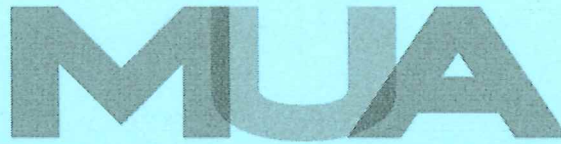


The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

INS 314: RISK MANAGEMENT AND LIFE INSURANCE

DATE: 10TH 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:

LIFE ASSURANCE

Life assurance (or life insurance) is a type of insurance policy that pays out a sum of money either on the death of the insured person or after a set period. Case studies in life assurance typically revolve around financial planning, policy options, claims settlement, underwriting, and risk management.

As human beings we do not know when we shall die and therefore this situation creates uncertainties in our minds. We must therefore prepare for the consequences of death at any time. Superannuation is a situation of living too long that you overstretch your income during your old age. This therefore requires policies that will provide income during the old age.

John (45) and Mary (40) are married with two children aged 10 and 8. John is the primary breadwinner, earning \$100,000 annually, while Mary works part-time and earns \$30,000. They have a mortgage of \$200,000 and want to ensure financial security for their children if something happens to either of them.

They are considering buying life assurance to provide for the family in case of John's premature death and to help with other financial commitments like education and debt repayment.

Required:

- a. Examine the three life assurance policies that John and Mary can take as the insurance company has proposed to them as mentioned in the case study
(9 marks)
- b. Based on John and Mary's future family needs, assess five key considerations that the underwriter will make when determining the total coverage needed
(10 marks)
- c. Assess the differences between term life insurance and whole life insurance, and which one would be more suitable for John and Mary
(6 marks)

QUESTION TWO

- a. Risk financing involves devices that focus on arranging the availability of funds to meet the losses that arise from risks that remain after control measures have been taken. Examine two techniques used in risk financing (6 marks)
- b. Identify a company of your choice and demonstrate practical treatment of risks using the risk treatment matrix (9 marks)

QUESTION THREE

- a. Explain the three cardinal rules in risk management (6 marks)
- b. There are various types of risks, which face individuals and business. Examine six such risks (9 marks)

QUESTION FOUR

- a. Assess three functions that necessitate the need for risk management in organizations (6 marks)
- b. A prospective client would like to find out if his business has insurable risks. You have been requested to induct the client on six requisites of insurability of business risk. (9 marks)

QUESTION FIVE

- a) Differentiate between risk retention and a captive insurance company (5 marks)
- b) Analyze five key characteristics that tend to distinguish risk management problems. (10 marks)

QUESTION SIX

- a) Assess the difference between term life and limited pay whole life insurance policies (6 marks)
- b) Various organizations have laid down principles for risk management. Describe six principles of risk management applicable to most organizations. (9 marks)

