

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**CHUKA AND EMBU CAMPUSES**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF  
COMMERCE/COOPERATIVE MANAGEMENT/PROCUREMENT AND LOGISTICS  
MANAGEMENT**

**BCOM 241: RISK AND INSURANCE**

**STREAMS: BCOM, BCOP, BPLM (Y2S2)**

**TIME: 2 HOURS**

**DAY/DATE: MONDAY 05/07/2021**

**11.30 A.M. – 1.30 P.M.**

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**INSTRUCTIONS:**

- **Answer question ONE and any other TWO questions.**
- **Show all your workings.**
- **Do not write on the question paper.**

**QUESTION ONE (30 MARKS)**

- (a) Using examples give a concise classification of risk. (10 marks)
- (b) ABC 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)
- (c) Job insured his vehicle with company XYZ Ltd on comprehensive basis for Ksh. 1.4 million. During the policy period, his vehicle got involved in an accident and the cost of repairs were established at Kshs. 50,000/=

**Required:**

- (i) Calculate the claim payment assuming a policy excess of 2.5% of the sum insured. (4 marks)
- (ii) Demonstrate how the claim will be handled assuming a franchise of Kshs 45,000/= (2 marks)

- (iii) Explain the difference between a franchise and excess as applied in insurance. (2 marks)

**QUESTION TWO (20 MARKS)**

- (a) Demonstrate how the Insurance Regulatory Authority (IRA) meets its mandate in supervising the insurance industry in Kenya. (10 marks)
- (b) Citing examples, explain the role of insurance in promoting trade and industry in Kenya. (10 marks)

**QUESTION THREE**

- (a) Mary effected insurance on her property with the following companies; company A Kshs 50 M. B Kshs. 20 M and C Kshs 30M. The policies are subjected to a deductible of Kshs. 10,000/=. During the policy period, Mary suffered a loss of Kshs 1M. Show how the claim will be shared. (4 marks)
- (b) Explain the requirements that will make contribution condition to hold in insurance policies. (4 marks)
- (c) Tom 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)

**QUESTION FOUR**

- (a) Using practical examples, explain the burden of risk to the society. (10 marks)
- (b) Explain the following forms of insurance.
- (i) Endowment life assurance. (3 marks)
- (ii) Public Liability insurance. (3 marks)
- (iii) Burglary insurance. (4 marks)
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