

**BUSINESS STUDIES
FORM: THREE
MID TERM 1 2026**

MARKING SCHEME

1. Highlight four importance of insurance. 4mks
 - **Creation of employment**
 - **Creating confidence to investors**
 - **Provide revenue to the government**
 - **Continuity of business**
 - **Spreading the risks**
 - **Encourages savings**
2. Outline four principles of insurance. 4 mks
 - **Insurable interest**
 - **Utmost good faith**
 - **Principle of subrogation**
 - **Principle of contribution**
 - **Proximate cause**
3. Outline four characteristics of life assurance. 4mks
 - **May cover life until death or for a specific period of time.**
 - **Deals exclusively with life**
 - **It is usually a long-term contract**
 - **Its value depends on the ability of the assured to pay premiums**
 - **Has maturity date**
 - **Has surrender value.**
4. Outline four insurance policies that a supermarket owner may take to protect his business against various risks. 4mks
 - **Personal accident policy**
 - **Workmen's compensation policy.**
 - **Cash in transit policy**
 - **Bad debt cover**
 - **Theft and burglary policy**
5. Outline four factors that necessitate reinsurance. 4mks
 - **If the value of the product is very high.**
 - **If the risk of loss is very high.**
 - **If the risk covered are too many to be covered by one firm**
 - **If it's the government policy.**
 - **Where there is need to spread risks.**
6. Outline four factors to be considered when determining the premiums to be charged. 4mks
 - **Health of the person**
 - **Frequency of the occurrence of risk.**
 - **Value of the property insured**
 - **Age of the person**
 - **Period to be covered by the policy**
 - **Residence of the assured.**
7. Outline five procedures of obtaining an insurance policy. 5mks

- **Filling the proposal form.**
 - **Determining of the premiums to be charged**
 - **Payment of the first premium.**
 - **Issuing of the cover note.**
 - **Issuing of the policy.**
8. Outline four marine policies. 4mks
- **Marine hull policy**
 - **Marine cargo policy**
 - **Port policy**
 - **Voyage policy**
 - **Floating policy**
9. Outline four benefits of pooling of risks. 4mks
- **Enables the insurance company to compensate those who suffers loss.**
 - **Enables the insurance company to create a common pool of funds.**
 - **Enables the insurance company to meet its operating costs.**
 - **Enables the insurance company to spread risks**
 - **Enables insurance company to reinsure itself**
10. Outline four circumstances under which personal selling is appropriate. 4mks
- **When launching a new product**
 - **When the product is tailored to meet customers specifications.**
 - **When demonstration is required.**
 - **When market is concentrated in one area.**
 - **When the value of the product is very.**
11. Outline five steps involved in personal selling. 5mks
- **Identifying prospective customers**
 - **Preparing the presentation**
 - **Establishing customers contacts**
 - **Arousing the interest of the customer**
 - **Dealing with objections**
 - **Closing the sales**
 - **After sales services**
12. Outline four forms of personal selling. 4mks
- **Sales person approaching the customer**
 - **Showrooms**
 - **Shows trade fairs and exhibition**
 - **Free samples**
 - **Free gifts**