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UNIVERSITY REGULAR EXAMINATIONS

2ND SEMESTER, 2012 2013 ACADEMIC YEAR

FOR THE DEGREE OF BACHELOR

BUSINESS MANAGEMENT

COURSE CODE: BBM 210

COURSE TITLE: RISK & INSURANCE MANAGEMENT

DATE: 20th August, 2013   **TIME:** 9.00 am – 12 noon

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Instructions to Candidates

- Answer Question **One** and any other **Two** Questions

QUESTION ONE

a) Define risk and discuss any 3 classifications of risk.   (8 marks)

b) What is re-insurance, and what are the advantages of re-insurance?   (10 marks)

c) Everyday life is concerned with decision making that involve risk. Discuss   the factors which are considered by individuals before making risk financing decisions   (8 marks)

d) Discuss   the ways in which risk is shared under reinsurance agreements in the field   of property and liability insurance   (4 marks)

QUESTION TWO

a) What are the elements of a valid insurance contract?   (10 marks)

b) Using examples, explain the risk management process   (10 marks)

QUESTION THREE

a) You are the financial manager of Mfungututi Metal Works Limited that deals with fabrication and construction of steel doors and other steel appliances. You have been tasked to come up with risk management   policy statement.   What would characterize the risk management policy statement?   (12 marks)

b) Explain any FOUR cannons of insurance   (8 marks)

QUESTON FOUR

a) Discuss the various methods of handling risk (10 marks)

b) With relevant examples, explain the following types of re-insurance:

    i.   Facultative Re-insurance (5 marks)

    ii.   Automatic Treaty (5 marks)

QUESTION FIVE

a) Explain the principle of subrogation as used in insurance. What does the principle seek to entrench and what exceptions lie in this principle of insurance (8 marks)

i.   Concept of misrepresentation (2 marks)

ii. Representation (2 marks)

iii. Warranties (2 marks)