



MUEO

**MOI UNIVERSITY**

**OFFICE OF THE DEPUTY VICE CHANCELLOR, ACADEMIC  
AFFAIRS, RESEARCH & EXTENSION**

**UNIVERSITY EXAMINATIONS  
2014/2015 ACADEMIC YEAR**

***SECOND YEAR END OF SEMESTER 1/II EXAMINATIONS***

**FOR THE DEGREE OF  
BACHELOR OF BUSINESS MANAGEMENT**

**EXAM CODE:-           BBM 207**

**COURSE TITLE:-    INTRODUCTION TO RISK & INSURANCE**

**DATE:- 1<sup>ST</sup> SEPTEMBER, 2014**

**TIME:- 9.00A.M. - 12.00NOON.**

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INSTRUCTION TO CANDIDATES

➤ SEE INSIDE.

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# BBM 207: INTRODUCTION TO RISK & INSURANCE

## EXAMINATION FOR 2013/2014 ACADEMIC YEAR

**INSTRUCTION:** Answer Question ONE and any Other THREE Questions

### Question ONE

a) Timbarak 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 Timbarak 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. (10 marks)

b) The life assurance contract has certain elements that set it apart from other types of contract. Exhaustively discuss these elements. (10 marks)

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. (6 marks)

d) Mr. Patel, the proprietor of Luthuli Electronics, had his shop broken into and goods worth millions of shillings stolen. He had taken a burglary policy with Mambo Leo 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 insurer's broker, advise Mr. Patel on the possible specific reasons the insurer could have declined the claim. What options are left to the insurer in the event of such a breach? (10 marks)

### QUESTION TWO

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. (10 marks)

b) Insurers generally prescribe several remedies for bad physical hazards. Briefly outline the specific remedies that may be used. (5 marks)

### QUESTION THREE

a. Using relevant case law(s), explain the rules of the application of proximate cause (8mks)

b. Explain the methods available to an insurer in the fulfilling its obligation to indemnify the insured (4mks)

c. Outline the remedies available to the insurer for the breach of utmost good faith by the insured (3mks)

#### QUESTION FOUR

a. The premium which an insured pays represents his/her contribution to the common pool and thus must reflect the value of risk and the degree of hazard brought to the pool.

Explain the components of the insurance premium charged on an insured

(8 Marks)

b. Define the term re-insurance and discuss the reasons why insurers purchase reinsurance (7 Marks)

#### QUESTION FIVE

a. Kamau argues that insurance cover is available for all risks while Otieno believes otherwise. Critically evaluate this statement

(7mks)

b. Write short note on the following:-

- |                        |           |
|------------------------|-----------|
| I. Immediate annuity   | (2 Marks) |
| II. Deferred annuity   | (2 Marks) |
| III. Annuity certain   | (2 Marks) |
| IV. Guaranteed annuity | (2 Marks) |

#### QUESTION SIX

a. Because of the increasing pressure to effectively manage risks, most organizations today have created the risk management department. Discuss the major functions of a risk manager in a manufacturing organization. (7 Marks)

b. The life assurance contract has certain elements that differentiate it from other types of insurance contracts. Discuss these elements. (8 Marks)