



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF BUSINESS ADMINISTRATION

UNIVERSITY EXAMINATION FOR:

BACHELOR OF COMMERCE II/BACHELOR OF BUSINESS

ADMINISTRATION II

BMS 4202: RISK MANAGEMENT AND INSURANCE

END OF SEMESTER EXAMINATION

SERIES: DECEMBER 2016

TIME: 2 HOURS

DATE: 6 Dec 2016

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attempt question ONE (Compulsory) and any other TWO questions.

Do not write on the question paper.

Question ONE (Compulsory)

Mr. Fitzgerald Kahn, a retiree from Norway has been a frequent tourist to Africa and has had several girlfriends in the 5 Eastern African countries. As a result he has successfully organized for separate civil marriages with 6 of his girlfriends: 2 marriages being in Kenya and 1 in each of the other countries. He unfortunately lost (through death) one of his wives in Kenya four years ago, after which he succeeded to launch a life assurance compensation claim with a local insurer. A year later, he again unfortunately lost another of his wives in Burundi (under unclear and mysterious circumstances) and consequently and successfully been indemnified by a local insurer in that country. He has a current court case for launching another life assurance compensation claim in Kenya following the sudden passing away of the other wife in Kenya. Cross-border shared insurance investigations have revealed the details of his marriages. This has raised concerns as to whether he should be indemnified or not.

Questions

- a) Did Mr. Fitzgerald have insurable interest in each of his wives? Explain (5 marks).
- b) Assuming that the deaths of the wives were criminal cases involving him, is he justified to be indemnified? Justify your answer (10 marks).
- c) In the above case, what would be the essentials of insurable interest? (10 marks).
- d) In what way would the Insurance Regulatory Authority (IRA) in Kenya assist in dealing with the above immoral and illegal acts? (5 marks).

Question TWO

- a) Not all risks are insurable. Discuss. (12 marks).
- b) Explain the major categories of liability insurance products available in the local Kenyan market. Illustrate with examples (8 marks).

Question THREE

- a) The members of a certain extended family have decided to set up a family fund to cater burial and benevolent expenses for their members who happen to suffer loss of beloved ones. Advise the family members on the laws that govern the operation of such a scheme and how those laws apply. (10 marks).
- b) What could be the possible disadvantages of such a scheme? (10 marks).

Question FOUR

- a) Explain the ways in which terrorism has negatively affected the insurance sector in Kenya (12 marks).
- b) What are the essentials of contribution principle in insurance? (8 marks).

Question FIVE

- a) Explain the role played by proposal forms in the process of insurance. (8 marks).
- b) Services are intangible and as such it is difficult to identify the risks in service organizations. Do you agree? Explain. (12 marks).