MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)
University Examinations for 2015/2016 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT SCIENCES

SECOND SEMESTER EXAMINATION FOR BACHELOR OF COMMERCE

BMS 101: INTRODUCTION TO INSURANCE

Date: 4/12/2015 **Time: 8:30 – 10:30 AM**

INSTRUCTIONS

Answer Question One and Any Other Two

QUESTION ONE

a) Insurance has been adversely misinterpreted as gambling by the skeptics. While holding this to be false, discuss the differences between insurance and gambling. {8 marks}

b) Mr Makau of Makongeni insurance brokers has been concerned about a rise in moral hazards among its clientele. If you were in his shoes what the material disclosures will you require to be revealed by the insured in motor and life assurance covers? {12 marks}

c) Discuss any four roles of an underwriting policy in Kenya.{10 marks}

SECTION TWO –ANSWER ANY TWO QUESTIONS

QUESTION TWO

a) Describe the process of claiming an insurance compensation {12 marks}

b) From the following details calculate an insurance claim after a loss

Actual value of property : Ksh.300000

Sum insured : Ksh.50000

Loss assessed : Ksh.10000 (8 marks)

QUESTION THREE

a) There has hue and cry over escalating cost of homes in Kenya.Insurance costs have been cited as one reasons for this situation. As a an insurance manager, discuss some of the factors that affect homeowner's insurance premiums. (12 marks)

b) Differentiate between the following types of risks

(i) Fundamental Risk and Particular Risks. (4 marks)

(ii) Personal Risks and Business risks (4 marks)

(iii) Financial & non financial Risks

QUESTION FOUR

a) Explain the following people as used in insurance

(i) Broker

(ii) Agent

(iii) Actuary

(iv) loss adjuster

(v) loss assessor (8 marks)

b) Arriving at a correct premium for various insurance products has been a difficult task. However, there are various terms relating to premium calculation that help in getting the right value of premium..In light of this you are required to explain four terms relating to premium calculation. (12 marks)

QUESTION FIVE

a) Discuss the socio-economic benefits of insurance in Kenya (12 marks)

b) Briefly describe any three costs involved in insurance function. (8 marks)