PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

JANUARY- APRIL 2026

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE:

COURSE TITLE: INSURANCE AND RISK MANAGEMENT

EXAM DATE:

TIME:

INSTRUCTIONS

- This examination script consists of **FIVE (5)** questions.
- Answer question **ONE** and ANY other **THREE** Questions.
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

Question One (compulsory) **(30 marks)**

a. In the recent years, many companies have strategically formed risk management departments to manage all aspects of loss and insurance management. Explain the role of the Risk Management department in an organization. (10 marks)

b. Discuss the essential characteristics of a valid insurance contract (5 marks)

c. Paul Meyer has been working as a volunteer in one of the NGO. Recently he secured a permanent job in a mega construction company as a risk manager. He was tasked it to identify the risks facing the company and advise the top management on how to handle those risks.

Required;

i. Explain his role as a risk manager in the NGO (5marks)

ii. Explain FIVE possible methods of handling risk that Meyer can use to explain to the top Management to enable them make an informed decision on the issue. (10 marks)

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two (10 marks)

Modern business cannot function properly without a risk management function. Discuss (10 marks)

Question Three (10 marks)

a. Stanley's car was involved in a road accident with that of Stacy. Stanley's car was extensively damaged and the police abstract blamed Stacy for the accident. Stanley's Insurer settled his claim of Ksh.600,000.00. Explain the steps Stanley's insurance followed before he was compensated. (6 marks)
b. Discuss **two** functions of the insurance regulatory authority. (example (4 marks)

Question Four (10 marks)

a. **"**Although no risk completely meets all ideal requirements of insurable risk, some come closer to meeting them than others." Explain the ideal requirements of an insurable risk. (5 marks)
b. Discuss why the Media and the labor unions may be interested in how an organization is managing its risks. (5 marks)

Question Five (10 marks)

a. Discuss **three** circumstances under which the principle of uberrimae Fedei does not apply in insurance contract. (6 marks)
b. Government plays a key role in risk management. Explain **four** reasons as to why Government agencies are involved in loss control. (4 marks)