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KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS 2021/2022 ACADEMIC YEAR SECOND YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF SCIENCE
IN COOPERATIVE AND ENTREPRENEURSHIP
MANAGEMENT

COURSE CODE: BCI 220

COURSE TITLE: INSURANCE AND RISK
MANAGEMENT

DATE: 12/05/2022 TIME: 9.00AM – 11.00AM

INSTRUCTION TO CANDIDATES

- 1) The paper contains **FIVE** questions
- 2) Attempt **THREE** questions
- 3) Question **ONE** is Compulsory

KIBU observes **ZERO** tolerance to examination cheating

QUESTION ONE

FINANCIAL CHALLENGES KEY FACTOR FOR LOW INSURANCE UPTAKE

A recent awareness survey by the Association of Kenya Insurers found that majority of Kenyans have a basic understanding of the concept of insurance. Households not using any insurance products cite financial constraints as the biggest barrier followed by lack of knowledge on insurance products. On the other hand, lapsed usage by individuals is mainly driven by lack of finance. With the difficult economic situation, consumers find it difficult to continue contributing towards insurance. Insurance is also plagued with misconceptions such as, insurance is expensive and therefore a luxury purchase; low trust in insurers and that taking up insurance invites bad luck.

The study found that most households associate insurance with medical insurance, motor insurance and with fire and burglary covers. TV and word of mouth are the most popular sources of insurance information for individuals, while insurance agents are the most influential information source for businesses.

Most individuals are most concerned about the high cost of medical care, job loss and property loss through theft. To cope with these risks, majority lean on support from family and friends while some take up insurance. For businesses, their biggest concern is property loss through damage, fire, and theft. Majority of them have taken or plan to take insurance to cope with these risks. They also resort to other measures like enhancing security. The adoption of technology in the industry has been positively received by customers who are very satisfied with the efficient and convenient services.

Source, AKI 2021

In relation to the above article

- i) Explain the following terms as mentioned in the case
- a) Insurance (2 marks)
- b) Medical insurance (2 marks)
- c) Motor insurance (2 marks)
- d) Fire and burglary covers (2 marks)

- ii) Discuss FIVE challenges that have necessitated low insurance uptake. (10 marks)
- iii) Insurance agents are the most influential information source for businesses as per the article. The agents, just like they have duties, they also have rights. Discuss (8 marks)
- iv) The article highlights two main classes of insurance. Elaborate (4 marks)

QUESTION TWO

- a) For a sale to be made in Insurance it has to go through a number of stages. Outline the main stages in the sales cycle. (10 Marks)
- b) Discuss on the various techniques of handling objections in the sales process (10 Marks)

QUESTION THREE

- a) Non disclosure or misrepresentation of material facts may give the life office an option to render a life policy void. Discuss on the various material facts in life assurance (10 Marks)
- b) "With rapid expansion of East Africa's economy, Insurance industry is on a solid footing. This is by no means to say that the industry faces no challenges of its own" (Deloitte, 2015). In light of the above statement briefly explain the various challenges faced by the insurance industry in Kenya. (10 Marks)

QUESTION FOUR

- a) "The major difference between a thing that might go wrong and a thing that cannot possibly go wrong is that when a thing that cannot possibly go wrong goes wrong it usually turns out to be impossible to get at or repair" Douglas Adams. In line with Adam's statement, describe the various methods used in handling of risks. (10 Marks)
- b) Even though insurance law is derived from the general law of contract, there are certain special principles applicable to insurance, Discuss these principles (10 Marks)

QUESTION FIVE

a) Explain the following terms as used in Insurance

i) Micro Insurance (2 Marks)

ii) Banc Assurance (2 Marks)

iii) Money laundering (2 Marks)

vi) Life assured (2 Marks)

v) Policy holder (2 Marks)

b) The insured can make many medical claims in a year provided that they do not exceed the maximum limit of the cover. Discuss on the usual exclusions.

(10 Marks)