

**UNIVERSITY EXAMINATIONS 2014/2015**

**EXAMINATION FOR THE BACHELOR OF BUSINESS ADMINISTRATION AND MANAGEMENT**

**BBAM 203: INSURANCE AND RISK MANAGEMENT**

**DATE: APRIL 2015 TIME: 2HRS**

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

**QUESTION ONE (30 MKS)**

1. Using relevant examples for each, clearly distinguish between pure risk and speculative risk (4 marks)
2. Briefly explain any four relationships between persons and property that would give rise to insurable interest (8 marks)
3. The principle of indemnity aims at restoring the insured to the same financial position he/she was immediately before the loss. However at times the insured may appear to get more than indemnity, explain why (6marks)
4. For risk to be insurable it must be fortuitous, yet insurance do provide cover against death which is certain. Explain why this is so (3marks)
5. Give two advantages and two disadvantages of Hazard and Operability(HAZOP) Studies as a risk identification technique (4marks)
6. In your view, why is the risk management statement prepared (2marks)
7. Explain what material facts are and give two examples of such facts in motor insurance

(3 marks)

**QUESTION TWO (20MKS)**

1. Critically examine the challenges faced by insurance companies in Kenya (10marks)
2. Ifuoma insured herself for Ksh 500,000 with three insurers A, B and C.Supposing she suffer loss of Ksh 300,000.How much will each insurer pay and why (4 marks)
3. Discuss any four methods of providing indemnity showing the suitability of each (6marks)

**QUESTION THREE (20MKS)**

1. The risk management department plays various roles in an organization so. Discuss the specific functions of a risk management department (10marks)
2. Briefly explain five forms of term assurance (10 marks)

**QUESTION FOUR (20MKS)**

1. Assume you are the risk manager of Jasho group of companies. What factors would you consider while coming up with a risk management report (10marks)
2. Explain each of the following as used in insurance:
3. *Uberimae fide* (2marks)
4. *Causa proxima* (2marks)
5. Law of large numbers (2marks)
6. Mortality curve (2marks)
7. Subrogation (2marks)