 70\% \times \text{RM}85.20$$

$$= \text{RM}59.64$$

7 Amount of required insurance = $80\% \times \text{RM}950\,000$

$$= \text{RM}760\,000$$

(a) Compensation received = $\text{RM}165\,000 - \text{RM}5\,000$

$$= \text{RM}160\,000$$

(b) Compensation received = $\frac{\text{RM}700\,000}{\text{RM}760\,000} \times \text{RM}165\,000 - \text{RM}5\,000$

$$= \text{RM}151\,973.68 - \text{RM}5\,000$$

$$= \text{RM}146\,973.68$$

$$\text{Co-insurance penalty} = \text{RM}165\,000 - \text{RM}151\,973.68$$

$$= \text{RM}13\,026.32$$

$$\text{Percentage of penalty} = \frac{\text{RM}13\,026.32}{\text{RM}165\,000} \times 100\%$$

$$= 7.89\%$$

8 (a) The premium paid is lower.

(b) Medical cost after the deductible = $\text{RM}125\,000 - \text{RM}3\,000$

$$= \text{RM}122\,000$$

$$\text{Medical cost covered by the policy} = \text{RM}100\,000$$

(i) Cost borne by the insurance company

$$= 80\% \times \text{RM}100\,000$$

$$= \text{RM}80\,000$$

(ii) Cost borne by Puan Hasna = $\text{RM}125\,000 - \text{RM}80\,000$

$$= \text{RM}45\,000$$

(c) Amount of compensation paid by the insurance company

$$= 80\% \times (\text{RM}100\,000 - \text{RM}3\,000)$$

$$= \text{RM}77\,600$$

(d) If 90/10 co-insurance, the amount borne by the insurance company

$$= 90\% \times \text{RM}100\,000$$

$$= \text{RM}90\,000$$

$$\text{Total amount borne by Puan Hasna}$$

$$= \text{RM}125\,000 - \text{RM}90\,000$$

$$= \text{RM}35\,000$$

$$\text{Total amount saved} = \text{RM}45\,000 - \text{RM}35\,000$$

$$= \text{RM}10\,000$$

Section C

9 (a) Claim for the damage of the car collided by Magen and the cost of treatment of the injured driver of the car only.

(b) (i) Compensation paid by the insurance company

$$= 75\% \times (\text{RM}13\,300 - \text{RM}300)$$

$$= \text{RM}9\,750$$

(ii) Total amount borne by Magen = $\text{RM}13\,300 - \text{RM}9\,750$

$$= \text{RM}3\,550$$

(c) (i) NCD = 0%

(ii) Basic premium = $\text{RM}339.10 +$

$$\frac{\text{RM}(150\,000 - 1\,000)}{\text{RM}1\,000} (\text{RM}26)$$

$$= \text{RM}339.10 + \text{RM}3\,874$$

$$= \text{RM}4\,213.10$$

$$\text{Gross premium} = \text{RM}4\,213.10 (\text{NCD} = 0\%)$$

(iii) Loss and damage to own vehicle due to accident are covered.

Loss of own vehicle due to accidental fire or theft are covered.

10 (a) (i) Package chosen is individual + family

$$\text{Individual} + \text{Family} = \text{RM}115 + \text{RM}286$$

$$= \text{RM}401$$

(ii) Death, permanent disability, loss of luggage, passport and money, medical expenses (*accept any three*)

(b) Amount of required insurance for each house

$$= 85\% \times \text{RM}800\,000$$

$$= \text{RM}680\,000$$

Compensation to house No 39

$$= \frac{\text{RM}650\,000}{\text{RM}680\,000} \times \text{RM}300\,000 - \text{RM}3\,000$$

$$= \text{RM}286\,764.71 - \text{RM}3\,000$$

$$= \text{RM}283\,764.71$$

$$\begin{aligned} \text{Compensation to house No 41} &= \text{RM}680\,000 - \text{RM}3\,000 \\ &= \text{RM}677\,000 \end{aligned}$$

(i) Amount borne by the insurance company

$$= \text{RM}283\,764.71 + \text{RM}677\,000$$

$$= \text{RM}960\,764.71$$

(ii) Amount borne by Encik Hafiz

$$= (\text{RM}300\,000 + \text{RM}800\,000) - \text{RM}960\,764.71$$

$$= \text{RM}139\,235.29$$

or

Amount borne by Encik Hafiz for house No 39

$$= \text{RM}300\,000 - \text{RM}283\,764.71$$

$$= \text{RM}16\,235.29$$

Amount borne by Encik Hafiz for house No 41

$$= \text{RM}800\,000 - \text{RM}677\,000$$

$$= \text{RM}123\,000$$

Total amount borne by Encik Hafiz

$$= \text{RM}16\,235.29 + \text{RM}123\,000$$

$$= \text{RM}139\,235.29$$