



KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF
COMMERCE

BMS 101: INTRODUCTION TO INSURANCE

DATE: WEDNESDAY 22ND NOVEMBER 2107 TIME: 4.30 P.M. – 6.30 P.M.

INSTRUCTIONS

- Attempt question One (Compulsory) and any other TWO
- Start each question on a new page
- Marks are awarded for proper explanation and use of appropriate examples

Question One

- a) Risk represents a change to the negative. This condition forces the concerned parties to make efforts to counter any eventuality arising from the same.

Required

- i) The government of Kenya has set out a task force to explore the need for insurance industry regulation but some of the stakeholders in the industry have reservations on its relevance in the free economy. Advice. (10 marks)
- ii) Insurance is as very important service in the modern economic life. Briefly discuss the requisites of insurability (7 marks)
- b) Clearly illustrate the need and purpose of the following practices in the risk management process.
- i) Risk identification (5 marks)
- ii) Risk analysis (5 marks)
- ii) Risk control (4 marks)
- (Total 30 marks)

Question Two

- a) Discuss the characteristics of elementary insurable risks. (7 marks)
 - b) Explain the functions of insurance (6 marks)
 - c) Discuss the benefits of insurance to the society (7 marks)
- (Total 20 marks)

Question Three

- a) Insurance underwriting is a critical element for the success of any insurance business.
In the light of above, discuss the following:-
 - i) Objective of underwriting (3 marks)
 - ii) The underwriting process steps (7 marks)
 - b) Explain the nature of insurance and how it works (5 marks)
 - c) Explain the organization of insurance markets (5 marks)
- (Total 20 marks)

Question Four

- a) Discuss in details how the principle of indemnity applies in the practice of insurance including the methods of providing indemnity (10 marks)
 - b) Insurance penetration in Kenya is one of the lowest. As an expert discuss what might have contributed to this poor state. (10 marks)
- (Total 20 marks)