



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

MAY – JULY 2016 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF MARKETING AND MANAGEMENT

REGULAR PROGRAMME

CMM 212: PRINCIPLES OF INSURANCE

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Date: JULY 2016

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) Discuss the requisites of insurability giving practical examples of each. **(10 marks)**
- b) Clearly explain the THREE classifications of risk giving relevant examples of each. **(10 marks)**
- c) Insurance is premised on the doctrine of Uberrimae Fidei (Utmost Good Faith) Discuss. **(10 marks)**
- Q2. Give your recommended position regarding the following insurance claims. Support your answer with relevant principles of insurance and case law.
- a) Otieno was driving home from work one rainy evening when he was involved in an accident where he suffered minor injuries. While waiting for the ambulance to come he contracted severe pneumonia and he died of the sickness later in hospital. He has a personal accident policy. His family has lodged a claim with insurance company. **(5 marks)**
- b) Johnny bought a Toyota Lexus motor car from a motor vehicle importer while the vehicle was being shipped from Japan to Mombasa. Unfortunately the vessel was attacked by pirates in the Indian Ocean and sunk. Nothing was recovered. Johnny has lodged a claim with the insurance company. **(5 marks)**

c) Toby and Tabby got married in December 2009. They immediately effected life assurance policies o each other’s lives. However due to irreconcilable differences they separated in July 2015. They both continued to remit the insurance premiums for the policies. Recently, Tabby learnt that Toby had a fatal motor accident died. She has made a claim with the insurance company. **(5 marks)**

d) Musa was driving home in the evening along University way when he unfortunately encountered rioters. He suffered serious injuries and was hospitalized in Nairobi Hospital for a week. His car was extensively damaged. He has lodged a claim with his motor insurance company. **(5 marks)**

Q3. a) Briefly discuss the major players in the insurance industry and their roles. **(10 marks)**

b) Discuss the various insurance policies available to business firms and other organizations under liability insurance. **(10 marks)**

Q4. Differentiate between the following terms

a) Policy document and proposal form **(5 marks)**

b) Insurance and reinsurance **(5 marks)**

c) Subrogation and proximate cause **(5 marks)**

d) Pure risks and speculative risks **(5 marks)**

END