

**W1-2-60-1-6**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

# **UNIVERSITY EXAMINATIONS 2014/2015**

**SPECIAL/SUPPLEMENTARY FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE / SECOND YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SUPPLY CHAIN MANAGEMENT / YEAR THREE SEMESTER ONE EXAMINATION FOR THE DEGREE OF BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT**

**HBC 2118/HPS 2304 : RISK MANAGEMENT AND INSURANCE**

**DATE: AUGUST 2014 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE [COMPULSORY] AND ANY OTHER TWO QUESTIONS**

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**QUESTION ONE [30 MARKS]**

1. Identify the main factors considered in determination on insurance premiums. [10 marks]
2. Discuss the socio-economic role of insurance in society [10 marks]
3. Discuss the common forms of risk transfer. [5 marks]
4. Discuss the methods of paying for losses in case of risk retention. [5 marks]

**QUESTION TWO [20 MARKS]**

1. Discuss the main justification for state regulation of insurance. [10 marks]
2. Discuss the economic role of insurance in society today. [10 marks]

**QUESTION THREE [20 MARKS]**

1. Self-insurance is a risk management strategy where an eligible risk is retained, but some fund is set aside to compensate for the potential future losses. Discuss the disadvantages of self-insurance. [12 marks]
2. Distinguish between
3. Fundamental risk and particular risk
4. Business risk and inflation risks
5. Physical hazard and moral hazard
6. Project risk and re-investment risk. [8 marks]

**QUESTION FOUR [20 MARKS]**

1. “Risk management may be pursued to fulfill several objectives”. Discuss. [10 marks]
2. Discuss the main methods of settlement of insurance claims. [10 marks]

**QUESTION FIVE [20 MARKS]**

1. Explain common forms of political risk that a modern organization is exposed to. [10 marks]
2. Explain the benefits of risk management to a modern organization. [10 marks]