
CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EMBU AND CHUKA CAMPUSES

EXAMINATION FOR THE AWARD OF DIPLOMA IN BUSINESS MANAGEMENT

DIBM 0242: RISK AND INSURANCE

STREAMS: DIBM

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 08/04/2020

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- **Answer question one (compulsory) and any other two questions.**

QUESTION ONE

- (a) 'All risks are not insurable' in light of this statement, explain five classes of risk that are insurable. (5 marks)
- (b) Discuss the functions of insurance regulatory authority in relation to insurance business in Kenya. (5 marks)
- (c) The insurance industry operates under certain principles. Discuss five insurance principles. (10 marks)
- (d) Explain 5 methods of indemnification. (10 marks)

QUESTION TWO

- (a) The policy document is a vital document which evidences the existence of an insurance contract. Explain the various components of a policy document. (10 marks)
- (b) Risk is the salt and sugar of life. Elucidate this statement and clearly discuss the burden/cost of risk. (10 marks)

QUESTION THREE

- (a) Making reference to the principle of utmost good faith, an insured is required to disclose all material facts whether asked for or not. Briefly explain facts which an insured is NOT required to disclose. (10 marks)
- (b) Explain methods which an individual can employ to manage risks. (10 marks)

QUESTION FOUR

- (a) Insurance plays a very important role to the society today. Briefly discuss the benefit offered by insurance to the society in general. (10 marks)
 - (b) Reinsurance is the insurance of insurance. Discuss the reasons why insurance companies engage in re-insurance business. (10 marks)
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