

CHUKA



UNIVERSITY

RESIT/ SPECIAL UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF COMMERCE**

BCOM 241/BUST 321: RISK AND INSURANCE

STREAMS: BCOM

TIME: 2 HOURS

DAY/DATE: MONDAY 23/07/2018

8.30 AM – 10.30 AM

INSTRUCTIONS:

Answer Question One and any other Two Questions

QUESTION ONE

- (a) XYZ Power and lightening company a fire policy with three companies because of the high value of her property which was Ksh 6 billion. The lead underwriter A took 60% of the share, while B and C were apportioned 30% and 10% respectively. The recommended rate of premium was 1.75 per mile. During the period of the policy, one of the fire stations was destroyed by fire and the loss was estimated to be Ksh 1 million. XYZ Power and Lightening approached company A for claims settlement because they were the lead underwriters, after all this was a small claim.
- (i) Explain the principle that is displayed in this case. [3 marks]
- (ii) Demonstrate how company A will handle the claim. [3 marks]
- (b) Is insurance Relevant to the Kenyan economy? Discuss [10 marks]
- (c) Using practical examples distinguish between the following
- (i) Physical and moral hazards [4 marks]
- (ii) Pure and speculative risks [6 marks]
- (iii) Pensions and Annuities [4 marks]

QUESTION TWO

- (a) You have been invited for a workshop of risk management trainees. The organizer of the event 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:
- (i) Characteristics of an insurance plan [5marks]
 - (ii) Requirements of an insurance risks [5 marks]
 - (iii) Principle of insurable interest [10 marks]

QUESTION THREE

- (a) Explain the cost of risk to the economy [7 marks]
- (b) Discuss the circumstances under which the tenet of Uberrimae Fedei does apply in Insurance contract. [7 marks]
- (c) Explain the following legal doctrines
- (i) Misrepresentation [2 marks]
 - (ii) Concealment [2 marks]
 - (iii) Warranty [2 marks]

QUESTION FOUR

- (a) Discuss how the insurance regulatory authority regulates and supervises the insurance industry in Kenya. [10 marks]
- (b) Explain five challenges Insurance brokers and Agents find in marketing insurance products in Kenya. [10 marks]
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