

**CHUKA**

**UNIVERSITY**



**UNIVERSITY EXAMINATIONS**

**CHUKA, EMBU & THARAKA**

**EXAMINATION FOR THE AWARD OF DIPLOMA  
IN BUSINESS MANAGEMENT**

**DIBM 0242: RISK AND INSURANCE**

**STREAMS: DIBM**

**TIME: 2 HOURS**

**DAY/DATE: WEDNESDAY 07/8/2019**

**2.30 P.M. – 4.30 P.M.**

**INSTRUCTIONS: Answer question ONE (Compulsory) and any other TWO**

**QUESTION ONE**

- (a) Explain the following terms as used in insurance [8 marks]
- (i) Indemnification
  - (ii) Peril
  - (iii) Proximate cause
  - (iv) Underwriting
- (b) Identify and explain five classes of risk [10 marks]
- (c) Explain four methods an insurance company can employ to indemnify an insured person [8 marks]
- (d) Explain four characteristics of insurance contracts [4 marks]

**QUESTION TWO**

- (a) You have been invited by stakeholders to shed light on life assurance. Discuss any five classes of insurance that you will include in your presentation. [10 marks]
- (b) Discuss five secondary functions of insurance. [10 marks]

**QUESTION THREE**

- (a) Discuss the negative effects of risk [10 marks]
- (b) In line with the principle of utmost good faith, the insured is required to disclose all material facts that can influence the judgment of an insurer. Explain all the material facts that the insured is required to disclose. [10 marks]

**QUESTION FOUR**

- (a) Discuss the various reasons why insurers buy reinsurance [10 marks]
- (b) The insurance regulatory authority plays a significant role in the insurance industry. Examine its major functions. [10 marks]
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