KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR
SECOND YEAR SECOND SEMESTER
MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCI 221

COURSE TITLE: INSURANCE AND RISK MANAGEMENT

DATE: 02/09/2022   **TIME: 9.00 – 11.00AM**

INSTRUCTION TO CANDIDATES

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

TIME: 2 Hours

KIBU observes **ZERO** tolerance to examination cheating

QUESTION ONE: (30 MARKS)

Watila 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 Watila 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 Watila 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 Watila? (4 marks)

c) i. Watila 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)

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)

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)

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)

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)