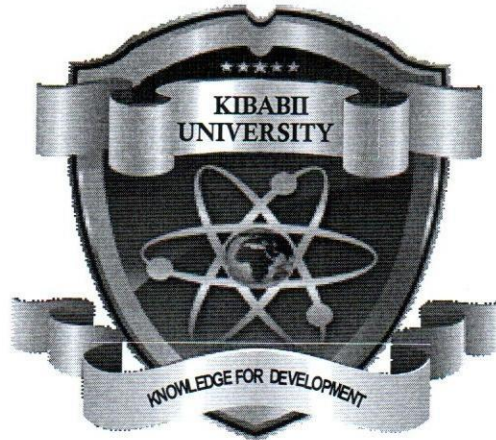


35

KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS 2021/2022 ACADEMIC YEAR SECOND YEAR SECOND SEMESTER

SPECIAL/SUPPLEMENTARY EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 225

**COURSE TITLE: INSURANCE AND RISK
MANAGEMENT**

DATE: 28/07/2022

TIME: 8.00 – 10.00AM

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 1: (30 MARKS)

CASE STUDY:

Ben Wanyonyi bought a second hand vehicle from Wafula in Bungoma. He paid for the vehicle, but agreed to collect it after a month when he has arranged insurance cover for it. When he arrived after a month to collect the vehicle he was told by Wafula that it had been stolen by highway carjackers when Wafula was coming back home from work

- a) i. What do you understand by Risk as used in insurance? (2 marks)
- ii. State the recommendations that should be taken to either prevent or minimize the potential risk losses in the above case. (4 marks)
- iii. If Ben Wanyonyi had insured the vehicle timely, what fundamental principles would the contract have? (4 marks)
- b) i. Identify the risks that are inherent in the case study and explain the term insurable interest (4 marks)
- ii. If Ben Wanyonyi had taken an Insurance cover he would be indemnified. Explain what the principle of indemnity is? (2 marks)
- iii. What are the methods of providing indemnity to Ben Wanyonyi? (4 marks)
- c) i. Ben Wanyonyi had taken a proposal form for insurance. Explain what a Proposal form is? (2 marks)
- ii. Identify and explain elements required for an insurance to take place (8 marks)

QUESTION TWO (20 MARKS)

- Q2 a) i. Differentiate between peril and hazards in Risk Management (5 marks)
- ii. Describe FIVE contents of a risk register (5 marks)
- b) An agency may be terminated due to a number of reasons. Discuss. (10 marks)

QUESTION THREE (20 MARKS)

- Q3 a) What is underwriting? Discuss the advantages that can be directly attributed to companies practising insurance in Kenya (10 marks)
- b) In posteriorly or empirical probability; what is the effect of an increase in the number of observations in a sampling technique on:
- i. The underlying probability of the event? (5 marks)
 - ii. Our estimate of the probability? (5 marks)

QUESTION FOUR (20 MARKS)

- Q4 a) i. Explain the term Subrogation as used in insurance (2 marks)
- ii. In the Hazard and Operability studies what are the success or failures of HAZOPs as a tool of risk identification? (8 marks)
- b) Explain the benefits of risk management program to an organization (10 marks)

QUESTION FIVE (20 MARKS)

- Q5.a) i. Explain what Reinsurance is as used in Insurance and Risk Management concept. (4 marks)
- ii. Distinguish between the insurance contract and a wagering contract. (6 marks)
- b) Discuss why the field of insurance has been regarded as a type of business that requires government regulation. (10 marks)