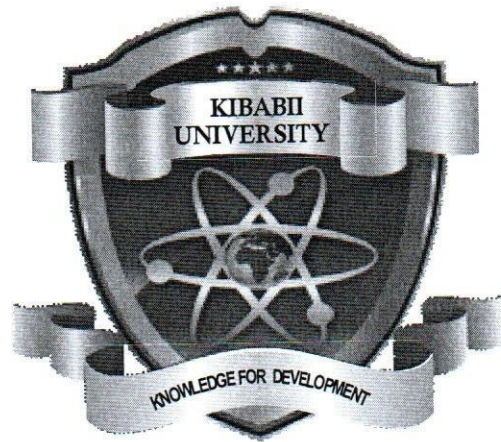


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# KIBABII UNIVERSITY



## UNIVERSITY EXAMINATIONS

### MAIN EXAM

2020/2021 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER

FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION

COURSE CODE: BCI 221

COURSE TITLE: INSURANCE AND RISK MANAGEMENT

DATE: 18/5/2021

TIME: 2.00PM-4.00PM

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#### INSTRUCTIONS TO CANDIDATES

Answer Question ONE (compulsory) and ANY OTHER TWO Questions

## SECTION A

### QUESTION ONE

- a) Risk management has a variety of objectives that can be classified into two, namely Pre-loss objectives and the Post-loss objectives. Briefly explain FOUR pre-loss objectives that risk managers may pursue in their organizations. (8 Marks)
- b) Loss prevention action is composed of the following four categories of measures: preventive, protective and minimizing measures and salvage. Discuss (8 Marks)
- c) Outline the essentials social insurance (4 Marks)
- d) Risk management provides a clear and structured approach to identifying risks. Discuss the benefits of risk management to an organization (6Marks)
- e) Identify the factors necessitating development of insurance market in Kenya (4Marks)

## SECTION B

### QUESTION TWO

Mr. Savanna borrowed Ksh. 5000000 from ABC Ltd to purchase a fishing boat. He keeps the boat at the dock owned by the Pwani Company Ltd. He uses the boat to earn income by fishing. Savanna also has a contract with Double Fine Fishing Company to transport Shrimp from one part to another along Africa Coastline. Explain the existence and extent of insurable interest for:

- i). ABC Ltd [4 Marks]
- ii). Pwani Company Ltd [4 Marks]
- iii). Double Fine Fishing Company [4 Marks]

- b) Justify the circumstances under which the tenet of Uberrimae Fidei does apply in Insurance contract. [8 Marks]

### QUESTION THREE

- a) Discuss the historical development of insurance from as early as 3000 BC to around 1946 highlighting significant milestones along the way. [14 Marks]
- b) Examine how an insurance mechanism works, pointing out the relationship between the law of large numbers and risk pools. [6 Marks]

### QUESTION FOUR

- a) Describe the classifications of risk giving examples of each type and how they may be treated for insurance purposes. (12 Marks)
- b) Analyze the structural framework of insurance markets in Kenya (8 Marks)

### QUESTION FIVE

- a) With the aid of appropriate examples distinguish between the insurance contract and a wagering contract. [10 Marks]
- b) Provide the difference between the following terms as used in Risk management and insurance;
- i). Insurance as a contract of adhesion and insurance as an aleatory contract.
  - ii). Risk avoidance and Risk Abatement
  - iii). Risk retention and risk Allocation
  - iv). Risk analysis questionnaire and risk forecasting
  - v). Hazard and Peril [10 Marks]