Scott Christian UNIVERSITY

A Dynamic Centre of Academic Excellence

SCHOOL OF EDUCATON

MGT 211: INTRODUCTION TO RISK & INSURANCE

FINAL EXAMINATION

SEPTEMBER - DECEMBER SEMESTER 2022 / 2023

TIME: 2HOURS.

INSTRUCTIONS: ANSWER QUESTION ONE IN SECTION A AND ANY OTHER TWO QUESTIONS IN SECTION B

SECTION A

QUESTION ONE (30 MARKS)

a) Insurance is said to be a unique contract as compared to other commercial contracts. In your own words, describe any **three** known special insurance contracts that can justify this allegations. **(9 Marks)**

b) Insurance law has many definitions and terms that are used in the insurance industry. Briefly distinguish the following terms as used in insurance

(i) Risk **(2 Marks)**

(ii) Hazard **(2 Marks)**

(iii) Peril **(2 Marks)**

c) Insurance mechanism operates with the law of numbers, popularly known as " tyranny of numbers". It is understood that for one to initiate and operate an insurance system, the issue of numbers is a big factor where large numbers of potential losers come together and contribute to a pool in order to compensate for the affected. Bearing in mind how insurance mechanism operates, you are required to:

(i) Describe the process of taking up an insurance policy **(9 Marks)**

(ii) During the year 2015, A Ltd suffered a loss from a fire. Calculate amount payable as compensation from the following details contained in its insurance cover.

Actual value of property	: Ksh 200, 000	
Sum insured	: Ksh 150, 000	
Loss assessed	: Ksh 100, 000	**(6 Marks)**

SECTION B: ANSWER ANY TWO QUESTIONS FROM THIS SECTION

QUESTION TWO (15 MARKS)

According to Kenya's insurance industry report, insurance is one of the major financial industries in the country. Due to this industry, there has been tremendous growth in all facets of the economy. As a student of introduction to risk and insurance, you are required to:

a) Briefly explain **three** types of business insurance in Kenya **(6 Marks)**
b) Discuss any **three** economic and social significance of insurance industry in Kenya **(9 Marks)**

QUESTION THREE (15 MARKS)

A contract of fire insurance is a contract whereby the insurer undertakes, in consideration of the premium paid to make good of any loss or damage caused by fire during a specified period. Recently, fire episodes have been common and has had devastating effects in our slum areas. In an effort to make this risk of fire to be understood by management in Kenya:

a) Explain any **five** characteristics of fire Insurance Contract **(10 Marks)**
b) Explain briefly how hazards in fire risks can be reduced **(5 Marks)**

QUESTION FOUR (15 MARKS)

Insurance and wagering are two conflicting concepts. Many a times insurance is seen as wagering, hence discourages potential clients for insurance business. With this in mind, briefly:

a) Discuss **five** differences between insurance and wagering **(5 Marks)**
b) Highlight the Nature of Contract of Insurance in order to justify or conquer the similarities between insurance and wagering. **(10 Marks)**

QUESTION FIVE (15 MARKS)

a) State and explain **five** principles of insurance **(5 Marks)**
b) Discuss the steps of risk management process of any company of your choice in Kenya **(10 Marks)**