



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**FOURTH YEAR SECOND SEMESTER EXAMINATIONS FOR THE
DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH
INFORMATION TECHNOLOGY**

CITY CAMPUS—EVENING

ABA 407: INSURANCE THEORY AND PRACTICE

Date: 18th July, 2017

Time: 5.30 - 8.30 pm

INSTRUCTIONS:

- Answer question ONE and any other TWO questions
- Question one carries 30 marks and the rest 20 marks each.
- Do not write on a question paper.



SECTION A

Q1(a) Explain the meaning of Insurance (2 marks)

(b) Discuss the contribution of Insurance to business and individuals in Kenya (16 marks)

(c) Mr. Masumbuko insured his vehicle with two (2) insurance companies. Insurer A covered Kshs. 450,000 and Insurer B covered Kshs. 350,000. After six months Mr. Masumbuko's vehicle was involved in an accident and the loss was estimated to be Kshs. 250,000. Insurer A paid a total loss of Kshs. 250,000 to Mr. Masumbuko as part of indemnity.

Required

Calculate:

(i) Total sum insured (2 marks)

(ii) The amount Insurer A is required to recover from Insurer B (4 marks)

(d) "The insurance (motor vehicle third party risks) Act was enacted to deal with cases where a person insured cannot be compensated because a motorist cannot pay compensation"

By citing relevant examples, state two acts of parliament that govern motor vehicle insurance in Kenya. (6 marks)

SECTION B

Q2(a) Differentiate between a broker and an agent in the Insurance Industry (8 marks)

(b) Explain the following terms as they are applied in insurance contract/business:

(i) Loss adjuster (3 marks)

(ii) Underwriter (3 marks)

(iii) Assurance (3 marks)

(iv) Premium (3 marks)

- Q3. "The process of insurance has been evolved to safeguard the interest of people from uncertainty by providing certainty at a given contingency and because of that insurance principle comes to be more and more used and useful in modern affairs" critically describe the basis/fundamentals of insurance contract in Kenya (20 marks)
- Q4(a) Discuss the problems that are facing Kenyan insurers in their effort to achieve double digit growth (12 marks)
- (b) Critically explain occupational hazard factors that influence the assessment of risk in life assurance (8 marks)
- Q5(a) Discuss the following life assurance products that are offered by insurance companies:
- (i) Pure endowment policy (6 marks)
- (ii) Whole life policy (6 marks)
- (b) Critically describe the exclusions and inclusions of public liability insurance that is offered by Kenya Insurers (8 marks)