



**MURANG'A UNIVERSITY COLLEGE**

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

**SPECIAL/SUPPLEMENTARY UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

**FIRSTYEARSECOND SEMESTER EXAMINATIONS**

**FOR THE DEGREE**

**OF**

**BACHELOR OF COMMERCE/BACHELOR PURCHASING AND  
SUPPLIES MANAGEMENT**

**COURSE CODE: HBC 2109/HPS 2304**

**COURSE TITLE: INSURANCE AND RISK MANAGEMENT**

**DATE:.....TIME:.....**

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**INSTRUCTIONS TO CANDIDATES**

Question ONE (1) is compulsory  
Answer TWO(2) questions  
Marks are indicated alongside the questions

MRUC observes ZERO tolerance to examination irregularities



**QUESTION ONE**

(a) Supporting your recommendations, advice on the specific insurance/assurance policies to be effected to meet the needs below;

(i) Ungana bank worried that there might be default on loans due to premature death of the borrowers (2 Marks)

(ii) An airline worried that passengers might be injured or die on its premises (2 Marks)

(iii) A surgeon worried that he could be sued if death or disability arises from an operation (2 Marks)

(iv) Tom worried that his laptop may be accidentally lost or damaged (2 Marks)

(v) Jane who has bought a new car on loan worried that it might be stolen (2 Marks)

(b) Njeri when proposing for life assurance cover in 2014 indicated that she had not suffered from T.B in the last five years. She subsequently died after two years of issuance of the policy. The death certificate indicated the cause of death as T.B. The insurance company on writing to the usual medical physician of the late Njeri, received a response that she had been diagnosed of T.B 10 years ago which had been made known to her. As claims manager, advise on the position of the claim. (6 Marks)

(c) Briefly discuss the ways in which subrogation rights can arise. (4 Marks)

(d) Citing relevant examples differentiate between perils and hazards (6 Marks)

e) Discuss any four areas that are commonly addressed by the Insurance Regulatory Authority of Kenya. (4 Marks)

**(Total 30 Marks)**

**QUESTION TWO**

a) Tools for risk management are diverse and require that the risk manager understand his environment to effectively deploy the right strategy. Discuss the process of risk identification and the associated processes to manage the risks. [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. List and explain FIVE pre-loss objectives that risk managers may pursue in their organizations. [10 Marks]

**(Total 20 Marks)**

**QUESTION THREE**

a) Giving relevant examples, discuss the main ways in which pure risks can be classified. (10 Marks)

b) Jeremy wants to affect insurance cover but has not seen a policy document before. He has approached you to advise him on the main components of the policy document. Advise him appropriately. (10 Marks)

**(Total 20 Marks)**

**QUESTION FOUR**

(a) 'Having taken on risks, insurance companies seek to insure again'. Explain the reasons necessitating this (6 Marks)

(b) Explain the role played by the following;

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(i) Actuary (2 Marks)

(ii) loss adjusters (2 Marks)

(c) Highlight the challenges that the insurance companies do face when executing their duties and suggest possible ways of dealing with those challenges (10 Marks)

**(Total 20 Marks)**