



**MACHAKOS UNIVERSITY COLLEGE
SCHOOL OF BUSINESS
Bachelor of Commerce
May –August Semester 2014 Examinations**

**DAY CLASS
BMS 101: INTRODUCTION TO INSURANCE**

DATE: 27TH AUG, 2014

TIME: TWO HOURS

INSTRUCTIONS:

SECTION A: Question ONE –COMPULSORY

SECTION B: Answer any TWO questions

- 1. All questions carry equal marks**
- 2. Write your registration number on all sheets of the answer book used.**
- 3. Use a new page for every question attempted and indicate the question number on the space provided on each page of the answer sheet**

SECTION A–COMPULSORY

QUESTION ONE

- a) Discuss any three classification of pure risks. (6 marks)
- b) Hazard as applied in insurance means a condition that may create or increase the chance of a loss arising from a given peril. Imagine you are an insurance consultant with Amarco insurance company stationed in Machakos town; briefly explain any four types of Hazards that may draw your attention. (10 marks)
- c) Briefly distinguish between life insurance and life assurance. (2 marks)
- d) i) What do you understand by personal risk management. (4 marks)
- ii) Explain the steps involved in personal risk management. (8 marks)

SECTION B: ANSWER ANY TWO QUESTIONS

QUESTION TWO

- a) Miss Yolanda insured her house for Ksh.400, 000. The market value of the house is Ksh.500,000. In the process of squaring out with her enemies a fire broke out and caused Ksh.200, 000 worth of damage.

- i. How much compensation will she receive from her insurer? (4 marks)
- ii. Explain any factors the insurance will take into considerations before making the payment. (4 marks)

b) Uncertainties, risks, hazards, perils and losses surround businesses as well as individuals. As an insurer compare and contrast the economic and social significance of insurance in Kenya. (12 marks)

QUESTION THREE

- a) Describe the process of taking up an insurance policy. (8 marks)
- b) Briefly explain any material facts to be revealed by the insured under the principle of "ubbarimae fidei" in the following types of insurance: (12 marks)
 - i. Personal accident insurance
 - ii. Life insurance
 - iii. Motor insurance
 - iv. Fire insurance

QUESTION FOUR

- a) Discuss any four life assurance underwriting classes in which applicants may be classified. (10 marks)
- b) Explain the following documents as used in insurance. (10 marks)
 - i. Proposal Form
 - ii. Policy
 - iii. Cover Note
 - iv. Certificate of Insurance

QUESTION FIVE

- a) Analyze any four factors that affect auto insurance premiums to be charged to an insured. (12 marks)
- a) Explain the steps involved in making an insurance claim. (8 marks)