



GARISSA UNIVERSITY

**UNIVERSITY EXAMINATION 2017/2018 ACADEMIC YEAR TWO
FIRST SEMESTER EXAMINATION**

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 230

COURSE TITLE: INTRODUCTION TO RISK AND INSURANCE

EXAMINATION DURATION: 3 HOURS

DATE: 07/12/17

TIME: 2.00-5.00 PM

INSTRUCTION TO CANDIDATES

- The examination has SIX (6) questions
- Question ONE (1) is COMPULSORY
- Choose any other THREE (3) questions from the remaining FIVE (5) questions
- Use sketch diagrams to illustrate your answer whenever necessary
- Do not carry mobile phones or any other written materials in examination room
- Do not write on this paper

This paper consists of THREE (3) printed pages

please turn over



QUESTION ONE (COMPULSORY)

- (a) What is meant by the term risk [2 marks]
- (b) Discuss the levels of risk that exist in the contemporary business environment [8 marks]
- (c) Explain why insurance is the most superior way of dealing with risk [5 marks]
- (d) Highlight some of the desirable traits that an insurance officer should possess. [5 marks]
- (e) Give a comprehensive distinction between general insurance and life assurance. [5 marks]

QUESTION TWO

- (a) Explain the following concepts, giving examples.
 - i. Excess fee [3 marks]
 - ii. Financial pool [3 marks]
 - iii. Insurance contract [3 marks]
 - iv. under writing [3 marks]
 - v. policy document [3 marks]

QUESTION THREE

- (a) Highlight five principles of insurance. [10 marks]
- (b) Explain main categories of insurance companies. [5 marks]

QUESTION FOUR

- (a) Fill out the blank spaces in the following risk register [5 marks]

Table 1 a Simple Risk Register

Risk element	Likelihood value	Impact value	Weighting of hazard
Front gate not available in chosen design	9	0.01	
Earthquake	0.01	10	
Heavy snow	3	3	
Heavy rain	6	2	
flood	7	3	

- (b) Briefly discuss five methods of handling risk. [10 marks]



QUESTION FIVE

- (a) What is meant by the term law of contract [3 marks]
- (b) Discuss the essentials of the law of contract in insurance [12 marks]

QUESTION SIX

- (a) Describe the insurance regulatory authority and give its significance in Kenya [5 marks]
- (b) Comprehensively discuss the role of government in insurance [10 marks]

