



MUEO

MOI UNIVERSITY

OFFICE OF THE DEPUTY VICE CHANCELLOR
(ACADEMICS, RESEARCH, EXTENSION & STUDENT AFFAIRS)

UNIVERSITY EXAMINATIONS 2022/2023 ACADEMIC YEAR SECOND YEAR SECOND SEMESTER EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 225

COURSE TITLE: INTRODUCTION TO RISK AND INSURANCE

DATE: 15TH DECEMBER, 2022 **TIME:** 9.00 P.M. – 12.00 NOON.

INSTRUCTION TO CANDIDATES

- SEE INSIDE.

THIS PAPER CONSISTS OF (2) PRINTED PAGES

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BBM 225: INTRODUCTION TO RISK INSURANCE

MAIN EXAMINATION

Instructions:

- Attempt Question ONE and any other THREE Questions
- Be clear and concise in your answers

QUESTION ONE

- a) Woodland Enterprises is a company that deals with timber and timber products. In the six years that the company has been in operation, numerous accidents have occurred leading to losses and injuries to staff. Management has not been happy about this and wants the situation immediately addressed.

You have been newly appointed as the Risk Manager of Woodland Enterprises. The management is seeking your advice as to how to proceed to reverse this alarming trend.

Prepare a board paper to be presented to management outlining your proposed approach to the issue. (10marks)

- b) The life assurance contract has certain elements that set it apart from other types of contract. Exhaustively discuss these elements. (7marks)
- c) Insurance has a great impact on the socio-economic development of any nation. Outline the contribution of insurance to the Kenyan economy and its society (6marks)
- d) Mr. Muchiri, the proprietor of Amigo Electronics, had his shop broken into and goods worth millions of shillings stolen. He had taken a burglary policy with Kenyan Alliance Insurance Company Limited and the policy was in effect at the time of loss. He presented his claim to the insurer but it was declined on account of breach of utmost good faith at the time of proposal. As his insurers' broker, advise Mr. Muchiri on the possible specific reasons the insurer could have to decline the claim. What options are left to the insurer in the event of such a breach?

(7marks)

(Total: 25marks)

QUESTION TWO

- a) Define risk and discuss the various ways in which risk can be dealt with in a business enterprise (6marks)
- b) The premium is the financial consideration borne by the insured in consideration for the promise of indemnity undertaken by the insurer in the event of a risk operating. Discuss the factors generally taken into consideration in arriving at a suitable premium rate to charge to policyholders (4 marks)
- c) As opposed to speculative risks, pure risks involve situations where there is only a chance of a loss or no loss. In non-life insurance, discuss the various categories of pure risks. (10marks)

(Total: 15marks)

QUESTION THREE

- a) The insurance mechanism offers various benefits to various parties. Discuss (5marks)
- b) Discuss how disputes may arise from a claim and suggest ways of resolving such disputes. (5marks)
- c) Discuss insurable interest with regard to its essential features, how it may arise and when it must exist in the various classes of insurance. (10marks)

(Total: 15marks)

QUESTION FOUR

- a) Subrogation and contribution are corollaries of indemnity. Discuss (7marks)
- b) Briefly explain on the duration of the duty of disclosure in respect to:
 - i. Common law
 - ii. Renewal(5marks)
- c) Discuss the motor insurance covers provided in the Kenyan insurance market (8marks)

(Total: 15marks)

QUESTION FIVE

- a) Exhaustively discuss the principle of indemnity with regard to its meaning, how it is assessed, and how insurers indemnify insured's when a claim occurs. (8marks)
- b) Insurers generally prescribe several remedies for bad physical hazards. Briefly outline the specific remedies that may be used. (5marks)
- c) Describe the relationship between risk management and insurance management. In your answer, demonstrate an understanding of the differences between the two fields (7 marks)

(Total: 15marks)