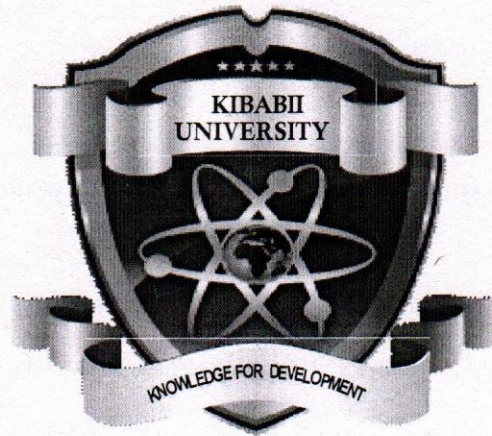


KIBABII UNIVERSITY

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UNIVERSITY EXAMINATIONS SPECIAL/SUPPLEMENTARY EXAMS

2016/2017 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCI 210

COURSE TITLE: PRINCIPLES OF INSURANCE AND RISK
MANAGEMENT

DATE: 21ST SEPTEMBER 2017

TIME: 3.00 – 5.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question ONE (compulsory) and ANY OTHER TWO questions

QUESTION ONE

1a (i) Every risk has its own characteristics that require particular management or analysis.

Explain the following characteristics of risks (6 marks)

1a ii) Claims/surrender related fraud is the biggest concern for insurance companies. Explain steps towards detection of insurance fraud (4marks)

1b (i) What is your understanding of the term underwriting (2marks)

1b (ii) A key aspect of each application reviewed by an underwriter is the determination as to whether the loss is definable

Explain the term definable loss as used in insurance (8marks)

1c (i) The insurer generally has basic options when it offers a sub standard policy issue to an applicant

What options are available to insurer when offering sub standard policy issue? (6 marks)

1c(ii) The pricing in insurance is in the form of premium rates.

Explain main factors used for determining the premium rates under a life insurance plan (4 marks)

2a) A key aspect of each application reviewed by an underwriter is the determination of whether the risk the application represents is an insurable risk

Explain what a loss must be in order to be insurable (10 marks)

2 (b) The underwriter has first to examine application forms to verify the value of property

Elucidate the various types of underwriters (10 marks)

3) Underwriting is the process of determining whether an insured is an acceptable risk and if so at what rate the insured will be accepted.

Discuss the underwriting process (20 marks)

4 a) Information asymmetry is a situation in which the knowledge about what is being transferred between the insurer and the insured is disproportionate. What is the effect of information asymmetry on the consumers of insurance?(10 marks)

5a) Fraud negatively affects insurance sector as it increases the cost of insurance resulting in insurance losing to their competitors and policy holders paying higher premium

Discuss the various broad categories of fraud (6 marks)

5 b) A contract of insurance has its own fundamental principles without which it would be void. Explain the principles of insurance (14 marks)