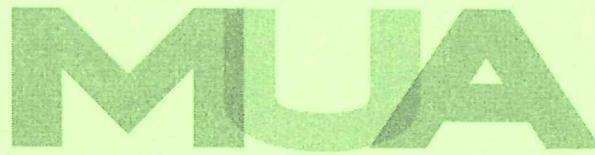


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF COMMERCE

INS 421 : EMERGING ISSUES IN INSURANCE AND RISK MANAGEMENT

DATE: 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:

TECHNOLOGICAL TRANSFORMATIONS: BENEFITS AND CHALLENGES IN THE KENYAN INSURANCE INDUSTRY

Technological transformations have permeated all spheres of life. As the saying goes, 'if you don't change, change will change you'. Some organizations have gone ahead and made it part of their language/slogan that, 'the only constant in this organization is change'. There are too many changes taking place too fast in the contemporary world. There are very many innovations and improvements to technological advancements at a high rate. In Kenya, the Finance Act 2023 has recognized the fact that digital content is a great source of business and individuals' profits and has included it in the tax net. Those using digital platforms for commercial purposes are now required to pay taxes on revenues/profits generated therefrom.

As a result of technology, people can easily be tracked to determine their geographical location at any time as long as they carry their mobile phones along with them. This is made possible by the Global Positioning System (GPS) which is part and parcel of modern telecommunication devices. The GPS has helped a lot in the identification of suspects of criminal activities by tracing their presence in crime scenes. Similar technology has been in use for decades for tracking stolen motor vehicles installed with the car track devices.

In Kenya, some insurance companies have been granting discounts on premiums payable, to motor insurance clients who have fitted their comprehensively insured vehicles with car track devices. Around the year 2010, news spread one day in the Kenyan media stations about a rogue business person who was purportedly offering car tracking services. In one of the leading newspapers, the headline news read; "Is your vehicle safe with this man?" with the car tracker company director's photo being displayed. This elicited a lot of public interest and curiosity. Many calls were made to the company by clients who in testing the validity of the car tracking devices, wanted to be told the exact geographical location of their vehicles. It was

found out that no such car tracking devices had been installed and the company was simply defrauding unsuspecting customers. With current improved technologies, real-time tracking of a person's vehicle is possible even without having to contact the service provider to do it for clients.

With technology, property losses can be minimized and insurance cost can be reduced. Insurance firms can share this benefit with insured clients through reduction of premiums payable. During the year 2023, media news highlighted the case of a motor cycle dealer company that sells motor cycles and offers customers with the incentive of a warranty to issue a free replacement motor cycle to the customer in case the purchased motor cycle is stolen. Many motor cycles that were reported to have been stolen were actually found either with the same owners or with their close associates. Moveable properties such as motor vehicles, motor cycles as well as portable equipment like laptop computers, mobile phones etc. can easily be tracked using Global Positioning System (GPS). The Kenya Wildlife Service (KWS) uses the technology to track wild animals and to conduct their census. Even livestock are tracked by their owners from far locations for monitoring purposes but the same is also useful for insurance purposes.

Digitization has revolutionized the insurance industry as it has done other sectors. It is nowadays possible to acquire insurance cover online through computers, mobile phones and other devices. It is possible to pay premiums online or through mobile money transfers. The insurance cover certificate is then sent through e-mail or WhatsApp. The internet in its varying forms is a great tool for marketing of business products and services. Insurance companies easily advertise their offerings through their websites and through communications via social media and other digital means. Threats of hacking and other cybercrimes are also rampant in businesses transacted over the internet.

Required:

- a) Examine five benefits of digital technology in the Kenyan insurance industry based on issues highlighted in the above case and other similar issues encountered in real life.

(10 Marks)

- b) Assess four challenges facing the insurance industry as a result of technological advancements using facts presented in the case and other relevant sources. (6 Marks)
- c) Using some matters raised in the case involving unscrupulous service providers and dishonest clients as a guide, justify six reasons for the importance of regulation of the insurance industry in Kenya by the Insurance Regulatory Authority (IRA). (9 Marks)

QUESTION TWO

- a) Describe three kinds of perils covered under marine insurance. (3 Marks)
- b) 'Not all risks can be insured'. In support of this statement, present six 'requisites of insurability' of risks citing examples. (12 Marks)

QUESTION THREE

- a) Demonstrate the roles of 'risk management manual' in modern business firms. (5 Marks)
- b) Based on observations and practices in your society, apply six categories of risks that face businesses and individuals. (10 Marks)

QUESTION FOUR

- a) Using appropriate examples drawn from varying classes of insurance, demonstrate three categories of hazards. (6 Marks)
- b) Compose six typical procedures involved in the 'claims process' showing the significance of each. (9 Marks)

QUESTION FIVE

- a) Differentiate between 'captive agent' and 'independent agent' as used in the marketing of insurance services. **(3 Marks)**
- b) Design four risk handling techniques using a well labelled diagram of the 'risk treatment matrix'. **(4 Marks)**
- c) Using the 'risk treatment matrix' in (b) above, examine situations in a business firm that require the employment of each of the four identified techniques of handling risks. **(8 Marks)**

QUESTION SIX

- a) Differentiate between 'retrocession' and 'retention' as used in reinsurance. **(3 Marks)**
- b) Evaluate six major functions of reinsurance in your country's economy. **(12 Marks)**

