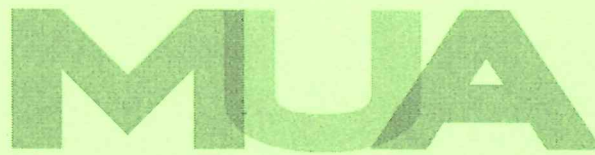


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP/
BACHELOR OF COMMERCE

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

DATE: 6TH AUGUST 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:

RISK AND INSURANCE MANAGEMENT IN KENYA

Kenya, a thriving East African nation, has experienced significant economic growth and development in recent years. With this growth comes an increase in business activities, trade, and investment, accompanied by a proportional rise in risks and uncertainties. As businesses expand their operations, the need for effective risk and insurance management becomes crucial.

Kenya's economy has witnessed impressive growth, driven by sectors such as agriculture, manufacturing, and services. However, alongside this progress, businesses grapple with various risks, including natural disasters, political instability, and economic uncertainties. Insurance plays a vital role in helping organizations navigate these challenges, providing a safety net to mitigate financial losses and sustain operations.

Kenya faces diverse risks that impact businesses across different sectors. For instance, the agricultural sector is susceptible to weather-related risks, such as droughts and floods, affecting crop yields and livelihoods. Political instability and social unrest pose threats to businesses operating in various regions, impacting operations and profitability. Moreover, economic uncertainties, currency fluctuations, and regulatory changes add layers of complexity to the risk landscape.

The insurance sector in Kenya has evolved to meet the growing demand for risk management solutions. The Insurance Regulatory Authority (IRA) plays a pivotal role in overseeing and regulating the industry, ensuring compliance and safeguarding the interests of policyholders. Key players in the insurance market offer a range of products, including property insurance, liability insurance, and specialized coverage tailored to the unique risks faced by businesses.

Despite the availability of insurance products, businesses in Kenya encounter challenges in effectively managing risks. Limited awareness and understanding of insurance products, especially among small and medium enterprises (SMEs), hinder their adoption. Additionally, the affordability of insurance premiums remains a concern for many businesses, especially those operating in highly competitive markets with slim profit margins.

In response to the complex risk landscape, businesses in Kenya are adopting various risk mitigation strategies. Diversification of operations, supply chain optimization, and investment in technology for risk assessment and monitoring are some proactive measures. Collaboration with insurance providers to customize coverage based on specific industry risks is gaining prominence. Businesses are also exploring alternative risk financing mechanisms, such as captives and risk retention groups, to gain more control over their risk management strategies.

Required:

- a) Explain five ways that the insurance industry in Kenya enhance awareness and education about risk management among businesses in order to improve their risk resilience (10 Marks)
- b) Describe five ways that the government can support businesses in accessing affordable insurance solutions in Kenya (10 Marks)
- c) Highlight five innovative risk management and insurance solutions that can be developed to address the unique challenges faced by businesses in Kenya (5 Marks)

QUESTION TWO

- a) Examine five benefits of risk management (10 Marks)
- b) State five key aspects of a risk management program (5 Marks)

QUESTION THREE

- a) Analyze five types of operational risks facing organizations in Kenya (10 Marks)
- b) Assess five disadvantages of composite risk management process (5 Marks)

QUESTION FOUR

- a) Explain five aspects of an indemnity clause (10 Marks)
- b) State five key challenges in the insurance industry in Kenya (5 Marks)

QUESTION FIVE

- a) Describe five principles of an Enterprise Resource Management (ERM) program (10 Marks)
- b) Highlight five ways that businesses effectively identify and prioritize risks (5 Marks)

QUESTION SIX

- a) Describe five roles of principles of indemnity in determining the amount of compensation payable to an insured party after a covered loss **(10 Marks)**
- b) Outline five benefits of education policy **(5 Marks)**