CHUKA **UNIVERSITY**

UNIVERSITY EXAMINATIONS

SUPPLEMENTARY/ SPECIAL EXAMINATION

SECOND YEAR RESIT/SPECAL EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE/ENTERPRENEURSHIP AND ENTERPRISE MANAGEMENT/CO-OPERATIVE MANAGEMENT/ CATERING & HOTEL MANGEMENT

BCOM 240/241: RISK AND INSURANCE

STREAMS: BCOM, BEEM, BCOP, BPLM, BCHM   **TIME: 2 HOURS**

DAY/DATE: WEDNESDAY 12/9/2018   **2.30 P.M. – 4.30 P.M.**

INSTRUCTIONS:
- **Answer question One and any other Two Questions**
- **Do not write on the question paper**

QUESTION ONE

a) Clearly using relevant examples, explain the difference between the following risks
   i)   Fundamental and particular risks   **(6 Marks)**
   ii)   Pure and speculative risks   **(6 Marks)**
b) Using practical examples, discuss four adverse effects of risk to the society   **(12 Marks)**
c) Demonstrate the role of insurance in promoting trade and commerce to the Kenyan economy

   (8 Marks)

QUESTION TWO

a) XYZ Company Ltd has 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)**

b) Insurance contracts require full disclosure of material facts by both parties to the contract. However, there are some circumstances when the insured is exempted from this requirement. Explain any four of these exemptions. **(8 Marks)**

QUESTION THREE

a) Write brief notes on the following forms of insurance
    (i)   Whole life insurance   **(6 Marks**)
    (ii)   Burglary insurance   **(6 Marks)**

b) Explain any four requirements for a valid insurance contract   **(8 Marks)**

QUESTION FOUR

a) Mr. Ojwang' secured insurance coverage with three insurance companies as follows;

Company X Kshs.30M, Y Kshs. 20M and Z Kshs.50M. During the insurance period, Mr. Ojwang' suffered a loss and the cost was estimated at Kshs.10M. The other terms applicable to this coverage is an excess of 10% of each and every loss.

Required:

Demonstrate how the claim will be settled   **(10 Marks)**

b) Explain any five reasons why insurance is regulated in Kenya   **(10 Marks)**