

# KIBABII UNIVERSITY



## UNIVERSITY EXAMINATIONS 2021/2022 ACADEMIC YEAR SECOND YEAR SECOND SEMESTER

### SPECIAL/SUPPLEMENTARY EXAMINATION

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

**COURSE CODE: BCI 220**

**COURSE TITLE: INSURANCE AND RISK  
MANAGEMENT**

**DATE: 27/07/2022**

**TIME: 11.00AM – 1.00PM**

---

#### 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

### COMPETITION

The 43 licensed insurance companies compete for a limited market characterized by low penetration. Kenyans' uptake of insurance cover, both at corporate and personal level, remains predominantly in the motor, fire industrial and personal accident (mainly group medical cover) classes. This illustrates a poor attitude towards personal insurance cover in general. Low penetration of insurance in the Kenyan market, relative to other more developed markets is attributable to the following factors: A general lack of a savings culture among Kenyans; Low disposable incomes for the majority of the population, with close to 50% of Kenyans living below the poverty line; Inadequate tax incentives that could encourage the middle classes to purchase life insurance products; and A perceived credibility crisis of the industry in the eyes of the public particularly with regard to settlement of claims.

*Pwc report 2021*

In relation to the above article

- i) Explain the following terms as mentioned in the case
  - a) Insurance (2 marks)
  - b) Group Medical Cover (2 marks)
  - c) Motor insurance (2 marks)
  - d) Personal accident insurance (2 marks)
- ii) What are some of the reasons that have necessitated low insurance penetration in Kenya. (10 marks)
- iii) From the above article a perceived credibility crisis of the insurance industry in the eyes of the public is particularly with regard to settlement of claims. Discuss on the key steps in claim processing (10 marks)
- iv) The article highlights two main classes of insurance. Name them (2 marks)

### QUESTION TWO

- a) Group life quotations are normally based on the information supplied by prospective clients. Discuss on the common requirements for group life quotations. (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) Proof of age is important since premiums paid to a life office are based on the age of the proposer. There a number of documents acceptable by an insurance company as proof of age. Illustrate (10 Marks)

#### **QUESTION FOUR**

- a) An Annuity is a contract to pay periodical income to an individual. Describe any Five types of annuity (10 Marks)
- b) Even though insurance law is derived from the general law of contract, there a certain special principles applicable to insurance, Discuss. (10 Marks)

#### **QUESTION FIVE**

- 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) 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)