KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

SPECIAL/SUPPLEMENTARY EXAM

2020/2021 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER

FOR THE DEGREE OF BACHELOR OF COMMERCE/ BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BCI 221

COURSE TITLE: INSURANCE AND RISK MANAGEMENT

DATE: 27/09/2021   **TIME:** 11.00AM-13.00PM

INSTRUCTIONS TO CANDIDATES
Answer Question ONE (compulsory) and ANY OTHER TWO Questions

SECTION A

QUESTION ONE
a) Distinguish between enterprise risk management and project risk management (4mks)
b) You have been hired as a project manager by a Manufacturing Company based in Bungoma. Describe five risk management activities that you would be expected to undertake. (6mks)
c) For insurance to operate effectively, there are certain principles on which it is based. Describe these principles (10mks)
d) David is a businessman who operates a transport business. His knowledge of insurance products is limited to motor insurance. He is contemplating taking a life assurance cover, but he is hesitant because of his minimal understanding of how insurance works. Explain to him the peculiar features of life assurance. (5marks)
e) Describe the key functions of the Insurance Regulatory Authority of Kenya (5 marks)

SECTION B

QUESTION TWO

a) "Although no risk completely meet all ideal requirement of insurance risk, some come closer to meeting them than others." Explain the ideal requirement of an insurable risk. [10 Marks]
b) A wall of building was damaged in Bungoma town and remained standing for several weeks. The County authority for the sake and public safety, ordered it demolished. While demolishing the wall damaged the adjoining building owned by Mr.Omondi.

Required:

i). Indicate the proximate cause of the damage to Omondi's building. [5 Marks]
ii). Explain the position of Omondi regarding insurer's compensation. [5 Marks]

QUESTION THREE
a) Joyce has been running a successful salon business for the last ten years. However she in now alarmed by the many salons that have been established near her business premises. Moreover some of her best employees have been hired and offered higher salaries to work for her new competitors. Due to the fear of a decline on profitability of her business due to competition, she is contemplating insuring her business against possible decline in profitability. Advise her on the requisites of insurability (10 Marks)
b) Discuss the importance of insurance markets in the creation and development of strong financial markets (10 Marks)

QUESTION FOUR

a) There are many risks to which businesses are exposed. Explain the main classifications of risk highlighting which ones can be dealt with through insurance. (10 Marks)

b) Alex graduated from Kabarak University last year. He has secured employment with a cooking oil manufacturing Company in Nakuru. The Company has in the recent years been incurring huge expenses due to occurrence of unforeseen risks. Explain five systematic approaches to loss control and management which he can use to ensure that all the possible risks facing the Company are identified (10 Marks)

QUESTION FIVE

a) Sultan Bus services has been in public transport for the last six years. They operate a fleet of ten buses. For the period they have been in operation, none of their vehicles has been involved in an accident yet they have been paying for insurance for their vehicles. In a recent meeting, the management was wondering whether insurance companies have any justification to continue collecting insurance premiums from them. Advice the management on the social economic role of insurance. (8mks)

b) You have been hired by the above bus Company as a risk management consultant to assist in the identification and control of risks their company is facing.

    i). Discuss the fundamentals of insurance contracts with examples the bus Company is required to comply with (8mks)

    ii). Recommend practical control measure with specific reference to reduction and transfers (4 mks)