



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**THIRD YEAR SECOND SEMESTER EXAMINATION FOR THE
DEGREE OF BACHELOR OF SCIENCE IN AGRIBUSINESS
MANAGEMENT WITH INFORMATION TECHNOLOGY**

MAIN CAMPUS

AAB 307: RISK AND INSURANCE

Date: 13th June, 2017

Time: 3.30 - 6.30pm

INSTRUCTIONS:

- Answer Question ONE and any other THREE



Instructions:

Answer question one and any other three questions

Question 1

- a) Explain the main characteristics of insurance (5 marks)
- b) Outline the various methods of handling risk (5 marks)
- c) Describe the distinguishing features of insurance contract (5 marks)
- d) Explain what is required for a risk to be considered an insurable risk (5 marks)
- e) Explain the benefits and costs of insurance (5 marks)

Question 2

- a) Explain the various techniques for risk identification (5 marks)
- b) Describe the steps to be followed in conducting a hazard and operability study (HAZOP) (5 marks)
- c) Explain three main purposes served by a risk register (5 marks)

Question 3

- a) Explain the objective of risk management both before and after a loss occurs (6 marks)
- b) Explain the steps in risk management process (4 marks)
- c) The distribution of fire damage to the warehouse belonging to Company X is shown below:

Amount in Kshs.	Probability
0	0.6
30000	0.2
50000	0.1
80000	0.08
100000	0.01
150000	0.01

It is the policy of company to insure fire risks if premium charged does not exceed 10 % of expected loss, otherwise the risk is retained.

- (i). As a risk manager advice the company on the course of action with regard to fire risks if costs for fire insurance is Ksh.5000 (3 marks)
- (ii). What is the probability of losses exceeding Ksh.80,000 (2 marks)

Question 4

- a) Explain the consideration that affects choice between retention and transfer of risk (5 marks)
- b) Consider two vehicles A and B. A is a petrol transport tanker with probability of fire of 0.05 and B is a diesel transport tanker where the probability is 0.02, the vehicles are always transporting fuel together that if one catches fire, there is 85% chance that the other one will burn as well. Determine the probability that A starts fire and spreads it to B (10 marks)

Question 5

- a) Discuss the roles of government in risk management (5 marks)
- b) Explain the various parts of an insurance contract (5 marks)
- c) Explain the principles of insurance (5 marks)