



**ALUPE UNIVERSITY  
COLLEGE**  
*... Bastion of Knowledge...*

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**OFFICE OF THE DEPUTY PRINCIPAL**

**ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS**

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## **UNIVERSITY EXAMINATIONS**

### **2018 /2019 ACADEMIC YEAR**

**SECOND YEAR SECOND SEMESTER REGULAR  
EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF ARTS IN  
ECONOMICS**

**COURSE CODE: BBM 225**

**COURSE TITLE: INSURANCE AND RISK MANAGEMENT**

**DATE:25/04/2019**

**TIME:9.00AM-12.00PM**

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### **INSTRUCTION TO CANDIDATES**

- **SEE INSIDE**

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## INSTRUCTIONS TO CANDIDATES

- Answer Question **ONE** and any other **TWO** questions
- Question **ONE** carries 30 marks and the rest carry 20marks each.
- Time allowed: 3 hours

### Question ONE

- a) Alupe Enterprises is a company that deals with timber and timber products. In the six years that the company has been in operation, numerous accidents have occurred leading to losses and injuries to staff. Management has not been happy about this and wants the situation immediately addressed. You have been newly appointed as the Risk Manager of Alupe Enterprises. The management is seeking your advice as to how to proceed to reverse this alarming trend. Prepare a board paper to be presented to management outlining your proposed approach to the issue. (10 marks)
- b) The life assurance contract has certain elements that set it apart from other types of contract. Exhaustively discuss these elements. (10 marks)
- c) Insurance has a great impact on the socio-economic development of any nation. Outline the contribution of insurance to the Kenyan economy and its society. (10marks)



## **Question TWO**

- a) Exhaustively discuss the principle of indemnity with regard to its meaning, how it is assessed, and how insurers indemnify insured's when a claim occurs. (10 marks)
- b) Insurers generally prescribe several remedies for bad physical hazards. Briefly outline the specific remedies that may be used. (10 marks)

## **Question THREE**

- a) Define risk and discuss four various ways in which risk can be dealt with in a business enterprise. (10marks)
- b) The premium is the financial consideration borne by the insured in consideration for the promise of indemnity undertaken the insurer in the event of a risk operating. Discuss five factors generally taken into consideration in arriving at a suitable premium rate to charge to policy holders. (10 marks)

## **Question FOUR**

- a) Discuss how disputes may arise from a claim and suggest ways of resolving such disputes. (10 marks)
- b) Discuss insurable interest with regard to its essential features, how it may arise and when it must exist in the various classes of insurance. (10marks)

## **Question FIVE**

- a) Mr. Etyang, the proprietor of Busia Electronics, had his shop broken into and goods worth millions of shillings stolen. He had taken a burglary

policy with Mambo Leo insurance Company Limited and the policy was in effect at the time of loss. He presented his claim to the insurer but it was declined on account of breach of utmost good faith at the time of proposal. As his insurer's broker, advise Mr. Etyang on the possible specific reasons the insurer could have declined the claim. What options are left to the insurer in the event of such a breach? (10 marks)

b) Discuss the motor insurance covers provided in the Kenyan insurance market (10 marks)

