



Exam for Master students:

Place and role of private insurance in the wider landscape of risk management, finance and social protection

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Reminder

We agreed that the actual exam material is:

- Lesson I entirely, including the reading material
- Lesson II, 1 (Lloyd's) and 2 (Insurance Cultures)
- Lesson IV entirely (Risks and Uncertainties)
- Lesson V, 1 Life insurance linked to investment funds

Exam

The exam is an *open book exam* (access to all the course materials that were distributed).

Question 1 must be answered.

In *question 2* you have the *choice between question a* and *question b*. Answer one of them and *only one*.



1. You are now yourself a teacher of insurance law for students from the economics department. These guys are fond of balance sheets and figures!
 - a. Can you explain to them in clear language how insurance undertakings operate (both in the non-life sector and in the life insurance sector),
 - by starting from the concept of technical provisions (unearned premium provision, claims outstanding provision and life insurance provision (also called mathematical provision)),
 - by commenting on their position in the balance sheet,
 - by explaining the difficulties of their valuation?
 - b. With respect to the mathematical provision, clarify the concept of “technical interest rate” and explain which role this concept has played in the transition from the traditional life insurance (with fixed capital) to variable life insurance (linked to investment funds).
 - c. As regards this last type of life insurance: are they still insurance products or simply investment products?

2. Answer one of the following two questions.
 - a. Environmental law developed from a paradigm of responsibility for harm (19th century) to one of prevention (20th century) and to one of anticipation (21st century). Explain the concepts.
 - What is the difference between prevention and precaution?
 - Do you personally think that the principle of precaution has any relevance for the law of civil liability?
 - b. Since the early origins, insurance and insurance contract law have undergone important developments, like its “emancipation”, its “humanization” and the evolution of insured risks from simple to complex and sophisticated risks. Please give comments and illustrations that make clear what is meant by the said three developments.

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THE PLACE AND ROLE OF PRIVATE INSURANCE IN THE WIDER LANDSCAPE OF RISK MANAGEMENT, FINANCE AND SOCIAL PROTECTION (Prof. H. Cousy)

This is an open book exam, in which the questions are closely related to what is described in the course materials. Therefore it makes no sense to repeat what the correct answers should be, since you find them, so to speak, almost literally in the materials (as specified below).

In grading the exams, attention was paid to the following:

- did you answer all the questions, including the sub-questions?
- is your story clear, coherent, well-structured?
- does the answer show that you have understood well and that you have got an insight into the world of insurance?

Question 1

The answer is found in Lesson I, p. 5-7, (Balance sheet of the undertaking), and in Lesson V, Topic I (Life insurance linked to investment funds).

A few points of interest (that did not appear in all exam answers):

- the difference between life insurance (building up of mathematical insurance provision over several years) and non-life insurance (the claims of one insurance period must be paid with the premium income for that period)
- explaining each of the three most important TP (earned premium, claims outstanding, life insurance provision)
- the difficulty of estimating how big the outstanding claims provision must be

Question 2a

See Lesson IV.

The question was answered in a satisfactory way, with the exception of the last sub-question about the law of tort (civil liability). This last issue was not dealt with in the lectures, but a lot is found in the written text.

Question 2b

See Lesson I, pp. 10 and 11.

The basic ideas are: the original distrust and the slow process of considering insurance law as an integral part of modern economic law (and even civil law); insurance contract law as an early form of protective law and the remarkable change from insurer protective to consumer protective law; the growing complexity and sophistication of the insured risks.