

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
EDUCATION ARTS**

BUST 321: RISK MANAGEMENT AND INSURANCE

STREAMS: B.ED (ARTS) Y3

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 18/04/2018

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS:

- **Answer question one and any other two questions.**
- **Do not write on the question paper.**

- Q1. (a) Explain clearly the following concepts
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| (i) Risk | (2 marks) |
| (ii) Insurance | (2 marks) |
| (iii) Risk management | (2 marks) |
- (b) Giving relevant examples, distinguish between;
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|--------------------------------|-----------|
| (i) Pure and speculative risk. | (2 marks) |
| (ii) Static and dynamic risk. | (2 marks) |
| (iii) Insurance and assurance. | (2 marks) |
| (iv) Peril and hazard. | (2 marks) |
- (c) What are the basic rules of risk management? (3 marks)
- (d) Draw and explain clearly the Heinrich triangle. (5 marks)
- (e) Explain the nature of insurance. (8 marks)
- Q2. (a) Citing relevant case laws, explain the principles of indemnity. (10 marks)
- (b) Utmost good faith must be observed in all insurance contract. Outline the exceptions to this principles. (6marks)

- (c) What do you understand by:
- (i) Material facts (2 marks)
 - (ii) Insurable interests (2 marks)
- Q3. (a) Distinguish between an insurance broker and an insurance agent. (5 marks)
- (b) Explain the role of underwriting insurance. (7 marks)
- (c) The frequency and severity of the loss/risk is the guiding principle in risk management decisions. Discuss. (8 marks)
- Q4. (a) Discuss the techniques of handling risk in a manufacturing company. (10 marks)
- (b) What are the main reasons for regulating insurance industry? (10 marks)
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