

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

SECOND YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF COMMERCE/COOPERATIV MANAGEMENT/PROCUREMENT
AND LOGISTIC MANAGEMENT/CATERING AND HOTEL MANAGEMENT

BCOM/BBAM 241: RISK AND INSURANCE

STREAMS: BCOM, BCOP, BPLM, BCHM Y2S2

TIME: 2 HOURS

DAY/DATE: MONDAY 9/04/2018

8.30 A.M - 10.30 A.M.

INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions.
- Show all the workings
- Do not write anything on the question paper.

QUESTION ONE

- (a) Using examples, demonstrate how contribution and subrogation are corollaries to the principle of indemnity. [8 Marks]
- (b) XYZ Company Ltd had in the recent past experienced a variety of risks in its businesses. Advice the Company's CEO on any four possible strategies they can use to manage their risk exposures. [12 Marks]
- (c) Mapenzi Enterprises Ltd insured their property against accidental damage with Insurance Companies; A, B and C, for **Kshs.3M**, **Kshs.2M** and **Kshs.1M** respectively. The policies were subject to an excess of **Kshs.50,000/=** and average condition was also applicable. During the policy period, damage occurred to property and loss was estimated to be **Kshs.1M**, while the market value of the property was **Kshs.7M**

Required:

- Demonstrate how the claim will be settled. [6 Marks]
- (d) Explain the following categories of risks;
- (i) Pure risks [2 Marks]
 - (ii) Speculative risks [2 Marks]

QUESTION TWO

- (a) Discuss the rationale behind supervision of insurance business in the world over. [12 Marks]

- (b) Mr. Osodo is a young entrepreneur who wants to set up his own business because he believes in creating job. He is convinced that he can only succeed in the insurance field. However, he does not have enough capital to start an insurance company and therefore, the only option is to do this business as an insurance intermediary. Discuss the options available to Mr. Osodo. [8 Marks]

QUESTION THREE

- (a) Assume you have been employed to work in a claims department of general insurance company. Assume further that a motor claim has been reported to you. Illustrate how you will handle the claim to conclusion. [12 Marks]

- (b) Discuss the requirements of a valid insurance contract. [8 Marks]

QUESTION FOUR

- (a) Using practical examples, explain the role of insurance in promoting commerce and industry in Kenya. [15 Marks]

 - (b) Write brief notes on endowment life assurance. [5 Marks]
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