TECHNICAL UNIVERSITY OF MOMBASA

School of Business

Department of Business Administration

ORDINARY UNIVERSITY EXAMINATION FOR:

BACHELOR OF BUSINESS ADMINISTRATION

BACHELOR OF COMMERCE

BACHELOR OF BUSINESS AND OFFICE MANAGEMENT

BMS 4202: RISK MANAGEMENT AND INSURANCE

SERIES: APRIL 2025

TIME:2HOURS

DATE: 9 May2025

Instructions to Candidates
You should have the following for this examination
-Answer Booklet, examination pass, and student ID
This paper consists of five questions. Attemptquestion ONE (Compulsory) and any other TWO questions.
Do not write on the question paper.

Question ONE

a) Define the key elements that make insurable interest a core principle of insurance. (8 marks)

b) Explain the exceptions to the principle of indemnity. (8 marks)

c) With the rise in COVID-19 and terrorism risks, people are more interested in insurance coverage. Describe six characteristics of insurable risk that insurers consider before offering coverage for these risks. (6 marks)

d) Classify the following as either a peril or a hazard: earthquake, house location, speed bumps, illness, worry, and a careless act. (6 marks)

e) Explain the purpose of a proposal form in insurance. (2 marks)

Question TWO

a) Describe the benefits that insurance offers to society. (8 marks)

b) Outline methods an individual can use to manage risk. (8 marks)

c) XYZ Power and Lighting insured its Ksh 6 billion property with three insurers: A, B, and C, who took 60%, 30%, and 10% respectively, at a 1.75 per mile premium rate. After a minor fire incident causing Ksh 1 million in damages, XYZ approached lead insurer A to handle the claim.

i) Identify the principle illustrated in this case. (2 marks)

ii) Explain how company A would manage the claim. (2 marks)

Question THREE

a) Describe the components of an insurance policy document and their importance. (8 marks)

b) Outline six types of insurance products that the Technical University of Mombasa could consider purchasing. (6 marks)

c) Classify risks into their main categories. (6 marks)

Question FOUR

a) Explain why insurance companies participate in reinsurance. (10 marks)

b) Discuss the phrase "Risk is the salt and sugar of life," including the burden or cost of risk. (10 marks)

Question FIVE

a) Describe five key principles of insurance. (10 marks)

b) Explain five roles of the Insurance Regulatory Authority. (10 marks)