



*(The University of Choice)*

**MASINDEMULIROUNIVERSITY OF  
SCIENCE AND TECHNOLOGY  
KISUMU CAMPUS**

**EXAMINATIONS  
2015/2016 ACADEMIC YEAR**

**FIRST YEAR SECOND SEMESTER EXAMINATIONS**

**FOR DEGREE  
IN  
BACHELOR OF COMMERCE**

**COURSE CODE:                   BCB 210**

**COURSE TITLE:                PRINCIPLES OF INSURANCE AND RISK  
MANAGEMENT**

**DATE: SEPTEMBER 2016        TIME: 2 HOURS**

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**INSTRUCTIONS TO CANDIDATES**

Answer question **One** and any other **Two** questions

### **QUESTION ONE**

During the Identify Risks process for Company X, as a manager you have invited 18 participants for a brainstorming session. You've divided the participants into groups for you to have an effective brainstorming session. But first you have a task of giving a summary on the following: peril, hazard and risk.

#### **a) Required**

- i. With relevant examples distinguish between a risk and peril (4marks).
- ii. Discuss types of hazards giving an example for each (8marks).
- iii. Explain the techniques they can use in risk identification to ensure that all the risks facing the Company are identified (10 marks).

b) Insurance like most industries provide benefits and costs to society. State any four such benefits and costs. (8marks)

### **QUESTION TWO**

Insurers normally insure only pure risks, but not all pure risks are insurable, certain requirements must be fulfilled before a pure risk can be insured. Discuss five requirements for insurable risk (10mks)

John wants to effect insurance cover but has not seen a policy document before. He has approached you to advise him on the main components of the policy document. Advise him appropriately. (10 marks)

### **QUESTION THREE**

A policy may stipulate that losses are to be reimbursed only in excess of a stated threshold amount, called a deductible. For example, consider insurance that covers a loss resulting from an accident but includes a 500 deductible. If the loss is less than 500 the insurer will not pay anything to the policyholder. On the other hand, if the loss is more than 500, the insurer will pay for the loss in excess of the deductible. In other words, if the loss is 2000, the insurer will pay 1500.

a)

- i. Explain three Reasons for deductibles (3marks)
- ii. Highlight that importance of risk management philosophies (5marks)

b) With examples clearly explain any four principles of insurance (12marks)

#### **QUESTION FOUR**

Michael Onyango has been working as a volunteer in one of the NGOs. Recently he secured a permanent job in a mega construction company as a risk manager. He was tasked to identify the risks facing the company and advise the top management on how to handle those risks.

Required;

- i. Briefly elaborate his role as a risk manager (5marks)
- ii. Highlight the challenges facing Kenya's insurance industry (5 marks)
- iii. Explain FIVE possible methods of handling risk that ONYANGO can explain to the top Management so that they can make an informed decision on the issue. (10 marks)

#### **QUESTION FIVE**

Government plays a key role in risk management. Explain reasons to why Government agencies are involved in loss control. (10mks)

Briefly discuss steps in the risk management process (10mks)

