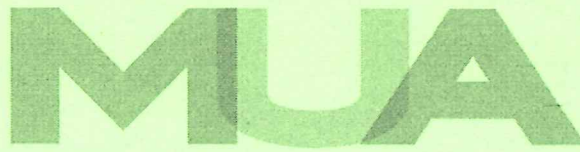


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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

INS 321: INSURANCE PRODUCTS AND REINSURANCE

DATE: 2<sup>ND</sup> 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:

### KENYA REINSURANCE CORPORATION LTD

The Kenya Reinsurance Corporation Ltd. (Kenya Re) was established under the State Reinsurance Corporation Act of the Laws of Kenya Chapter 485. The Corporation's function is to undertake and transact in any manner reinsurance and insurance business in and out of Kenya. The establishment of Kenya Reinsurance Corporation was necessitated by the Government to address the unsatisfactory conditions that were in the local insurance sector. Some of the objectives the corporation was to pursue were to increase retention capacity within the country so as to reduce the need to purchase reinsurance covers from external reinsurers and to help in regulating the insurance sector, a function which is now performed by the office of the Insurance Regulatory Authority, which was established under the Insurance (Amendment) Act of December 2006. The act became effective on May 1 2007. The Corporation commenced underwriting business on 1<sup>st</sup> January 1971 initially with fire risk. Thereafter in the year 1972 it started underwriting accident Class of business covering the Whole range of risks.

Initially Kenya Re was a monopolistic company, receiving compulsory cessions from all the ceding companies in Kenya. Currently Kenya Re is a public company with the public owning 40% and the government being a majority shareholding of 60%. Kenya Re is listed in the stock exchange. Kenya Re provides various reinsurance and financial services to insurance companies in Kenya, rest of Africa, the Middle East, and Asia. The Corporation reinsures all classes of insurance business including accident, engineering, liability, motor, fire, aviation and life. The business written is of a short-tail nature. The risk under any one insurance contract arises from the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim.

**Required:**

- a) Define the term cession as used in the above case study (1 Mark)
- b) Discuss six benefits of reinsurance (12 Marks)
- c) Evaluate four applications of re-insurance in your country (12 Marks)

**QUESTION TWO**

- a) Analyze the four policies available under marine insurance (8 Marks)
- b) Omwenga has 10,000 units of houses in Kayole Nairobi which he wants to insure. His expectation of loss through fire during the year is Kshs. 75,000,000/-. The industry expenses ratio experience is 30%. It is expected that a profit margin of 15% of net premium is to be realized. Compute
  - i) Pure premium (3 Marks)
  - ii) Gross Premium (4 Marks)

**QUESTION THREE**

- a) Define the term facultative reinsurance. (3 Marks)
- b) Discuss any six demerits of Facultative Reinsurance (12 Marks)

**QUESTION FOUR**

- a) With help of appropriate examples, differentiate between Friendly and Unfriendly Fire as used in fire insurance (6 Marks)
- b) Problems would be caused if there were any gaps or overlaps in reinsurance protection. Discuss the three bases of reinsurance covers. (9 Marks)

**QUESTION FIVE**

- a) With the help of examples, explain the following risks involved in life insurance.
- i) Premature Death. **(2 Marks)**
  - ii) Superannuation **(3 Marks)**
- b) Analyze four functions of the Insurance Regulatory Authority in Kenya **(10 Marks)**

**QUESTION SIX**

- a) Discuss three policies available for motor insurance in your country **(6 Marks)**
- b) Evaluate three factors to consider in selecting a health plan **(9 Marks)**