MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

SECOND YEAR FIRST SEMESTER SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF COMMERCE

BMS 101 INTRODUCTION TO INSURANCE

DATE: **TIME**

INSTRUCTIONS:

Answer Question **ONE** and any other **TWO** questions.

QUESTION ONE

a) Using relevant examples, explain
   i) Moral hazard (4 marks)
   ii) Legal hazard (4 marks)

b) Write brief notes on:
   i) Liability risk (3 marks)
   ii) Speculative risk (3 marks)

c) You work as the CEO of Ujuzi Manufacturing. Outline the guidelines you would recommend to your new manager in support of managing risk for the organization. (9 marks)

d) Discuss the principle of Utmost Good Faith (Uberrima fides). (7 marks)

QUESTION TWO

a) Functions of insurance are divided into primary and secondary ones. Explain the secondary functions. (10 marks)

b) Insurance premiums are calculated by predicting future losses of a particular group but without absolute precision. Insurance prediction is therefore based on the law of large numbers. Discuss how The Law of Accuracy and Large Numbers operates. (10 marks)

QUESTION THREE

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)

QUESTION FOUR

a) Describe any two types of Business insurance (4 marks)

b) Discuss with relevant examples, the functions of reinsurance. (16 marks)

QUESTION FIVE

a) Outline four major facts that need to be disclosed under the principle of Uberrimae fidei (4 marks)

b) Differentiate between bond and contract of insurance (16 marks)