

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION
MBAD 893: INSURANCE AND RISK MANAGEMENT**

STREAMS: MBAD

TIME: 3 HOURS

DAY/DATE: WEDNESDAY 06/12/2017

2.30 P.M. – 5.30 P.M.

INSTRUCTIONS:

- **ANSWER ALL QUESTIONS**
- **DO NOT WRITE ANYTHING ON THE QUESTION PAPER**

QUESTION ONE

- (a) XY limited is a sweet manufacturing company with its operations in Nairobi industrial area. Assume you have been assigned a responsibility of identifying the type of risks the company is exposed to, for purposes of insurance. Explain atleast three types of risks XY Company is likely to face. [9 marks]
- (b) Explain the relationship between risk and insurance. [6 marks]
- (c) Mr. John is a lucky winner of kshs. 1 million from a raffle ticket. He wants to try his luck again in a casino because he has a target of buying a house. John however realizes that there is a risk of losing his money despite the fact that he still has chances of winning. His friend advises him to take insurance to guard against the risk of losing his money in the casino. Explain what type of risk john is facing giving the position as far as insurance is concern. [5 marks]
- (d) Explain how insurance contracts are unique form contracts of sale of goods.[10marks]

QUESTION TWO

- (a) Using relevant examples, discuss the role of insurance in promoting commerce and industry in the Kenyan economy. [12 marks]

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- (b) ABC company ltd effected a fire policy for a sum of kshs. 20,000 on his building which was overlooking a railway. The policy had an extension to cover impact which includes; motor vehicles, trains and any road impact. During the policy period, the train wagon damaged the building whose loss was estimated at kshs. 5000/=. The management of the company filed a claim for the loss with the insurer as they were following the railway company. The insurer settled the claim at kshs. 5,000/= . at the same time, management luckily received kshs. 5,700/= from the railway company. The insurer on learning this is, is seeking to recover the proceeds from ABC company ltd. the company has approached you to advice on whether to comply or not. Supporting your recommendation, advise the management appropriately. [8 marks]

QUESTION THREE

- (a) Citing relevant case laws, describe clearly the essential features of principle of indemnity. [12 marks]
- (b) Discuss any four basic requirements for the formation of a valid insurance contact. [8 marks]

QUESTION FOUR

- (a) Explain the types of covers offered in a motor insurance. [10marks]
- (b) “Although no risk completely meets all ideal requirement of insurable risk, some come closer to meeting them than others. “Explain the ideal requirement of an insurable risk. [10 marks]
- (c) Discuss the risk management process. [10 marks]
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