



# **MURANG'A UNIVERSITY COLLEGE**

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

**MAINCAMPUS**

**ORDINARY UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

**BComY1S2/Y1S2&BBIT Y2S2 SEMESTER EXAMINATIONS**

**FOR THE DEGREE**

**OF**

**BACHELOR OF COMMERCE/INFORMATION TECHNOLOGY**

**COURSE CODE: HBC 2109**

**COURSE TITLE: INSURANCE AND RISK MANAGEMENT**

**DATE : 25<sup>TH</sup> APRIL 2016**

**TIME: 2 HOURS**

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## **INSTRUCTIONS TO CANDIDATES**

Question ONE (1) is compulsory  
Answer ANY other TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 3 Printed Pages. Please Turn Over. ►

## QUESTION ONE

- (a) Discuss how the challenges in the insurance industry can be addressed (10 Marks)
- (b) Outline the importance of distinguishing between:
- i. Pure risks and speculative risks (2 Marks)
  - ii. subjective risks and objective risks (2 Marks)
- (c) Highlight the conditions necessary for insurable risks to be insured. (6 Marks)
- (d) Supporting your recommendation, advise on the specific insurance/assurance policies to be effected to meet the needs below:
- i. PQR Micro-Finance institution is worried that there might be default on loans due to premature death of the borrowers. (2 Marks)
  - ii. Bus companies are concerned that passengers might be injured or die due to the heavy El-Niño rains, careless driving and the slippery roads among other factors, as they travel to various parts of the country. (2 Marks)
  - iii. The management of Mjengo Construction Company is concerned that its employees, in a construction site, may be injured and consequently sue the company for the injuries. (2 Marks)
  - iv. Mrs. Owen is worried that her adventurous son, who likes driving, may cause an accident that can cause actual bodily harm or even death to the son, herself or even to the entire family. (2 Marks)
  - v. The Management of the Kenya Power and Lighting is worried that some companies might take legal action for loss of profits arising from the irregular power outages at the industrial park. (2 Marks)

**(TOTAL: 30 MARKS)**

## QUESTION TWO

- (a) The activities carried out in the Insurance industry are always closely monitored by the Government Agencies to prevent any possible misuse and/or misallocation of funds. Discuss the various areas of interest that the Agencies are keen on. (10 Marks)
- (b) When Mr. Masumbuko was proposing for life assurance cover in 2015, he indicated that he had not suffered from T.B for the last five years. He subsequently died after two years of issuance of the policy. The death certificate indicated the cause of death as T.B. The insurance company initiated the process of settling the claims of the late Masumbuko's to

his family. On writing to their usual medical physician regarding the cause of Masumbuko's death, the company received a response that he had been diagnosed with T.B 10years ago which had been made known to him.

- i) As claims manager, advise on the position of the claim. (5 Marks)
- ii) Explain the various professions that the claims manager would seek opinion and assistance from in order to make informed decision on behalf of the insurance company. (5 Marks)

**(TOTAL: 20 MARKS)**

### **QUESTION THREE**

- (a) 'Having taken on risks, insurance companies seek to insure again'. Explain the reasons necessitating this action. (10 Marks)
- (b) Risk management has a variety of objectives that can be classified into two namely Pre-loss objectives and the Post-loss objectives. Explain FIVE pre-loss objectives that risk managers may pursue in their organizations .(10 Marks)

**(TOTAL: 20 MARKS)**

### **QUESTION FOUR**

- (a) Apart from insurance, list other techniques of dealing with potential risks. (8 Marks)
- (b) Ms. Catherine has always been hearing that for one to be insured against a particular pure risk, one must fill in an insurance policy.

Define an insurance policy and discuss its contents. (6 Marks)

- (c) Critically analyze the role played by the Association of Kenya Insurers. (6 Marks)

**(TOTAL: 20 MARKS)**