

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BCOM 442: LIFE ASSURANCE

STREAMS:BCOM Y4S1

TIME: 2 HOURS

DAY/DATE: MONDAY 20/09/2021

2.30 P.M – 4.30 P.M

INSTRUCTIONS

- **Answer question one and any other two questions**
- **Show all your workings**
- **Do not write anything on the question paper**

QUESTION ONE

(a) A group of 40 people who are small income earners approach you to assist them in coming up with the most appropriate life product. As at now they may not afford high levels of premiums, after all they receive their earnings twice a month. They have expressed that they would like to have a kind of policy with fixed death benefits, accident and health benefits, as well as pay for funeral services. They are sure that their income will grow at some stage and perhaps will afford another form of life insurance. Advise.

[6 marks]

(b) Tom is aged 40 years and his retirement age is 65 years. His earnings are ksh 1M per year and he requires ksh 400,000 per year for his upkeep. It is determined that the income available for the family need to be replaced until retirement. If it is assumed that the discount rate is 5% how much money will be required for an endowment policy to sufficiently provide for Tom's family.

[4 marks]

(c) Bring to light the uniqueness of life assurance contracts.

[10 marks]

- (d) Demonstrate the contribution of life assurance towards the well being of the Kenyan society. [10 marks]

QUESTION TWO

- (a) Explain the following life assurance policies offered in the insurance market.
- (i) Whole life policy [5 marks]
 - (ii) Endowment life [5 marks]
- (b) M/S Mapenzi graduated from Elimu University and got employed with fanikwa bank in the credit department. Mapenzi receives very attractive salary from her employer and also does side partnership business with her 2 workmates. She has decided to effect life policies on the following lives;
- (i) Her daughter [2 marks]
 - (ii) Her two parents [2 marks]
 - (iii) Her fiancée [2 marks]
 - (iv) Her own life [2 marks]
 - (v) Her partners [2 marks]

Explain your position on the above decision.

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. [8 marks]
- (b) Assume you have been employed by a life assurance company in the marketing section and assigned a responsibility of designing a non -agency building distribution channel as a strategy to distribute your life products. Explain the four non agency building distribution channels that you could focus on. [8 marks]

- (c) “Life assurance can be likened to property insurance”. Use relevant illustration to demonstrate which form of life assurance is similar to property insurance. [4 marks]

QUESTION FOUR

- (a) Discuss the outstanding features of group life contracts offered in the Kenyan market.

[10

marks]

- (b) Explain the following clauses as used commonly in life assurance contracts.

(i) Beneficiary [4 marks]

(ii) Assignment [4 marks]

(iii) Suicide [2 marks]