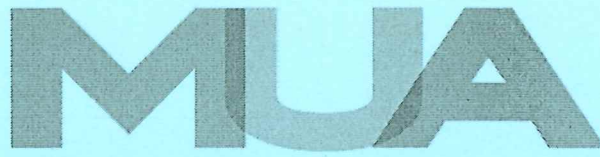


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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**  
**SCHOOL OF MANAGEMENT AND LEADERSHIP**  
**DEGREE OF BACHELOR OF MANAGEMENT OF LEADERSHIP**

**BML 307/BML 402/BCM 225 : RISK AND INSURANCE MANAGEMENT**

**DATE: 21<sup>ST</sup> JULY 2022**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

**QUESTION ONE**

**Read the Case Study below carefully and answer the questions that follow:**

**Medical Insurance In Gambia**

Small as the Gambian insurance industry is, grave unethical practices are gaining ground in that part of West Africa especially in medical insurance policies. It is also noted that despite the high number of insurance fraud cases, many people in Ghana remain uninsured. Insurance clients with medical insurance policies oftentimes connive with hospitals and doctors to make false claims from insurance companies and all effort to curb and stop the practice has not yielded fruitful results.

Medical insurance fraud is charging for a service that was not performed. This is usually done through unbundling of claims, that is, billing separately for procedures that normally are covered by a single fee. An example would be a podiatrist who operates on three toes and submits claims for three separate operations. And double billing: Charging more than once for the same service; Charging for a more complex service than was performed. Insurance companies in the Gambian are only 11 of them yet the market is saturated with bad practices as a result of greed to make profit. Ms. Senor Thomas, managing director of International Insurance Company Ltd told the Vanguard in an interview in Gambia that the company had a claim experience on medical insurance which almost wipe its liquidity save for investment and reserves.

Thomas said the most claims that emanate from medical insurance are false. She explained that medical insurance fraud consists of claims submitted by bogus physicians, billing for services not rendered, billing for higher level of services, diagnosis or treatments that are outside the scope of practice, alterations on claims submissions, and providing services while under suspension or when license have been revoked.

The IIC boss proffered that the market provide for independent medical examinations that could be used to debunk false insurance claims and allow the insurance company or claimant to seek a non-partial medical view for injury related cases. If one takes the combined sum of all fraudulent claims, no matter how big or



small, the business of insurance fraud is costing insurance companies millions of dollars. She said, Medical fraud is prevalent because nearly all parties involved find it favorable in some way. The most common perpetrators of medical insurance fraud are the hospitals. Doctors see it as necessary to provide quality care for their patients. Doctors are often inclined to adopt a kind of fidelity to their patients which can lead to fraudulent practices such as billing insurers for treatments that are not covered by the patient's insurance policy. To do this, physicians will often bill for a service which is covered by the policy, but is not necessarily the service they carried out, she noted.

Mr Frank Kanucheto, Chief executive officer of IGI's Gamstar Insurance, though Gambia the Gambia insurance market has over the years evolved and has come out of its infancy stage but that unethical practices are prevalent in the market. Kanucheto believed strongly that for the Insurance industry in the Gambia to compete globally, the market must be restructured, adding that the restructuring calls for concerted effort by all the players in the market. The test of the Industry's survival in our modern day highly competitive market is dependent more on soundness of its capital, professional hands, technology, ability, strength, adaptability and responsiveness to risk. I hope to see the Gambia Insurance Industry among the top league players in the West African sub-region, where every adult within the region has something to do with Insurance. Every risk has adequate cover, and every loss duly compensated but that cannot be achieved without a committed Leadership, organized body, and an effective and efficient Service delivery with a goal of increasing the market shares beyond what is on ground today.

Kanucheto stated, Though Fraud is almost part and parcel of the insurance market. And the consumers who commit the crime range from those justifying the odd false claim with the excuse that insurance companies demand ever escalating premiums from them year on year, so why should they feel guilty claiming some of their hard earned money back, to hard core organized crime they failed to realized that we are offering genuine services to them and at their best interest so such criminalities are not in the own interest at all. Many insurance policies cover a percentage of the



physician's "usual" fee. Some physicians charge insured patients more than uninsured ones but represent to the insurance companies that the higher fee is the usual one and this practice is illegal. It is legal to waive a fee for people with a genuine financial hardship, but it is not legal to provide completely free care or discounts to all patients or to collect only from those who have insurance. Insurance companies provide medical insurance clients with Identity card which they present at hospitals but the same I.D.Card they also give to relations of friends that are not covered yet hospitals passed the bills to insurance companies.

Hospitals make use of a number of terminologies in their bills to insurers such as Mis coding: Using a code number that does not apply to the procedure; Kickbacks: Receiving payment or other benefit for making a referral. Kickbacks can distort medical decision-making, cause overutilization, increase costs, and result in unfair competition by freezing out competitors who are unwilling to pay kickbacks. They can also adversely affect the quality of patient care by encouraging physicians to order services or recommend supplies based on profit rather than the patients' best medical interests. Vanguard investigations revealed that Gambian medical is very minimal, some treatments are unavailable, and emergency services can be unpredictable and unreliable hence travelers are oftentimes advised to carry their own supplies of prescription as well as over-the-counter medicines or treatments.

*Source: Standard Newspaper, Gambia*

**Required;**

- a) From the case study above, there are some people who are not insured in Gambia. Discuss five (5) factors that may affect insurability in Gambia **(10 Marks)**
- b) Describe five (5) disadvantages of insurance as evidenced in various insurance companies in Gambia **(10 Marks)**
- c) Highlight five (5) types of Insurance other than medical insurance that the Government of Gambia can sensitize uptake by its people **(5 Marks)**

**QUESTION TWO**

- a) Explain five (5) types of operational risks that financial institutions are exposed to  
(10 Marks)
- b) Discuss of the following terms as used in risk and insurance management
- i. Credit risk (2.5 Marks)
  - ii. Market risk (2.5 Marks)

**QUESTION THREE**

- a) Illustrate five (5) ways of performing business continuity risk assessment  
(10 Marks)
- b) Describe risk mitigation process (5 Marks)

**QUESTION FOUR**

- a) Describe (5) five components of an insurance contract (10 Marks)
- b) Outline five (5) ways that the Kenyan Government manages risk (5 Marks)

**QUESTION FIVE**

- a) Insurance policies are contracts that provide people with financial security and protection from future uncertainty. Assess five principles of insurance contracts  
(10 Marks)
- b) Highlight five (5) reasons why the principle of contribution is not applicable to life insurance  
(5 Marks)

**QUESTION SIX**

- a) Discuss five (5) key guiding elements of subrogation in insurance (10 Marks)
- b) Differentiate between Contractual subrogation and Statutory subrogation  
(5 Marks)



