



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS**  
**ADMINISTRATION WITH IT**  
**4<sup>TH</sup> YEAR 1<sup>ST</sup> & 2<sup>ND</sup> SEMESTER 2019/2020 ACADEMIC YEAR**

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**COURSE CODE: ABA 407**

**COURSE TITLE: INSURANCE THEORY & PRACTICE**

**EXAM VENUE:**

**STREAM: (BBA FINANCE)**

**DATE:**

**EXAM SESSION:**

**TIME: 2 HOURS**

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**Instructions:**

- 1. Answer questions ONE 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

Insurance maybe defined as the process of collecting money into a “Pool” out of which the contributions, whoever suffers losses resulting from risks against which they want to protect themselves, are refunded so as to bring them back to the financial position they were before the loss occurred.

- a) Critique this statement in view of some losses known to you to have occurred. (8marks)
- b) How do you minimize risk of loss through accidents? (9marks)
- c) Why do most people find it difficult to insure themselves? (8marks)
- d) Explain the functions of Re-insurance companies. (5marks)

**TOTAL 30 MARKS**

### QUESTION TWO

- a) Explain the following principles as used and applied in insurance
  - i) Indemnity (3marks)
  - ii) Insurable risks (3marks)
  - iii) Insurable interest (3marks)
  - v) Subrogation (3marks)
- b) Distinguish with relevant examples between insurance and assurance. (8marks)

**TOTAL 20 MARKS**

### QUESTION THREE

- a) Describe the essential features of a valid insurance contract. (8 marks)
- b) The concept of insurance is based on the following the terms, explain how they relate to insurance:-
  - i) Risks (3marks)
  - ii) Perils (3marks)
  - iii) Hazards (3marks)
  - iv) Probabilities (3marks)

**TOTAL 20 MARKS**

### QUESTION FOUR

- a) Discuss in detail the Insurance regulatory authority framework for operating insurance business in Kenya(10 marks)
- (b) “One overriding factor in insurance is that the insured shall only be indemnified but shall not be more than indemnified “Discuss this statement (10 marks)

**TOTAL 20 MARKS**

### QUESTION FIVE

- a) Explain the application and the use of the following state insurance plans.
  - i) NSSF (National Social Security Fund) (4marks)
  - ii) NHIF (National Hospital Insurance Fund) (4marks)

b) Write brief notes on any four of the following

i) Subrogation

(3 marks)

ii) Termination of Insurance Cover

(3 marks)

iii) Reinstatement (3 marks)

iv) Islamic Insurance

(3 marks)

**TOTAL 20 MARKS**