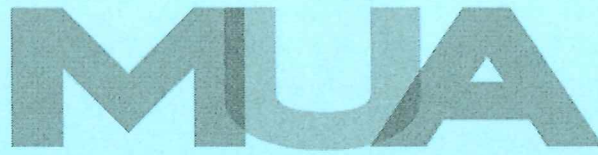


The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

INS 421 : EMERGING ISSUES IN INSURANCE AND RISK MANAGEMENT

DATE: 3RD DECEMBER 2024

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:

REGULATOR SHOCKS 20 KENYAN INSURERS WITH RECORD FINES OVER BREACHES (EXTRACTS)

The insurance regulator has fined 20 insurers a record Sh94.85 million over various breaches, including failure to pay claims, shining a spotlight on the sector that collects billions of shillings from customers with the promise of compensation in case of a loss.

According to the law, an insurer should admit or deny liability, determine the amount, identify the claimant and pay within 90 days. A company can request a 30-day extension but attract a five percent penalty on the unpaid amount.

The Consumers Federation of Kenya (Cofek) in September wrote to the IRA claiming that consumers risked losing over Sh100 billion in the hands of at least 20 insurers it says continue collecting premiums yet have no capacity to pay claims due to their weak capital position. It then sued the regulator.

Complaints against insurers rose for the third straight year to 1,878, surpassing the 1,686 the previous year and 1,637 in 2020, with delayed settlement of claims taking up 63.3 percent.

Half of the fined insurers made it to the list of insurers that registered at least 30 new complaints in the year under review and also formed the top 20 insurers against which insurers filed grievances against, hinting at a direct correlation between IRA penalties and quality of service.

Source: Nation Media Group, Tuesday, January 02, 2024

Required:

- a) Examine five challenges faced by the Kenyan insurance sector showing how each may have been responsible for the menace in the above case. **(10 Marks)**
- b) Describe two measures that have been undertaken in Kenya to address some of the challenges facing the insurance industry. **(5 Marks)**
- c) Assess five roles of reinsurance indicating which of them could have helped to address the concerns raised by the Consumers Federation of Kenya (Cofek) in the above case. **(10 Marks)**

QUESTION TWO

- a) Demonstrate the essence of probabilities in the measurement of risk. (3 Marks)
- b) Assess four risk handling strategies that emanate from the 'risk treatment matrix' clearly showing when the usage of each of the strategies is appropriate.

(12 Marks)

QUESTION THREE

- a) Distinguish between moral hazards and morale hazards citing appropriate examples of each. (6 Marks)
- b) Discuss three pre-loss objectives of a risk management programme showing the importance of each. (9 Marks)

QUESTION FOUR

- a) In insurance marketing, an insurance company may engage independent agents and/or captive agents. Differentiate the two types of agents. (3 Marks)
- b) Assess five benefits of reinsurance that would be forfeited in your society in the absence of reinsurance businesses. (10 Marks)
- c) Explain the role of the rate-making in insurance. (2 Marks)

QUESTION FIVE

- a) In Kenya, motor insurance is compulsory, at least third-party insurance. Examine three adverse financial implications of motor accidents that may be the basis for the compulsory nature of third-party motor insurance. (6 Marks)
- b) Discuss three reasons why the insurance sector of your country should be regulated by a governmental authority. (9 Marks)

QUESTION SIX

- a) Contrast the following classifications of risks giving examples:
- i) Economic risks (3 Marks)
 - ii) Social risks (3 Marks)
- b) Not all claims of insured parties are honoured by insurers. Compose six procedures that have to be followed in a genuine claims process. (9 Marks)

