



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
YEAR 4 SEMESTER 1 2016/2017 ACADEMIC YEAR
KISHI CAMPUS-PART TIME**

COURSE CODE: ABA 407:

COURSE TITLE: INSURANCE THEORY AND PRACTICE

EXAM VENUE: LR 17

STREAM: (BBA)

DATE: 22/12/16

EXAM SESSION: 2.00 – 4.00 PM

TIME: 2 HOURS

Instructions:

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

QUESTION ONE (30 Marks)

- a). Briefly explain the meaning of the following concept in insurance
- i) Stock insurance claims (3marks)
 - ii) Consequential loss insurance claims (3 Marks)
 - iii) Average clause (3marks)
- b). In insurance the term indemnity is defined as the financial compensation sufficient to place the insured in the same financial position after a loss as he enjoyed immediately before the loss occurred. Explain various ways in which the insurers provide indemnity based on the choice of the insurer (7marks)
- c) Insurance has many functions and benefits, some of them we may describe them as primary and others regarded as ancillary. Critically explain. (4 marks)
- d) Discuss the difference between speculative risk and pure risk (4marks)
- e) Explain the three types of perils related to a claim under an insurance policy (6 marks)

QUESTION TWO (20 Marks)

- i) Discuss the key steps that are followed when executing in the risk management process (12marks)
- ii) Distinguish between health disability insurance and compensation insurance (8marks)

QUESTION THREE (20 Marks)

- a) Financial institutions prefer crime insurance than regular property insurance. Discuss this statement using relevant examples. (10marks)
- b) Explain the term Life Assurance (5marks)
- c) Discuss the importance Workers Compensation Insurance (5marks)

QUESTION FOUR (20 Marks)

- a) Risk management is a management tool for handling events that might adversely impact the business. Discuss. (10 marks)
- b) There are two corollaries to the principle of indemnity which include subrogation and contribution. Clearly discuss ways in which subrogation can arise. between (6marks)
- c) Explain the concept insurance loss exposures (4marks)

QUESTION FIVE (20 Marks)

- i) Discuss the essentials of risk management (5marks)
- ii) Explain briefly the Principles of Insurance Contracts (10 marks)
- iii) Discuss the importance of Reinsurance among business organizations (5marks)