



SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATIONS
MAIN EXAM
2022/2023 ACADEMIC YEAR
SECOND YEAR SECOND SEMESTER
FOR THE DEGREE OF
BACHELOR OF COMMERCE

COURSE CODE: BCI 221

COURSE TITLE: INSURANCE AND RISK MANAGEMENT

DATE: 13/04/2023

TIME: 2:00- 4:00PM

INSTRUCTIONS TO CANDIDATES

- 1) Answer Question **ONE** (1) (Compulsory) and **ANY OTHER TWO** (2) Questions
- 2) Candidates must hand in their answer booklets to the invigilator while in examination room
- 3) Credit is given for legibility, clarity and use of relevant examples
- 4) Question **ONE** is **30 marks** while Questions **2-5** carry **20 marks** each
- 5) Clearly write your **Registration Number** on each answer sheet used

TIME: 2 HOURS KIBU observes **ZERO** tolerance to examination cheating

QUESTION ONE (30 MARKS)

- a) A staff at Kibabii University knocked the main gate after the vehicle he was driving failed due to breaks. Both the vehicle and the gate were insured by the same insurance firm. The policy covered was under the principle of contribution. Giving supporting reasons, determine the criteria that need to be satisfied before both the staff and Kibabii University claim for payment. (10 marks)
- b) Using relevant examples differentiate between:
- i. Fundamental and Particular risks (2 marks)
 - ii. Speculative and Pure risks (2 marks)
 - iii. Taxonomy and Scenario Risk Identification (2 marks)
 - iv. Risk Assumption and Risk Treatment (2 marks)
 - v. Risk and Uncertainty (2 marks)
- c) Describe by giving examples the major social and economic burden of risk to the society. (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) 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) Identify the various risk treatment options that an organization can succeed in her risk management programs (10 marks)
- b) As a Risk expert hired by a company; what tools will you use when dealing with:
- i. High severity risks at low frequency and why? (3 marks)
 - ii. Low severity risks at high frequency and why? (3 marks)
 - iii. High severity risks at high frequency (2 marks)
 - iv. Low severity risks at low frequency (2 marks)

QUESTION FIVE (20 MARKS)

- a) Explain factors affecting choice between retention and transfer in Risk Financing (10 marks)
- b) Elaborate the Principles of Insurance and its application in life assurance (10 marks)