



**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> SEMESTER 2018/2019 ACADEMIC YEAR**  
**MAIN CAMPUS**

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**COURSE CODE: ABA 407**

**COURSE TITLE: INSURANCE THEORY & PRACTICE**

**EXAM VENUE:**

**DATE: DECEMBER, 2018**

**EXAM SESSION:**

**TIME: 2 HOURS**

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**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 (Compulsory)

- a) Differentiate between “pure risk” and “speculative risk” **(3 marks)**
- b) In February 2017, Mr. Malingumu insured his house against fire with X, Y and Z insurance companies for Kshs. 100,000/=, 200,000/= and 300,000/=, respectively for the same house. During the currency of these policies, he suffered a loss of Kshs 150,000/= as a result of fire. How would the claim be settled by the three companies in the light of the principle of contribution? **(3 marks)**
- c) Bring out the difference between “peril” and “hazard” as used in insurance, clearly explaining the various forms of hazard. **(4 marks)**
- d) What are the basic requirements of an insurable risk? **(5 marks)**
- e) Explicitly explain **five** benefits and briefly highlight the social costs of Insurance to society? **(7 marks)**
- f) What is the connection between the proposal form and policy document with regard to claims and disputes in insurance contracts? **(4 marks)**
- g) To what extent are reinsurance companies a useful component within the Kenyan insurance market? **(4 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) By use of appropriate examples, explain the following basic principles of insurance:
- i) Utmost Good Faith (*uberrima fides*) **(5 marks)**
  - ii) Insurable Interest **(5 marks)**
  - iii) Proximate Cause **(4 marks)**
- b) What are the various methods of handling risk? **(6 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) Distinguish clearly between *Liability insurance* and *Property Insurance* **(12 marks)**
- b) Illustrate any two types of Life Assurance covers **(8 marks)**

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