



KARATINA UNIVERSITY

UNIVERSITY EXAMINATIONS

2024/2025 ACADEMIC YEAR

**THIRD YEAR FIRST SEMESTER SPECIAL
EXAMINATIONS**

**FOR THE DEGREE OF:
BACHELOR OF SCIENCE(P107)**

COURSE CODE: ACS 313

COURSE TITLE: LIFE INSURANCE

DATE: th DEC, 2024

TIME: AM-PM

Instructions: See Inside

Answer question **ONE** in section A and any other **Two** from section B.

SECTION A

Question ONE is compulsory

QUESTION ONE (30 marks)

- (a) Define the following terms:
- i. Life assurance
 - ii. Risk
 - iii. Solvency [3 marks]
- (b) Name and explain any 4 sources of agents authority. [4 marks]
- (c) How does investment performance affect insurance. [8 marks]
- (d) Define an endowment policy. [2 marks]
- (e) Discuss 3 principles of investment and asset liability matching. [6 marks]
- (f) Explain 4 issues considered normally before distribution of surplus. [4 marks]
- (g) Discuss 3 main risks associated with the endowment. [3 marks]

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SECTION B

Answer **any Two** questions from this section

QUESTION TWO (20 marks)

- (a) State the most common types of regulatory restriction that are imposed on life insurance companies.. [6 marks]
- (b) Explain 5 principles for setting up supervisory reserves. [10 marks]
- (c) An actuary has been asked by a non-actuarial colleague about why an actuarial association might issue professional guidance to actuaries advising life insurance companies.
Set out the points that should be mentioned in response. [4 marks]

QUESTION THREE (20 marks)

- (a) Explain 10 common risks faced by the insurer in life assurance policies. [20 marks]

QUESTION FOUR (20 marks)

- (a) What is meant by "asset-liability matching" [2 marks]
- (b) Identify and explain any 4 types of life insurance contracts. [8 marks]
- (c) Life insurance is guided by certain basic principles, identify and explain any 5 principles of life insurance. [10 marks]

QUESTION FIVE (20 marks)

- (a) Describe the "addition to benefits" approach of distributing profits. [10 marks]
- (b) List and explain the key features of the Net Premium valuation method. [10 marks]