



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

P.O. Box 62157
00200 Nairobi - KENYA
Telephone: 891601-6
Fax: 254-20-891084
E-mail: academics@cuea.edu

AUGUST - DECEMBER 2018 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF MARKETING AND MANAGEMENT

REGULAR PROGRAMME

CMM 212: PRINCIPLES OF INSURANCE

Date: DECEMBER 2018

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) Discuss the role of the insurance industry in an economy. **(10 marks)**
- b) Insurance is premised on the doctrine of Utmost Good Faith. Discuss. **(10 marks)**
- c) In case of property insurance, insurable interest arises out of ownership where the owner is the insured but it can arise due to other situations and financial interests which gives a person who is not an owner, insurable interest in the property. Explain how insurable interest arises in the situations listed below.
- i) Mortgagee and Mortgagers **(2 marks)**
 - ii) Husband and Wife **(2 marks)**
 - iii) Bailees **(2 marks)**
 - iv) Trustees **(2 marks)**
 - v) Liability **(2 marks)**

- Q2. Tahidi Technical College is an institution of higher learning located in Karen estate, Nairobi. The administration has recently become concerned with the risks facing the college and has hired you as the Risk Manager.
- a) Explain your role in the institution. **(2 marks)**
 - b) Identify the major risks facing the institution. **(6 marks)**
 - c) Suggest control measures for each of the risks. **(6 marks)**
 - d) Recommend six insurance policies that are required to cover some of the risks facing the college. **(6 marks)**

- Q3. a) Discuss the requisites of insurability. **(14 marks)**
- b) Mr. Omar insured his new car for KSh 1.2 million. Recently he was involved in an accident and suffered a loss of KShs 400,000 from the damage. At the time of loss the loss assessor finds that the actual market value of the car is 2 million. Mr. Omar has made a claim for the loss. Advice on much is he entitled to be compensated in this claim? **(6 marks)**
- Q4. Differentiate between the following terms using relevant examples.
- a) Insured peril and Excluded peril **(4 marks)**
 - b) Premium payment and Claims payment **(4 marks)**
 - c) Marine insurance and Aviation insurance **(4 marks)**
 - d) Moral hazard and Morale hazard **(4 marks)**
 - e) Coinsurance and Reinsurance **(4 marks)**

END