



FACULTY OF BUSINESS MANAGEMENT
END OF SEMESTER EXAMINATIONS - APRIL 2025

PROGRAMME: BBA

YEAR/SEM: YEAR 1/SEMESTER 2

COURSE CODE: FIN 1201

NAME: PRINCIPLES OF INSURANCE

DATE: 2025-04-25

TIME: 9:00AM-12:00PM

INSTRUCTIONS TO CANDIDATES:

1. Read the instructions very carefully
2. The time allowed for this examination is STRICTLY three hours
3. Read each question carefully before you attempt and allocate your time equally between all the Sections
4. Write clearly and legibly. Illegible handwriting cannot be marked
5. Number the questions you have attempted
6. Use of appropriate workplace examples to illustrate your answers will earn you bonus marks
7. Any examination malpractice detected will lead to automatic disqualification.

DO NOT WRITE ANYTHING ON THE QUESTION PAPER

Section A SECTION A IS COMPULSORY

Question 1:

CASE STUDY

Risk and Insurance.

There is no single definition that has been advanced to define the term 'Risk'. There is no way one can separate risk from insurance.

This implies some doubt about the future based on either lack of knowledge or imperfection of knowledge.

Uncertainty exists even when the person exposed to risk does not know of its existence.

Example: In our daily lives, we can use the examples of not knowing when one will die or get involved in an accident; house being broken into and a house catching fire.

Some risks are minor & occur frequently but with minimal impact/severity- shoplifting (high frequency with low severity) to those affected

Some occur rarely but the impact is severe for example plane crashes & marine accidents (low frequency with high severity).

The insurable risks given the negative consequences they present to individual and business lives, there is need to devise ways of handling risks.

Required; a) Explain at least six characteristics of insurable risks

(10 Marks)

b) Explain with Examples the four methods of handling risks.

(10 Marks)

c) Identify the differences between: Fundamentals and Particular risks (10 Marks)

d) Explain the differences between: Pure and Speculative risks

(10 Marks)

Section B ATTEMPT ANY THREE QUESTIONS FROM THIS SECTION

Question 1:

- A. List down the Returns required by IRA and the Purposes (10 Marks)
- B. When does insurable interest exist in life Assurance? (5 Marks)
- C. State three ways in which an agency may be created (5 Marks)

Question 2:

- A. List at least six characteristics of insurable risks (10 Marks)
- B. What is your Understanding of Pure risk and Speculative risk (5 Marks)
- C. What is the difference between Premium and Policy (5 Marks)

Question 3:

- a. What are the three modifications that can be made to the principle of indemnity? (10 Marks)
- b. List and explain at least six characteristics of Insurable risks (10 marks)

Question 4:

- a. What is the meaning of the term contract. (5 Marks)
- b. What are the essentials for the formation of a valid contract? (5 Marks)
- c. What is the definition of subrogation? (5 Marks)
- d. What is indemnity? (5 Marks)

Question 5:

- a. What is the difference between Offer and Acceptance (10 Marks)
- b. Discuss the role of Insurance to the community (10 Marks)

Question 6:

- a. Identify the differences between: Financial and non- financial risks (10 Marks)
- b. What is insurable interest? (5 Marks)
- c. Explain at least 4 roles played by IRA (5 Marks)