

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS**

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

**BCOM 241: RISK AND INSURANCE**

**STREAMS: BCOM (Y2S2) ODEL**

**TIME: 2 HOURS**

**DAY/DATE: THURSDAY 07/10/2021**

**8.30 A.M. – 10.30 P.M.**

- **INSTRUCTIONS**
- **Answer question one any other two questions**
- **Show all your workings**
- **Do not write on the question paper**

**Question one**

- a) Mr. Kariuki placed a burglary insurance policy on his stock at a value of Ksh. 50M. During the policy period, his warehouse was broken into and the thieves escaped with stock worth Ksh. 2m. At the time of loss, the loss adjusters established the market value of the stock to have been Ksh. 70m.

Required:

- i. Show how the claim will be settled. (3 marks)
  - ii. Assume an excess of 10% of the loss on the above policy, show how the claim will be paid. (3 marks)
  - iii. Explain any four factors which may limit indemnity. (4 marks)
- b) Evaluate the unique characteristics of insurance contracts. (10 marks)
- c) Using relevant examples, explain any five general classifications of risks. (10 marks)

**Question two**

- a) Elaborate the rationale behind regulation and supervision of the insurance industry in Kenya. (10 marks)
- b) Write brief notes on the following forms of insurance
  - i. Term Life Assurance. (3 marks)
  - ii. Money Insurance (4 marks)
  - iii. Professional Liability Insurance (3 marks)

**Question three**

- a) John contends that all risks are insurable, while Jane thinks otherwise. Discuss this, statement in the light of insurance as a risk management mechanism, giving the right position. (12 marks)
- b) The principle of utmost good faith requires that material facts should be disclosed in all insurance contracts. However, there are exemptions to this requirement. Demonstrate which facts are material, showing the exemptions to the requirement of full disclosure. (8 marks)

**Question four**

- a) Evaluate the three levels of motor insurance covers insured in Kenya. (6 marks)
  - b) Assume you have been assigned the responsibility of doing a presentation to a group of trainee underwriters on the best practice for risk acceptance. Explain to them how they should prudently classify risks for the purpose of underwriting. (8 marks)
  - c) What is the meaning of the term “corollary”? Explain the principles of insurance which are corollary to each other. (6 marks)
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