



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
4TH YEAR 1ST SEMESTER 2013/2014 ACADEMIC YEAR
BUSIA LC

COURSE CODE: ABA 407

COURSE TITLE: INSURANCE THEORY & PRACTICE

EXAM VENUE:

STREAM : (BBA-ACCOUNTING OPTION)

DATE:

EXAM SESSION:

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

- a) Joseph would wish to take an insurance cover for his business. Explain to him any five features of a valid insurance contract **(10 marks)**
- b) Briefly explain the economic and social significance of insurance in Kenya. **(10 marks)**
- c) Risk management is a unique discipline with unique problems and challenges that are not normally experienced in the normal sphere of management. Discuss FIVE of such unique risk management problems facing practicing risk managers today. **[10 Marks]**

Question Two

- a) Whilst the general policy format of marine insurance policy has remained the same over the ages several policy types have been used in effecting marine insurance. Discuss the various types of policies used in marine insurance today. **[10 Marks]**
- b) Using relevant examples, explain the meaning and importance of the following principles applicable in insurance contract **(10 marks)**
- i. Indemnity
 - ii. Insurable interest
 - iii. Proximity cause
 - iv. Subrogation

Question Three

- a) Discuss the historical development of insurance from as early as 3000 BC to around 1946 highlighting significant milestones along the way. **[12 Marks]**
- b) Discuss how an insurance mechanism works, pointing out the relationship between the law of large numbers and risk pools. **[8 Marks]**

Question Four

- a) Define the following terms as used in insurance practice. **(10marks)**
- i. Risk
 - ii. Uncertainty
 - iii. Hazard
 - iv. Peri
- b) Explain at least FIVE types of Insurance. **(10marks)**

Question Five

- a) Identify and explain FIVE principal methods organizations can use to reduce risks in these modern times. **[10 Marks]**
- b) Insurance companies normally are not willing to accept all the risks that other people may wish to transfer to them. The risk that they accept must be within certain parameters. Identify and explain FIVE of such parameters or characteristics **[10 Marks]**