

CHUKA



UNIVERSITY

UNIVERSITY SUPPLEMENTARY/SPECIAL EXAMINATIONS.

EXAMINATION FOR THE AWARD OF DIPLOMA IN BUSINESS MANAGEMENT.

DIBM 0242: RISK AND INSURANCE

STREAMS: DIP

TIME: 2 HOURS

DAY/DATE: THURSDAY 26/07/2018

8.30 A.M - 10.30 A.M

INSTRUCTIONS:

- Answer **Question ONE** and other **TWO Questions**
- Do not write anything on the Question paper.

QUESTION ONE.

(a) Explain the meaning of the following:

- | | |
|-------------------|-----------|
| (i) Risk | [2 Marks] |
| (ii) Peril | [2 Marks] |
| (iii) Uncertainty | [2 Marks] |
| (iv) Hazard | [2 Marks] |
| (v) Insurance | [2 Marks] |

- (b) Distinguish between fundamental and particular risk. [4 Marks]
- (c) Show how risk is a burden to the Kenyan society. [6 Marks]
- (d) Some individuals believe that it's a waste to buy an insurance cover. Explain. [10 Marks]

QUESTION TWO.

(a) You have been invited for a workshop of risk management trainees. The organizer of the even requested you to address the audience on the topic; "Insurance and Risk transfer". Write a report giving the details of what you will include in your presentation under the following headings:

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|---|------------|
| (a) Characteristics of an insurance plan. | [5 Marks] |
| (b) Requirements of an insurance risks. | [5 Marks] |
| (c) Principle of insurable interest. | [10 Marks] |

QUESTION THREE.

- (a) Discuss liability insurance as practiced in your county. [6 Marks]

- (b) Explain the following;
 - (i) Term assurance policy [2 Marks]
 - (ii) School fees policy [2 Marks]
 - (iii) Comprehensive insurance policy [2 Marks]

- (c) Explain the reason for proper insurance underwriting and documentation. [8 Marks]

QUESTION FOUR.

- (a) Omosh's car is involved in a road accident with that of Stella. Omosh's car is extensively damaged and the police abstract blames Stella for the accident. Omosh's insurer settles the claim to him at Kshs.600,000, subsequently Omosh sues Stella and the court awards him Kshs.700,000 for the damage to his car. Omosh's insurer on hearing of this seeks to receive from him.
 - (i) Stating your reason, advice Omosh on whether he should comply with the insurers demand. [2 Marks]
 - (ii) Explain the provision that Omosh and the insurer must comply with. [3 Marks]

- (b) (i) Explain the importance and components of an insurance policy document. [8 Marks]
- (ii) Explain the functions of the insurance regulatory authority. [7 Marks]

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