



# **MURANG'A UNIVERSITY OF TECHNOLOGY**

## **SCHOOL OF BUSINESS AND ECONOMICS**

### **DEPARTMENT OF COMMERCE**

#### **UNIVERSITY ORDINARY EXAMINATION**

**2017/2018 ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER EXAMINATION FOR THE BACHELOR OF PURCHASING AND SUPPLIES, BACHELOR OF HUMAN RESOURCE.**

**BHR 207/HEH 2310 – INSURANCE AND RISK MANAGEMENT**

**DURATION: 2 HOURS**

**DATE: 8<sup>TH</sup> DECEMBER, 2017**

**TIME: 9.00- 11.00 A.M.**

#### **Instructions to Candidates:**

1. Answer **Question 1** and **Any Other Two** questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

## **SECTION ONE - COMPULSORY**

### **QUESTION ONE**

- (a) Critically assess how any five challenges in the Insurance Industry have been addressed. (10 marks)
- (b) Outline the importance of distinguishing between:-
- i. Pure risk and speculative risks. (2 marks)
  - ii. Subjective risks and objective risks. (2marks)
- (c) Outline six condition that must be fulfilled before a pure risk can be insured. (6marks)
- (d) Supporting your recommendation, advice the parties involved on the specific insurance policies to be affected to meet the needs listed below.
- i. ABC Micro- finance Institution is worried that there might be default on loans due to premature death of the borrowers. (2 marks)
  - ii. A Bus Company is concerned that due to the prevailing political situation its fleet of buses might be damaged or destroyed in their course of duty. (2 marks)
  - iii. The management of Mjengo Construction Company is concerned that its employees, in a construction site, might be injured and consequently sue the company for the injuries. (2 marks)
  - iv. A second hand clothes trader in Mombasa is concerned about the risk of transporting clothes to Gikomba market due to theft and fire outbreaks. (2 marks)

## **SECTION TWO – ANSWER ANY TWO QUESTIONS**

### **QUESTION TWO**

- a) Having taken on risks, Insurance companies seek to insure these risks again with other companies. Explain five possible reasons that would necessitate taking this action. (10 marks)
- b) Apart from insurance, explain five other techniques of dealing with potential risks. (10 marks)

### **QUESTION THREE.**

- (a) Suggest five reasons why insurance is profession on its own. (10 marks)
- (b) Discuss the importance of the Association of insures in Kenya (AKI). (6 marks)
- (c) Explain four areas in insurance sector that are regulated by the Government of Kenya. (4 marks)

### **QUESTION FOUR**

- (a) Discuss the “Principles of Large Numbers” as applied in insurance. (3 marks)
- (b) Explain the importance of learning insurance matters by Human resource or Purchasing and supplies student (4marks)
- (c) When Mrs. Masumbuko was proposing for Life Assurance cover in 2013, she indicated that she has not suffered from T.B. for the last five years. She subsequently died after two years of issuance of the policy. The death certificate indicated that the cause of death was T.B. The Insurance Company initiated the process of settling the claims of the late Mrs. Masumbuko to her family. On writing to their usual medical physician regarding the cause of Mrs. Masumbuko death, the company received a response that she had been diagnosed with T.B. 10 years ago which had been made known to her.
  - i. Explain three principles of insurance related to this case. (6 marks)
  - ii. Apart from the medial physician, suggest other two professionals that might be consulted in connection with the above case. (2 marks)
  - iii. Outline three contents of a genuine insurance policy. (4 marks)
  - iv. As a claims manager, advise the Insurance Company on the position of the claim. (2 marks)