



**MACHAKOS UNIVERSITY COLLEGE**

**SCHOOL OF BUSINESS**

**Bachelor of Commerce**

**May –August Semester 2014 Examinations**

**EVENING CLASS**

**BMS 101: INTRODUCTION TO INSURANCE**

**DATE: 27/8/2014**

**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**

Explain any four physical hazards that may lead to the following perils:

- i. the peril of collision between vehicles in dry seasons
  - ii. the peril of collision between vehicles in wet seasons. (8 marks)
- b) Explain clearly the following principles of insurance. (12 marks)
  - (i) Principles of indemnity
  - (ii) Subrogation
  - (iii) Contribution
  - (iv) Insurable interest

c) Distinguish between

- i) Insurance and assurance
- ii) Insurable and non insurable interest

i) Loss Assessor and loss adjuster

(8 marks)

## **SECTION B: ANSWER ANY TWO QUESTIONS**

### **QUESTION TWO**

i) Explain the following types of insurance

- a) Theft Insurance
- b) Fire Insurance
- c) Consequential Loss

ii) What are the material facts to be revealed by the insured under the principle of "ubbarimae fidei" in the following types of insurance: (8 marks)

- a) Motor insurance
- b) Life insurance
- c) Personal accident insurance

### **QUESTION THREE**

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

Actual value of property :K sh.200000

Sum insured : Ksh.150000

Loss assessed : Ksh.100000

What will be the amount payable under the condition of average clause?

(3 marks)

b) Describe the process of taking up an insurance policy.

(4 marks)

### **QUESTION FOUR**

a) Describe the following terms as used in insurance

(4 marks)

- i. Insurance
- ii. Risk
- iii. Hazard

iv. Peril

b) Discuss any three reasons for business insurance. (6 marks)

c) In what situations may an insured experience the following:-

i. Days of Grace

ii. No Claims

iii. Bonus Loading

iv. Discount

(10 marks)

### QUESTION FIVE

a) Explain the following documents as used in insurance. (10 marks)

i) Proposal Form

ii) Policy

iii) Cover Note

iv) Certificate of Insurance

a) *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)

GOOD LUCK