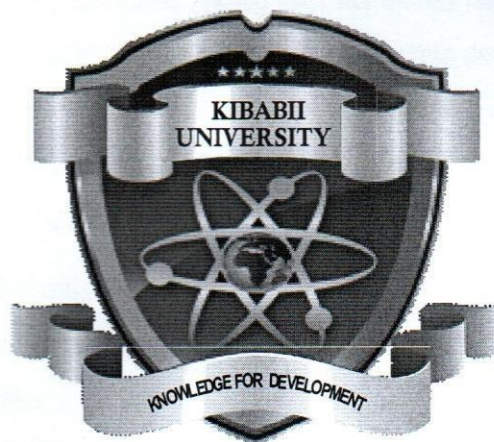


KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS 2021/2022 ACADEMIC YEAR SECOND YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 225

**COURSE TITLE: INSURANCE AND RISK
MANAGEMENT**

DATE: 13/05/2022

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 (30 MARKS)

- a) A Lecturer at Kibabii University scratched his leg with his thumb nail while removing his socks. Six days later the wound turned septic, on the eighth day septicaemia developed and on the sixteenth day the insured died of septic pneumonia. The policy covered death by accident but excluded death by disease. Giving supporting reasons, determine the proximate cause of death and advise the insured's family on whether the claim is payable (10 marks)
- b) Using relevant examples differentiate between:
- i. Fundamental and Particular risks (2 marks)
 - ii. Speculative and Pure risks (2 marks)
 - iii. Business Risk Exposure (BRE) and Enterprise Risk Management (ERM) (2 marks)
 - iv. Risk Assumption and Risk Treatment (2 marks)
 - v. Risk and Uncertainty (2 marks)
- c) Discuss and FIVE Professional careers available in the insurance industry in Kenya (10 marks)

QUESTION TWO (20 MARKS)

- a) Explain the term Re – Insurance and state the purpose of re-insurance in the insurance industry in Kenya (10 marks)
- b) Risk management is a strategic management tool that requires top level management support.
- i. Discuss the relevance of Risk management at top level management (3 marks)
 - ii. Explain **Three** benefits of Risk management to an organization (3 marks)
 - iii. Highlight **Four** steps in Risk management process (4 marks)

QUESTION THREE (20 MARKS)

- a) The insurance industry in Kenya is currently facing serious challenges as evidenced by the ruling of the High Court of Kenya in suspension of 50% rise in car insurance premiums on 12th January 2022. Discuss **Five** challenges that in your opinion affect the insurance industry and suggest possible ways of dealing with those challenges. (10 marks)
- b) Giving relevant examples, discuss the main ways in which risks can be classified (10 marks)

QUESTION FOUR (20 MARKS)

- a) The most important fact that comes in the mind of most managers who are managing the organization's risk is how to use insurance.
- i. Explain how the term Subrogation as used in Insurance. (2 marks)
 - ii. Identify and explain elements required for an insurance transaction to take place. (8 marks)
- b) Identify the various risk treatment options that an organization can succeed in her risk management programs (10 marks)

QUESTION FIVE (20 MARKS)

- a) Emphasize the need for risk management in an organization (10 marks)
- b) Elaborate the Principles of Insurance and its application in life assurance (10 marks)