



MURANG'A UNIVERSITY COLLEGE (MRUC)
(A Constituent College of Jomo Kenyatta university of Agriculture & Technology)

SCHOOL OF COMMERCE AND ECONOMICS

UNIVERSITY EXAMINATION 2013

FIRST YEAR 2ND SEMESTERS EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE BBIT

HBC 2109: INSURANCE AND RISK MANAGEMENT

DATE:

TIME: 2 HOURS

INSTRUCTIONS:

Answer Question *ONE* and any *OTHER TWO* Questions.

Compulsory Question

(30 marks)

Q1. Of late, Kenyans have been exposed to so many competitions that are apparently intended to make them instant millionaires through payments of very little amounts of money. In response, many have participated wholeheartedly in the hope that they would be the lucky few, True only a few benefit immensely from those competitions but the greatest majority are left disappointed, emotionally wounded and with great financial losses, which are sometimes hard to recover In the light of this statement:

- (a) Define the term risk and explain whether the risk the Kenyans take are insurable.
- (b) In your own opinion define the type of risk that the Kenyans are involved in.
Explain whether it is worthy taking the type of the risk. (3 marks)
- (c) Explain the fundamentals of Insurance. (8 marks)

(d) Briefly explain the following terms and show their importance as far as insurance is concerned;

- (i) Risk
- (ii) Hazard
- (iii) Peril. (3 marks)

(e) Explain the main risks undertaken by business people. (4 marks)

(f) Briefly indicate the importance of insurance to the

- (i) Individuals
- (ii) Community at large. (8 marks)

(Total 30 marks)

Answer ANY TWO Questions

Q2. (a) Explain the meaning of the following terms

- (i) Insurable interest
- (ii) Law of large numbers
- (iii) Close proximity
- (iv) Fidelity bond. (8 marks)

(b) Show the various classifications of risk and in each case show why the classification is necessary. (8 marks)

(c) Briefly define the term “actuary” and state the role played by the actuarial science. (4 marks)

(Total: 20 Marks)

Q3 (a) Liability insurance provides cover against claims arising from injuries to other people or loss or damage to their property. Explain any *four* examples of this type of insurance. (8 marks)

(b) Explain the role played by the insurance regulatory authority in Kenya. (7 marks)

(c) In your own opinion suggest areas that need the attention of the authority to make insurance business more friendly to the Kenyans. (5 marks)

(Total 20: marks)

Q4(a) Differentiate between insurance and Risk management. (4 marks)

(b) Supporting your argument explain which of the two is a better tool of handling risks (4 marks)

(c) Briefly explain the risk management programme and show the importance or objectives of each stage / step in the programme. (8 marks)

(d) Define the term reinsurance and show its importance in the insurance industry. (4 marks)

(Total 20: marks)

Q5 (i) Define the term underwriting and explain the role played by the underwriters in Kenya.

(ii) What are the challenges that insurance industry in Kenya face today and suggest ways to mitigate or even overcome those challenges. (6 marks)

(iii) List the careers that are available in the insurance industry. (6 marks)

(iv) Explain briefly the role played by “loss adjusters’ (4 marks)

(Total 20 marks)

