INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - DECEMBER 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:

Insurance can be defined as an arrangement by which one party (the insurer) promises to pay another party (the insured) a sum of money if something should happen which causes the insured to suffer financial loss. By so doing, the responsibility for paying for such losses is then transferred from the insured to the insurer. In return for accepting the burden of paying for losses when they occur, the insurer charges the insured a price called premium.

The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated. The major players in all the insurance market are:

1. Insurance companies
2. Re-insurance companies
3. Insurance intermediaries
4. Buyers of insurance products.

Explain with Examples the relationships of the above 4 major players in the Insurance Market.

(40 Marks)

Question 2:

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. When does insurable interest exist in life Assurance? (10 Marks)

B. Explain with Examples the Importance of Insurance to the Economy (10 Marks)

Question 2:

A. What is the role of Insurance Regulatory Authority (IRA) of Uganda. (10 Marks)

B. List and explain the Returns required by IRA and the Purposes **(10** Marks)

Question 3:

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

B. What is indemnity? (5 Marks)

C. What is the definition of subrogation? (5 Marks)

Question 4:

A. What is the difference between Premium and Policy (10 Marks)

B. Explain with Examples the insurable interest? (10 Marks)

Question 5:

A. Explain with Examples your Understanding of a Third-Party cover and the Comprehensive Cover (10 Marks)

B. Explain the difference between Partial loss and Total loss? (10 Marks)

Question 6:

A. What are the essentials for the formation of a valid contract? (10 Marks)

B. What is Insurance. (5 Marks)

C. . What is a policy document (5 Marks)

Question 7:

A. Explain with Examples the Importance of Insurance to an individual **(10 Marks)**

B. Acceptance must generally be communicated to the offerer. How can this be done? (10 Marks)

Question 8:

Paul bought a Toyota Spacio to use as a special hire taxi, but informed her insurers it was for private use. The vehicle was subsequently stolen. Can the insurer refuse liability for the theft claim? Give reasons for your answer.

(20 Marks)

Question 9:

A. What are the rights & duties of the agent? (5 Marks)

B. Explain the three main Functions of Insurance? (10 Marks)

C. What types of authority might an agent have? (5 Marks)

Question 10:

A. What is the significance of the insurance Act? (10 Marks)

B. List and explain the four of the features essential to make any contract legally enforceable (10 Marks)

Question 11:

A. Explain the subject matter of the insurance. (10 Marks)

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

Question 12:

A. What is the meaning of the term contract? and how can a contract fail to perform. (10 Marks)

A. B. Explain is the difference between Offer and Acceptance **(10 Marks)**