



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
 - a. { 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