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**University Examinations 2015/2016**

SECOND YEAR FIRST SEMESTER EXAMINATION FOR DIPLOMA IN BUSINESS ADMINISTRATION

**BFD 2204: PRINCIPLES OF INSURANCE**

**DATE: NOVEMBER 2015 TIME: 11/2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. Define what is insurable risk and give its characteristics. (10 Marks)
2. Explain in details the burden of risks in the society. (10 Marks)
3. With clear examples, explain the concept of pooling in insurance. (10 Marks)

**QUESTION TWO (20 MARKS)**

Juma owns a motorcycle which he uses as a bodaboda to carry passengers. He has insured it with MM Insurance Company. He decided to fake an accident by smashing the motorcycle on a tree and proceeded to claim for the loss from the Insurance Company. Upon an investigation, the company declined to honour the claim.

1. Explain the possible reasons for the Insurance to decline Juma’s claim in regard to fortuitous loss. (10 Marks)
2. Explain the concept of indemnification in Insurance. (10 Marks)

**QUESTION THREE (20 MARKS)**

1. Explain the basic characteristics of insurance. (10 Marks)
2. Discuss the legal principle of subrogation. (10 Marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss at least four techniques of managing risk. (12 Marks)
2. With clear examples explain difference between diversifiable and non diversifiable risks. (8 Marks)

**QUESTION FIVE (20 MARKS)**

Define briefly explain the following terms commonly used in insurance.

1. Broker. (3 Marks)
2. Agent. (3 Marks)
3. Peril. (3 Marks)
4. Hazards. (8 Marks)
5. Underwriting. (3 Marks)