



# MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT  
SCIENCES

SECOND YEAR SECOND SEMESTER EXAMINATION FOR BACHELOR OF  
EDUCATION

BMS 101: INTRODUCTION TO INSURANCE

**DATE: 21/12/2016**

**TIME: 11:00 – 1:00 pm**

---

## INSTRUCTIONS:

**Answer question ONE and any other TWO**

### QUESTION ONE (30 MARKS) (COMPULSORY)

- a) Define the following terms as used in insurance (8 marks)
- i) Insurance
  - ii) Risk
  - iii) Hazard
  - iv) Peril
- b) What are the material facts to be revealed by the insured under the principle of “ubbarima fides” in the following types of insurance: (12 marks)
- i) Fire insurance
  - ii) Motor insurance
  - iii) Life insurance
  - iv) Personal accident insurance

Consider the following details contained in an insurance claim of A ltd after a loss

Actual value of property : Ksh.200000

Sum insured : Ksh.150000

Loss assessed : Ksh.100000

What will be the amount payable under the condition of average clause? {6 marks}

- c) Discuss any four roles of an underwriting policy in Kenya. {4 marks}

## **SECTION TWO –answer any two questions**

### **QUESTION TWO**

- a) Describe the process of taking up an insurance policy {8 marks}
- b) Explain any four types of business insurance {12 marks}

### **QUESTION THREE**

- i) Describe any three reasons for business insurance {12 marks}
- ii) Differentiate between the following types of risks
- iii) Pure Risk and Speculative risk {4 marks}
- iv) Dynamic Risks and Subjective Risks {4 marks}

### **QUESTION FOUR**

- a) What do you understand by personal risk management {8 marks}
- b) Explain the steps involved in personal risk management {12 marks}

### **QUESTION FIVE**

- a) Discuss the steps of risk management process of any company of your choice in Kenya {12 marks}
- b) Distinguish between:-
- i. Insurable risk and Non-insurable risk
- ii. Insurance and Assurance
- iii. Broker and Agent {8 marks}