

1

4. Column 1 is a list of insurance terms. Column 2 is a list of explanations for these terms.  
(One explanation does not refer to any of these terms.)

Match the two lists by placing the letter of the correct explanation under the relevant number below.

1.	2.	3.	4.	5.

Column 1: Terms	Column 2: Explanations
1. Insurable Interest	A. Applies if item is insured against the same risk with more than one insurance company.
2. Average Clause	B. The insured person cannot make a profit from insurance.
3. Subrogation	C. The insured person must gain from the item's existence and suffer financially from its loss.
4. Contribution	D. Applies if an item is under-insured and there is a partial loss.
5. Indemnity	E. The insured person must declare all material facts about the item being insured.
	F. Once compensation has been paid any legal right to the item recovered passes to the insurer.

2

7. Illustrate the difference between the insurance principles 'Insurable Interest' and 'Indemnity'.

(a) Insurable interest is:

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(b) Indemnity is:

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3. Distinguish between 'Public Liability' and 'Fidelity Guarantee' as types of insurance.

(a) Public Liability Insurance is:

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(b) Fidelity Guarantee Insurance is:

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10. (a) John O'Neill owned a house worth €350,000 and had insured it for €300,000 when a fire caused a partial loss of €63,000. Calculate the amount the insurance company will pay.

**(Show your workings.)**

**Workings**

(b) Name the principle of insurance that applies in (a) above.

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1. **Column 1** is a list of business terms. **Column 2** is a list of possible explanations for these terms. (*One explanation does not refer to any of the terms.*)

Column 1 - Terms	Column 2 - Explanations
1. Arbitration	A. Protection against an event that might happen
2. Agenda	B. A review of an employee's job performance
3. Assurance	C. One enterprise purchases another enterprise
4. Acquisition	D. The referral of a dispute to an independent body for settlement
5. Appraisal	E. The details of business to be transacted at a meeting
	F. Protection against an event that will happen

Match the two lists by placing the letter of the correct explanation under the relevant number below:

1.	2.	3.	4.	5.

7. Distinguish between the insurance principles (i) Utmost good faith and (ii) Indemnity.

(i) \_\_\_\_\_

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(ii) \_\_\_\_\_

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**Managing/Business in Action**

**Question 5**

- (A) Read the information supplied and answer the question which follows.



**Supermac's** is an Irish fast food franchise which was set up in Ballinasloe 40 years ago by Pat McDonagh. In May 2017 **Supermac's** took home the award for "Franchise of the Year" at the Irish Franchise Awards.

**Source: [www.hospitalityireland.com](http://www.hospitalityireland.com)**

Outline the advantages **and** disadvantages for a business in the fast food sector of choosing franchising **as a method of business expansion**. (20 marks)

- (B) Draft a business letter, using today's date, from Phoenix Risk Management Ltd to Ricardo's Burgers Ltd, a fast food retailer. In your letter identify the main types of insurance Ricardo's Burgers Ltd should have **and** outline ways in which it could minimise business risks. Use fictitious names and addresses. (25 marks)
- (C) Discuss the factors a business should consider before changing from a batch to a mass (flow) method of production. (15 marks)
- (60 marks)**

- (A) Read the information supplied and answer the questions which follow.

**PRIVATE MOTOR INSURANCE PROPOSAL FORM  
DECLARATION**

I/We declare to the best of my/our knowledge and belief that the information given on this form is true and complete in every respect.

- (i) Outline the function of an *insurance proposal form*.
- (ii) Explain the principle of insurance, referred to in the extract from the above private motor insurance proposal form.
- (iii) Outline **two** other principles of insurance that apply to insurance contracts. (20 marks)

- (C) Explain what it means to be 'underinsured' **and** outline **one** possible effect of being underinsured on a business. (15 marks)

*Bianua Ltd, a medium size company, operating in the agrifood sector, supplies quality prepared food products in Ireland and in the UK market.*

- (A) Draft a business letter from EXON Insurance PLC to Bianua Ltd, using today's date, identifying the possible business risks and the appropriate types of insurance for Bianua Ltd. Use fictitious names and addresses.

(20 marks)

- (B) (i) Explain the term 'risk management'.
- (ii) Illustrate **three** methods that can be used to reduce risk in a business. (20 marks)

- (A) (i) Differentiate between indemnity and insurable interest. Illustrate your answer.
- (ii) Distinguish between insurance for a household and for a business. (20 marks)

*'Capdata' is a small software writing business located in the south of Ireland and employing four employees. It has the opportunity to grow but has little experience of the day to day reality of running a business. It needs premises, equipment and employees not only with computer technology skills but also with business management and sales skills.*

- (B) Describe what is meant by Risk Management.
- Illustrate a method that 'Capdata' could use to reduce risks to the business. (20 marks)

