

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FIRST YEAR EXAMINATION FOR THE AWARD OF MASTER OF

MSCF 861: GENERAL INSURANCE AND RISK ANALYSIS

STREAMS: MSCF (Y1S1)

TIME: 3 HOURS

DAY/DATE: WEDNESDAY 07/04/2021

8.30 A.M. – 11.30 A.M.

INSTRUCTIONS

- *Answer all questions.*
- *Do not write on the question paper*

Question one

(a) Insurance is not to prevent risk, but to indemnify the losses arising from certain risk.

Explain (5 marks)

(b) Explain the assumptions underlying insurance premium rate calculations (10 marks)

Explain the distinctive features of

- (i) ABC manufacturing limited has been experiencing risk incidents despite installing an accident prevention programme. The following loss data was obtained from the company.

	Risk	Consequence	Exposure	Probability
1.	Fire risk	Death incidents	Once a year	10%
2.	Theft risk	Multiple injury	Every month	30%
3.	Terrorism risk	Very serious incidents	Every week	60%
4.	Accident risk	Serious injury incidents	Every day	80%
5.	Vandalism risk	Minor injuries	Every hour	100%

Required:

Calculated the risk relevance factor for each risk and advice the company appropriately

(10

marks)

QUESTION TWO (25 MARKS)

(a) Evaluate the relevance of ruin theory in protecting solvency risk for insurance.(15 marks)

(b) XYZ overall enterprises risk management costs are given below (in Ksh)

Risk management programmes	Cost to fix or remove	Amount of fix or removal
Theft risk programme	40,000	100%
Employee safety programme	80,000	40%

Calculate the cost justification factor for each risk management programme and advice XYZ appropriately. (10 marks)

QUESTION THREE (25 MARKS)

(a) The insurance regulatory authority formulated investment regulations for insurance companies in 2013 and subsequently amended them in 2017. Explain the regulations applicable to investment of general insurance business. (10 marks)

(b) Use a diagrammatic representation to explain the phases of hazard analysis in general insurance. (10 marks)

(c) Evaluate two important considerations in hazard evaluation. (5 marks)

QUESTION FOUR (25 MARKS)

(a) The classical risk theory for insurance, describes some of the modern statistical methods that an insurer may employ to mitigate against underwriting risk. Explain (10 marks)

(b) Explain insurance claims settlement practice regulations as per the insurance act CAP 487 of Kenya. (7 marks)

(c) Analyze the claims control provision in a reinsurance contract. (8 marks)