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CHUKA



UNIVERSITY

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UNIVERSITY EXAMINATIONS.

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

BCOM 442: LIFE ASSURANCE

STREAMS: BCOM Y4S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 5/12/2018

11.30 A.M - 1.30 P.M

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INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions.
- Do not write anything on the question paper
- Show all your workings

QUESTION ONE

- (a) The roots of modern life insurance are arguably found in the Greek societies and Roman collegia, the English friendly and the guild of the middle ages. Compare the needs served by these organizations and those served by modern life insurers. [6 Marks]
- (b) Mr. Mugendi wants to buy an endowment policy from Maisha Life Assurance Company, where you are working as an underwriter. After discussions, he reveals the following details;
- He is 40 years old
  - Net salary per month as evidenced from the pay slip is **Kshs.55,000**
  - He would required **Kshs.15,000** for his personal maintenance
  - Mugendi would prefer to have a replacement of income to his family until retirement age which is 60 years. Assuming a 5% discount rate, determine how much money Mr. Mugendi will have, to take an endowment policy today, to guarantee his family protection. [6 Marks]
- (c) Explain any five circumstances when it would be necessary to arrange for a key employee insurance in an organization. [10 Marks]

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- (d) Annuities can be referred to as ‘upside down life assurance’. Explain the rationale behind this assertion. [8 Marks]

**QUESTION TWO**

- (a) As an expert in life insurance, discuss on how life insurance can be effectively used in personal financial planning by prudent individuals. [15 Marks]
- (b) Use an hypothetical example to illustrate how term assurance can be comparable to property insurance. [5 Marks]

**QUESTION THREE**

- (a) Using the product life cycle model, demonstrate on how a life company in Kenya can maintain and extend the life cycle of her insurance product. [12 Marks]
- (b) Assume you have been employed by a life company in the underwriting section and assigned a responsibility on risk selection. Explain where you would obtain information from in **respect of a life to be insured**. [8 Marks]

**QUESTION FOUR**

- (a) XYZ Assurance Company Ltd is licensed to write group life insurance business only. The sales manager approaches you for advice on the possible market targets. Explain any five. [10 Marks]
- (b) Explain the following clauses as used in life insurance contracts
- (i) Beneficiary [6 Marks]
  - (ii) Assignment [4 Marks]
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