



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS & ECONOMICS

**UNIVERSITY EXAMINATION FOR THE DEGREE BACHELOR OF LOGISTICS AND
SUPPLY CHAIN MANAGEMENT**

2ND YEAR 2ND SEMESTER 2022/2023 ACADEMIC YEAR

MAIN /NAIROBI CAMPUS

COURSE CODE: BAB 9202

COURSE TITLE: INSURANCE THEORY & PRACTICE

DATE: 20/12/2022

EXAM SESSION: 9.00-11.00AM

TIME: 2 HOURS

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INSTRUCTIONS:

- i. **Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- ii. **Candidates are advised not to write on the question paper.**
- iii. **Candidates must hand in their answer booklets to the invigilator while in the examination room.**

Question One (Compulsory)

- a) By use of appropriate examples, differentiate “pure risk” from “speculative risk” (6 marks)
- b) Bring out the difference between “peril” and “hazard” as used in insurance (4 marks)
- c) For risk to be insurable, it must depict certain characteristics, describe three of them (6 marks)
- d) Explicitly explain **four** benefits and **two** social costs of Insurance to society? (6 marks)
- e) What is the connection between the proposal form and policy document with regard to claims and disputes in insurance contracts?
(8 marks)

Question Two

- a) With concrete examples, outline the basic characteristics of Insurance. (10 marks)
- b) “Insurance is nothing but a gamble because in both cases, there is uncertainty and payment is made on the happening of the event”. React to this statement clearly bringing out the difference between Insurance and Gambling (wagering).
(10 marks)

Question Three

- a) Insurance contracts conform to the legal requirements under the Common law. Illustrate six requirements of a Valid Contract of Insurance. (6 marks)
- b) By use of appropriate examples, explain the principle of Utmost Good Faith (6 marks)
- c) What are the various methods of handling risk available to a business enterprise? (8 marks)

Question Four

- a) Explain the principle of Indemnity as applied in Insurance contracts ,clearly showing the connection with Subrogation rights by use of relevant examples (10 marks)

b) Insurance contracts are based on the law of contracts. In the light of this statement, explain the essential elements of a valid insurance contract. (10 marks)

Question Five

a) To what extent are reinsurance companies a useful component within the Kenyan insurance market? (10 marks)

b) By use of appropriate examples describe *Subrogation* and *Contribution* and show how they are corollary to the principle of *Indemnity* (10 marks)