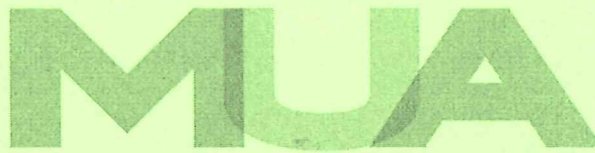


The
Management
University
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

INS 312 : INSURANCE PRINCIPLES AND PRACTICE

DATE: 7TH AUGUST 2024

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

ACQUISITION OF INSURANCE: COST-BENEFIT ANALYSIS FOR BAHATI

Bahati is in his late twenties and very energetic as compared to his age-mates. He has been all through his life just been hearing about diseases, accidents and other catastrophes befalling other people but has never imagined himself being caught up in such predicaments. Being a bachelor, he doesn't really see the need to have medical and life insurance.

Bahati got a new management job which entitles him to many benefits, medical insurance and life insurance being among them. Bahati, in his negotiations with the new employer tried in vain to convince the human resource manager to grant him huge cash remuneration instead of the non-cash employment benefits such as insurance. The human resource manager cited the organization's policy as well as governmental regulations which require employees to be insured.

It seems very unfair for young, healthy and energetic Bahati that he should earn salary and other monetary compensation equivalent to his peers yet he doesn't use his medical insurance cover like others. Trying to show him the necessity of pooling of risks and operations of insurance principles has just been mere boredom and fatigue.

Required:

- a) Examine seven societal benefits of having an insurance cover that should be convincing to Bahati. **(7 Marks)**
- b) Assess four features of insurable risks that insured parties like Bahati should be conversant with. **(8 Marks)**
- c) Demonstrate to Bahati five principles upon which insurance contracts are based. **(10 Marks)**

QUESTION TWO

- a) Demonstrate four risk handling techniques employed by companies highlighting circumstances under which each technique is applicable. (8 Marks)
- b) Assess seven functions performed by the Insurance Regulatory Authority (IRA) in Kenya. (7 marks)

QUESTION THREE

- a) Differentiate the following sets of reinsurance terms:
- i) Treaty arrangement and Facultative arrangement. (4 Marks)
 - ii) Proportional reinsurance and Non-proportional reinsurance. (4 Marks)
- b) Present seven disadvantages of self-insurance (7 Marks)

QUESTION FOUR

- a) Distinguish the following kinds of conditions contained in policy documents:
- i) Conditions precedent to the contract (2 Marks)
 - ii) Conditions subsequent to the contract (2 Marks)
 - iii) Conditions precedent to liability (2 Marks)
- b) Compose six kinds of contents that proposal forms should incorporate. (9 Marks)

QUESTION FIVE

- a) Describe six advantages of social insurance from the perspective of employers. (6 marks)
- b) Analyse four reasons for self-regulation in insurance industry. (4 Marks)
- c) Evaluate five kinds of challenges that affect the insurance industry in Kenya. (5 Marks)

QUESTION SIX

a) Examine three claim procedures that are typical of virtually all claims, using examples. **(9 Marks)**

b) Describe six procedural steps that should be undertaken by an insured whose vehicle has been involved in an accident prior to lodging an insurance claim.

(6 Marks)