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UNIVERSITY EXAMINATIONS 2022/2023

FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR THE DEGREE OF
BACHELOR OF SCIENCE IN ACTUARIAL SCIENCE

SMA 3120: PRINCIPLES OF GENERAL INSURANCE

DATE: APRIL 2023

TIME: 2 HOURS

INSTRUCTIONS: Answer Question ONE and any other TWO questions.

QUESTION ONE (30 MARKS)

- a) Distinguish between premium risk and claim risk (4marks)
- b) Outline six factors that can lead to bad data quality in ratemaking (6marks)
- c) Outline five special exclusions in medical insurance (5marks)
- d) The following information was obtained from Sanlam general insurance, an average loss of Ksh. 1 million per year per 1000 automobiles expense ratio is 40% calculate;
 - i. The pure premium (2marks)
 - ii. Gross rate (2marks)
 - iii. Gross premium (2marks)
- e) State and explain three ways in which underwriter's measure exposure (6marks)
- f) State three basic problems in premium calculation (3marks)

QUESTION TWO (20 MARKS)

- a) State and explain four ways in which an underwriter measure premium for a cover (8marks)
- b) Highlight six ways in which underwriting can be used by an insurer as a risk management technique (12marks)

QUESTION THREE (20 MARKS)

- a) Explain the need to keep reserves by the general insurance companies (8marks)
- b) Outline six factors considered in property insurance underwriting (12marks)

QUESTION FOUR (20 MARKS)

- a) Explain the following basic rate-making in general insurance terms;
 - i. Exposures (2marks)
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- ii. Premium (2marks)
 - iii. Claim (2marks)
 - iv. Loss (2marks)
- b) Eric is senior marine underwriter at Cannon Insurance company, explain any five features he should consider before issuing a marine insurance cover. (12marks)

QUESTION FIVE (20MARKS)

- a) State steps involved in management of risk (6marks)
- b) Explain four methods in which UAP general insurance can use to aggregate their data (8marks)
- c) Explain three types of policies that can be issued to a motor owner (6marks)