CHUKA **UNIVERSITY**

UNIVERSITY EXAMINATIONS

FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 442: LIFE ASSURANCE

STREAMS: BCOM Y4 S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 24/3/2021 **8.30 AM – 10.30 AM**

INSTRUCTIONS:
- Answer question ONE (Compulsory) and any other TWO
- Do not write anything in the question paper.

QUESTION ONE

a) Johnson is a financial advisor with salama Life Assurance Company Ltd, who is based at the company's branch office in Kisumu. During Johnson's routine of prospecting for business, he came across a group of 60 people employed by an NGO engaged in community service around the lake region. Johnson was given an opportunity by the manager of the NGO to do a presentation of the life products to the 60 employees. After the presentation, they were so much excited and were willing to be assured, however, they had some constraints; their salaries were low, they come from the same community. They expressed that they would like to have a kind of policy with fixed death benefits, as well as pay for funeral services. These employees are sure that their earnings will grow very soon.

Required:

Based on the above scenario recommend and explain the most appropriate individual life policy.
[10 Marks]
b) Discuss the concept of 'human life value' and illustrate its relevance in life assurance underwriting. [10 Marks]
c) Demonstrate when it would be necessary to arrange for a key-man employee insurance in an organization. [5 Marks]
d) Illustrate the mathematical concept of endowment life assurance. [5 Marks]

QUESTION TWO

a) Assume you have been employed as an underwriter in a life assurance company and your key responsibility is risk selection. Evaluate the factors you would consider in assessing a life to be assured. [10 Marks]

b) Explain the following forms of whole life policies

(i) Whole limited payment policy. [3 Marks]

(ii) Ordinary life [3 Marks]

(iii) Variable life [4 Marks]

QUESTION THREE

a) The modern life assurance can be traced back to the 'Greek Societies and Roman Collegia', ' the English Friendly Societies' and 'the Guild of the Middle Ages'. Bring to light the aspects of these societies that are applicable in the modern life assurance practice. [10 Marks]

b) The amount of group life insurance benefits for which an employee is eligible is determined by a system which minimizes adverse selection. Explain five basis on which such benefit amounts are determined. [10 Marks]

QUESTION FOUR

a) Using the product life cycle model, show how a life company can maintain and extend the life of her insurance product. [12 Marks]

b) Annuities are called 'upside-down life insurance'. Expound this statement. [8 Marks]

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