INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

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:
TIME:

INSTRUCTIONS TO CANDIDATES:

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)

Question 2:

CASE STUDY

Utmost good faith (uberrima fidei) means that all parties to the contract of insurance must disclose all material information. Material facts pertaining to the risk being proposed must be voluntarily disclosed, must be accurate and full whether asked for or not.
In insurance contract, proven non-disclosure of material facts by the policyholder can make the insurer avoid the contract.
What is material differing from insured to insured. However, some facts are material in almost every kind of insurance. These facts are:
Claims and losses under previous insurance contracts Previous criminal convictions Facts relating to and the descriptions of the subject matter of the insurance.
Some facts need not be disclosed. These facts are:
Facts which lessen the risk Facts of law – everybody is deemed to know the law Facts which an insurer is deemed to know Facts about which the insurer has been put on enquiry.

1. Compare the principle of disclosure under commercial contracts with that of insurance contracts. (10Marks)

2. What do you understand by the doctrine of Utmost good faith as it applies to the contract of insurance? (10Marks)

3. In the contract of insurance, material facts must be disclosed. Mentioned facts that must be disclosed and facts that need not be disclosed. (10Marks)

4. When must material facts be disclosed? (5Marks)

5. When may a contract become frustrated? (5Marks)

SECTION B

ATTEMPT ANY THREE QUESTIONS FROM THIS SECTION

Question 1:

A. What is Insurance? (5 Marks)
B. Under Insurance Market, name and explain briefly the four participants in an insurance market (10 Marks)
C. What is a policy document? (5 Marks)

Question 2:

A. Explain the three main Functions of Insurance? (10Marks)
B. Explain with Examples the Importance of Insurance to an individual (10 Marks)

Question 3:

A. Explain with Examples the Importance of Insurance to the Economy (5 Marks)
B. Explain the difference between Partial loss and Total loss? (5 Marks)
C. Explain with Examples your Understanding of a Third-Party cover and the Comprehensive Cover (10 Marks)

Question 4:

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 5:

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 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)

Question 7:

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

Question 8:

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 9:

a. Acceptance must generally be communicated to the offeror. How can this be done? (10 Marks)
b. What do you understand by the doctrine of Utmost good faith as it applies to the contract of insurance? (10 Marks)

Question 10:

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 11:

a. List four of the features essential to make any contract legally enforceable. (10 Marks)
b. What is contribution right? (10 marks)

Question 12:

1. What is insurable interest? (5 marks)
2. What is the subject matter of the insurance? (5 marks)
3. When does insurable interest exist in Marine insurance? (10 marks)