

14.- INSURANCE

The topic entails;

- **Meaning, purposes and principals of insurance.**
- **Discussion of classes of insurance and the basis of the classification**
- **Distinction between Re-insurance and contribution and circumstances under which each may be necessary.**
- **Explain the procedure for obtaining an insurance policy and claiming of compensation.**

1. Kazi moto insured a motor vehicle against fire with MotoMoto company by paying

Kshs.300.000. later the car was destroyed at a garage and a compensation of Kshs. 400,000

were paid. Using insurance terms, state what each of the following stand for ;

- a) Kazi Moto
- b) Fire
- c) Kshs 300,000
- d) Moto Moto Company

2. Give the significance of the following principles to both the insurer and insured

- i) Utmost good faith
- ii) Indemnity.....
- iii) Contribution
- iv) Insurable interest..

3. The following are description of various insurance policies. Identify the name of the policy

described by the statement:

	Description	Policy
1	Covers an organization against losses which might arise as a result of debtors failure to pay their debts	
2	Covers for the loss of profit due to interruption of business activities as a result of fire	

3	Covers employees who may suffer injuries while on official duties	
4	Covers partial or total physical disability caused to a person due to injury	

4. State **four** reasons why few Kenyan take out life assurance policy
5. Define the following types of marine insurance losses:-
 - (a) Total constructive loss
 - (b) General average loss
6. State **four** conditions necessary for the operation of the principle of indemnity in insurance
7. Highlight **four** characteristics of an insurable scheme
8. Outline **four** benefits of the “Pooling of risks” to an insurance company
9. Describe the procedure of acquiring an insurance policy
10. A private warehouse owner insured his warehouse valued at Kshs.400, 000 for Kshs600, 000 against risk of fire. The warehouse was later destroyed completely by fire including goods worth shs 100,000.

Required:

- i) Determine the amount of compensation paid by the insurance company
- ii) Give a reason for your answer in (i) above

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1. Under what circumstances can an insurance company fail to compensate the insured in the

event of occurrence of the insured risk?

2. Describe the procedure for taking up an insurance policy
3. Your father wants to insure his life with British American Insurance Company.
As a Business

Studies student, explain to him **five** benefits of life assurance

4. Explain **five** principles of insurance