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**University Examinations 2016/2017**

FIRSTYEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE, PURCHASING AND SUPPLIES MANAGEMENT

SECOND YEAR FIRST SEMESTER BACHELOR OF ACTURIAL SCIENCE,PURCHASING

AND SUPPLIES MANAGEMENT

THIRD YEAR FIRST SEMESTER BACHELOR OF PURCHASING &SUPPLIES

MANAGEMENT, BACHELOR OF COMMERCE

**BFB 3150: INSURANCE AND RISK MANAGEMENT**

**DATE: DECEMBER 2016 TIME: 2HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. Using relevant examples, distinguish between physical and moral hazards (6 marks)
2. Describe any five particular situations or events in an organization that may give rise to strategic risks (10 marks)
3. Describe any five methods of risk reporting highlighting the inherent challenges to risk communication (10 marks)
4. Discuss any four ways that ownership of policy and their benefits in life insurance can be transferred (4 marks)

**QUESTION TWO (20 MARKS)**

1. Insurance management is about indemnifying the insured should the need arise. Identify the circumstances under which an insured person may not be indemnified (10 marks)
2. Describe the key functions of the Insurance Regulatory Authority of Kenya (5 marks)
3. Explain the difference between an insurance broker and insurance agent (5 marks)

**QUESTION THREE (20 MARKS)**

1. Describe the four ways ownership of policy and their benefits can be transferred

(10 marks)

1. Underwriting is the engine of the insurance industry. Describe the critical roles of the insurance underwriters (5 marks)
2. Explain the meaning of the term “risk appetite”, using a relevant illustration (5 marks)

**QUESTION FOUR (20 MARKS)**

1. Utmost Good Faith Principle (Doctrine of Uberimae) requires some facts be disclosed in insurance regarding risks whereas others need not be. Explain this statement using relevant examples (15 marks)
2. Differentiate between private and social costs as far as risk management is concerned

(5 marks)

**QUESTION FIVE (20 MARKS)**

1. Describe any five methods a business can apply in efforts to self-insure and highlight advantages and disadvantages of self-insurance (10 marks)
2. Describe the procedure a fire victim will use to lodge an insurance claim highlight the critical assumptions (5 marks)
3. Show the relationship between a peril and a hazard in risk management (5 marks)