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**University Examinations 2014/2015**

SECOND YEAR, FIRST SEMESTER EXAMINATION FOR DIPLOMA IN BUSINESS ADMINISTRATION

**BED 2204: PRINCIPLES OF INSURANCE**

**DATE: APRIL 2015 TIME:** $1½ $**HOURS**

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

**QUESTION ONE (30 MARKS)**

1. What is risk? (3 Marks)
2. Explain three components of a risk. (6 Marks)
3. Briefly explain the following classifications of risks; (15 Marks)
4. Financial and non-financial risk
5. Pure and speculative risks
6. Fundamental and particular risks
7. What is an insurance contract. (6 Marks)

**QUESTION TWO (20 MARKS**)

Explain the following concepts in the principle of insurance:

1. Doctrine of indemnity (5 Marks)
2. Doctrine of subrogation (5 Marks)
3. Contract ubbermal fidei (5 Marks)
4. Principle of causa proxima (5 Marks)

**QUESTION THREE (20 MARKS)**

1. Who is an underwriter and what is the role of an underwriter? (10 Marks)
2. Discuss five classes of insurance. (10 Marks)

**QUESTION FOUR (20 MARKS)**

1. (i) What is risk exposure? (4 Marks)

(ii) In management of risk exposures a risk manager has to address all factors of loss exposure. Discuss the factors considered in risk management. (10 Marks)

1. Highlight three documentations in an insurance policy document. (6 Marks)

**QUESTION FIVE (20 MARKS)**

1. The insurance industry in Kenya doesn’t operate in isolation but under government regulation. Discuss the importance of insurance regulation. (10 Marks)
2. Explain the following terms in insurance practice;
3. Physical and moral hazards (4 Marks)
4. Risk must attach (3 Marks)
5. The principle of contribution (3 Marks)