



MACHAKOS UNIVERSITY
University Examinations for 2021/2022 Academic Year
SCHOOL OF BUSINESS AND ECONOMICS
DEPARTMENT OF BUSINESS ADMINISTRATION
THIRD YEAR SECOND SEMESTER EXAMINATION FOR
SECOND YEAR SECOND SEMESTER EXAMINATION FOR
BACHELOR OF COMMERCE
BMS101: INTRODUCTION TO INSURANCE

DATE:

TIME:

INSTRUCTIONS: Answer question **ONE** (*Compulsory*) and **any other two** questions

- i. The paper has five questions*
- ii. Question 1 is compulsory 30 marks.*
- iii. Answer any OTHER TWO questions each 20 marks*

QUESTION ONE

- a) Express briefly, your opinion about life insurance in general and give reasons for your opinion. (4 marks)
- b) Distinguish between:
 - i. Policy and Premium (2 marks)
 - ii. Risk and Loss (2 marks)
 - iii. Moral and Morale Hazard (2 marks)
- c) Outline any FIVE major differences between life insurance and annuities. (5 marks)
- d) Organizations use various strategies to protect themselves against risks. Explain the two techniques for risk control. (6 marks)
- e) Explain FIVE circumstances under which the right of contribution arises in relation to the Doctrine of Contribution. (5 marks)
- f) Describe any two risks associated with swaps between two parties. (4 marks)

QUESTION TWO (20 MARKS)

- a) With the help of a suitable example, illustrate the insurance Principle of Contribution and state under which circumstances the right of contribution arises. (10 marks)
- b) Explain with relevant examples, any five reasons for exclusions in an insurance contract. (10 marks)

QUESTION THREE

Analyze the following principles of insurance in relation to a special contract of insurance:

- i) Insurable interest (4 marks)
- ii) Utmost good faith (uberrimae fidei) (4 marks)
- iii) Indemnity (4 marks)
- iv) Subrogation (4 marks)
- v) Proximate cause (causa proxima) (4 marks)

QUESTION FOUR (20 MARKS)

- a) As with almost all insurance contracts, the insured has certain duties in the event of a loss, which if neglected, can nullify coverage under the policy. Explain any FIVE duties imposed on the insured after an accident or loss occurs for an automobile. (10 marks)
- b) Discuss with clear examples, any FIVE types of Crime Insurance an organization may put in place to protect itself. (10 marks)

QUESTION FIVE (20 MARKS)

- a) Outline FOUR disadvantages of personal insurance. (4 marks)
- b) Describe the problem of marketing insurance in Kenya today. (6 marks)
- c) You work at Matrix Insurers and an entrepreneur has approached you for advice on the benefits he would get from purchasing insurance for his new business. Advise him. (10 marks)