MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT SCIENCES

FIRST YEAR SECOND SEMESTER EXAMINATION FOR DEGREE IN

BACHELOR OF FINANCE AND ECONOMICS

BACHELOR OF COMMERCE

BACHELOR OF ECONOMICS

BMS 101: INTRODUCTION TO INSURANCE

DATE: 31/5/2017 **TIME: 2:00 – 4:00 PM**

INSTRUCTIONS:

Answer Question One and Any Other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

a) Describe three reasons why insurance is known as special contracts agreement. (9 marks)

b) Briefly distinguish the following terms as used in insurance. (6 marks)

i) Risk
ii) Hazard
iii) Peril

c) Bearing in mind how insurance mechanism operates, you are required to:

i) Describe the process of taking up an insurance policy. (9 marks)

ii) Calculate amount payable as compensation from the following details contained in a certain insurance cover.

Actual value of property	: Ksh.200000	
Sum insured	: Ksh.150000	
Loss assessed	: Ksh.100000	(6 marks)

SECTION TWO –ANSWER ANY TWO QUESTIONS

QUESTION TWO (20 MARKS)

a) Briefly explain any four types of business insurance in Kenya. (8 marks)

b) Discuss any four economic and social significance of Insurance Industry in Kenya. (12 marks)

QUESTION THREE (20 MARKS)

a) Explain any six characteristics of fire Insurance Contract (12 marks)

b) Explain briefly how hazards in fire risks can be reduced. (8 marks)

QUESTION FOUR (20 MARKS)

a) Discuss five differences between insurance and wagering. (12 marks)

b) Highlight the Nature of Contract of Insurance in order to justify or conquer the similarities between insurance and wagering. (8 marks)

QUESTION FIVE (20 MARKS)

a) State and explain five principles of insurance. (10 marks)

b) Discus a risk management process of any enterprise. (10 marks)