

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DIPLOMA IN PROCUREMENT AND LOGISTICS MANAGEMENT AND DIPLOMA IN BUSINESS MANAGEMENT

DIBM 0242: RISK AND INSURANCE

STREAMS: DPLM, DIBM

TIME: 2 HOURS

DAY/DATE: TUESDAY 05/12/2017

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- Answer question ONE and any other TWO questions
- Do not write on the question paper

QUESTION ONE

- (a) Drawing examples from the Kenyan market, explain the following types of insurance companies;
- (i) Captive companies [3 marks]
- (ii) Specialty companies [3 marks]
- (iii) Stock companies [3 marks]
- (b) Distinguish between fundamental and particular risks. [6 marks]
- (c) The principle of utmost good faith requires that all material facts are full disclosed by the insured. However, there are circumstances when the insured may be exempted from this requirement. Discuss [9 marks]
- (d) Explain the difference between Moral hazards and physical hazards, clearly showing their role in loss. [6 marks]

QUESTION TWO

- (a) Discuss the rationale behind the regulation of insurance industry in Kenya. [12 marks]
- (b) Using examples demonstrate how contribution and subrogation are corollaries to the principle of indemnity. [8 marks]

QUESTION THREE

- (a) Analyse the levels of cover offered in motor insurance in Kenya. [15 marks]
- (b) Explain how one can manage credit risk. [5 marks]

QUESTION FOUR

- (a) John contends that all risks are insurable, while Jane believes otherwise. Discuss this statement in the light of insurance as a risk management mechanism. [12 marks]
 - (b) Demonstrate how one would classify risks for underwriting purposes. [8 marks]
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