

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

## JOMO KENYATTA UNIVERSITY

**OF AGRICULTURE AND TECHNOLOGY**

# University Examinations 2016/2017

**STAGE IV EXAMINATIONS FOR THE DIPLOMA IN BUSINESS ADMINISTRATION**

**HCB 0207: INSURANCE AND RISK MANAGEMENT**

**DATE: APRIL 2017 TIME: 1.5 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

a) i) Define and explain the meaning of risk as used in insurance business (2 marks)

ii) Risk may be classified in many ways but there are certain distinctions that are particularly important. In light of this statement discuss in details the four classes of risk (8 marks)

b) i) Discuss any four consequences of poor risk management

(4 marks)

ii) Explain what is meant by the term independent liability (1 mark)

iii) A property is insured with companies ‘A’ and ‘B’ for sh 6500 and sh 2000 respectively. With both policies subject to average. If the value of the property is sh 6500, calculate A and B independent liabilities and the total contribution payable to the policy holder in the event of a loss of sh 1000 (5 marks)

c) i) Define and explain the meaning of insurance (2 marks)

ii) Explain in detail four essentials of an insurance contract

(8 marks)

**QUESTION TWO (15 MARKS)**

a) Discuss in detail five distinguishing features of an insurance contract (10 marks)

b) Identify five benefits of insurance as a risk transfer mechanism

(5 marks)

**QUESTION THREE (15 MARKS)**

a) Ekai argues that insurance cover is available for all classes of risk whole Omondi believes otherwise. Discuss this statement with specific reference the characteristics of insurable risk (10 marks)

b) Discuss the meaning and four roles of Re-insurance (5 marks)

**QUESTION FOUR (15 MARKS)**

a) Discuss the following principles governing the practice of insurance;

i) Indemnity

ii) Mitigation of loss

iii) Insurable interest

iv) Causa proxima (proximate cause)

v) Utmost good faith (10 marks)

b) Explain five circumstances under which an insurer may pay less than indemnity (5 marks)

**QUESTION FIVE (15 MARKS)**

a) Discuss any five fundamental insurance regulatory objectives played by the insurance regulatory authority (IRA) in Kenya (10 marks)

b) Give any five challenges facing the insurance industry in Kenya

(5 marks)