PAC UNIVERSITY

BCM 307: INSURANCE AND RISK MANAGEMENT EXAM ONLINE

DATE: THURSDAY APRIL 2025 TIME: 2.00-5.00P.M.

ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS

QUESTION 1 COMPULSORY (10 MARKS)

Read the case study below and answer the questions that follow.

"The Accidental Fire"

Mr. and Mrs. Smith own a home insured under a standard homeowner's policy. A fire starts in their kitchen due to a faulty toaster, causing significant damage to the kitchen and smoke damage throughout the house. The Smiths file a claim with their insurance company.

(i) Explain **TWO** elements of an insurance contract present in the case study. **(4 Marks)**

(ii) Discuss **TWO** coverages that are provided for by a standard homeowner's insurance policy in this case. **(4 Marks)**

(iii) Explain the principle of indemnity and how it applies to this claim. **(2 Marks)**

QUESTION 2 (10 MARKS)

(a) Discuss **TWO** benefits that are provided for under the Workers' Compensation Laws in Kenya. **(4 Marks)**

(b) Mark was involved in a motor vehicle accident which resulted in the damage of his car. He was also injured in the process. Upon seeking compensation, the insurance company declined. Explain **THREE** reasons that made the insurance company to make that decision. **(6 Marks)**

QUESTION 3 (10 MARKS)

(a) Data from the Insurance Regulatory Authority has shown that there is a low uptake of insurance policies by Kenyans. Discuss **TWO** reasons for this, and for each reason, suggest

what could be done to reverse this trend.
(4 Marks)

(b) Read the case below and answer the questions that follow

"The Unexpected Diagnosis"

Martha, a 41-year-old sales executive, has a health insurance policy through her employer. She's recently been diagnosed with multiple sclerosis (MS), a chronic and potentially debilitating autoimmune disease. Her diagnosis requires ongoing medical treatment, including expensive medications, regular doctor visits, and potentially physical therapy. Martha also has a separate short-term disability insurance policy. She's initially unable to work due to the severity of her symptoms.

(i) Discuss how Martha's health insurance is likely to cover her medical expenses related to multiple sclerosis. **(4 Marks)**

(ii) Explain the role that Martha's short-term disability insurance will play. **(2 Marks)**

QUESTION 4 (10 MARKS)

(a) Beter Insurance Company was recently deregistered by the Insurance Regulatory Authority (IRA). Discuss **TWO** reasons for IRA's decision.
(4 Marks)

(b) Beatrice was approached by an insurance broker who convinced her to purchase a life policy. Explain **THREE** reasons that prompted her to make this decision.
(6 Marks)

QUESTION 5 (10 MARKS)

(a) Rose and Caroline intend to start a joint jewelry business. Advise them on **FOUR** factors that they need to take into consideration before signing up for an insurance cover for their business.
(4 Marks)

(b) An enterprise is seeking a consultant to prepare a risk management document for the organization. As the consultant, recommend to the management any **THREE** risk management approaches that must be in the document.
(6 Marks)

QUESTION 6 (10 MARKS)

(a) Explain **TWO** types of crime insurance policies that a business should consider putting in place. **(4 Marks)**

(b) Francis, the founder and CEO of Bora Construction Company took a disability insurance policy for his company. Explain **THREE** advantages of having this type of policy. **(6 Marks)**

End of Exam