

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**CHUKA / EMBU**

**FIRST YEAR EXAMINATION FOR THE AWARD OF  
CERTIFICATE IN BUSINESS MANAGEMENT**

**CIBM 00114: RISK AND INSURANCE**

**STREAMS: CIBM Y1 S1**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 6 /07/ 2021**

**2.30 PM – 4.30 PM**

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**INSTRUCTIONS:**

- Answer question ONE (Compulsory) and any other TWO questions.
- Do not write on the question paper

**QUESTION ONE**

- a) Discuss the organization of insurance industry in Kenya by showing the various players in the sector. [8 Marks]
- b) Explain insurance principles that are not essential in the case of life insurance contracts. [8 Marks]
- c) Corona virus and terrorism risks have become apparent in every county in the world. Individuals are becoming increasingly interested in insurance covers against the risks. Explain SIX characteristics of insurable risk that insurers will consider before insuring the risks. [6 Marks]
- d) With respect to each of the following, indicate whether you would classify the event or condition as a peril or a hazard: an earthquake, Location of the house speed bumps, sickness, worry, a careless act. [6 Marks]
- e) Explain the coverage of liability form of insurance. [2 Marks]

**QUESTION TWO**

- a) Explain factors to be considered before settling an insurance claim. [6 Marks]
- b) Use Practical examples to differentiate between objective and subjective risk.[6 Marks]
- c) Advice on the insurance covers best suited for each of the situations
  - i. John is a lawyer and has a residential home in Chuka town [4 Marks]
  - ii. Mr. AB has three dependent children and a diabetic wife. [4 Marks]

**QUESTION THREE**

- a) Some Business people believe that it's a waste to purchase insurance. Discuss the importance of individuals purchasing various insurance covers. [8 Marks]
- b) Demonstrate how insurance contracts are unique from other commercial contracts. [8 Marks]
- c) Distinguish between substandard and uninsurable risks. [4 Marks]

**QUESTION FOUR**

- a) Discuss five functions of the insurance regulatory authority. [10 Marks]
- b) Discuss the purpose of a proposal form. [5 Marks]
- c) Discuss how the insurance mechanism works, pointing out the relationship between the law of large numbers and risk pools. [5 Marks]

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