



The Co-operative University College of Kenya
(A Constituent College of Jomo Kenyatta University of Agriculture & Technology)

END OF SEMESTER EXAMINATION APRIL-2016

EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE (YR IV)
SEM I

UNIT CODE: HBC 2109

UNIT TITLE: RISK MANAGEMENT & INSURANCE

DATE: 29TH APRIL, 2016

TIME: 9.00 A.M. – 11. 00 A.M.

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) State FIVE functions of a risk manager besides purchasing of the appropriate insurance. (10 marks)
- (b) Distinguish between the following sets of terms
- i. Adverse selection and moral hazards (3 marks)
 - ii. Coinsurance and reinsurance (3 marks)
 - iii. Risk reduction and risk transfer (3 marks)
- (c) You are the head of risk management for all well known five star hotel operating across the Africa, with presence in all capital cities. State and explain any SIX possible risks that the hotel is most likely facing (6 marks)
- (d) Outline the criteria for determining existence of insurable interest. (5 marks)

QUESTION TWO

- (a) State and explain FOUR limitations of risk management (8 marks)
- (b) Write descriptive notes on the following:
- i. Deferred annuities (4 marks)
 - ii. Temporary annuities (4 marks)
 - iii. Survivor annuities (4 marks)

QUESTION THREE

- (a) The principle of indemnity is unique to general insurance. Explain FOUR different methods of providing indemnity. (8 marks)
- (b) Discuss FOUR violations of the principle of utmost good faith. (8 marks)
- (c) State and explain FOUR elements and may vitiate an insurance contract. (4 marks)

QUESTION FOUR

- (a) Explain FIVE factors that may have prompted car insurers to hike the insurance premium from about 4% to 7% in Kenya (10 marks)
- (b) Describe FIVE ways by which an insurance contract may be discharged. (10 marks)

QUESTION FIVE

- (a) Explain any FIVE risk mitigation strategies that banks may adopt in dealing with ever increasing cases of fraud and robbery. (10 marks)
- (b) Recently, the Association of Kenya Insurers introduced an Information System Dubbed Integrated Motor Insurance Data System (IMIDS). Outline FIVE benefits of IMIDS to insurers. (10 marks)