CHUKA UNIVERSITY
EXAMINATION FOR THE AWARD OF DIPLOMA
ACCOUNTING/PROCUREMENT/BUSINESS MANAGEMENT
DIBM 0242: RISK AND INSURANCE

STREAM: YEAR 2 SEM 1 **TIME: 2HRS**

INSTRUCTIONS: Answer Question 1 and any other TWO Questions

QUESTION ONE

a) Differentiate between the following terms
   i. Pure and Speculative risks (4 Marks)
   ii. Dynamic and static risks (4 Marks)

b) Explain the burden of risk . (8marks)

c) State four primary functions of insurance. (4 Marks)

d) Explain the characteristics of insurance (10marks)

QUESTION TWO

a) Discus five functions of the insurance regulatory Authority. (10 marks)

b) Explain the relationship between risk and uncertainty (2Marks)

c) Explain the process of risk management (8marks)

QUESTION THREE

a)John your friend has attended an insurance awareness meeting in which one of the speakers has said that the insurance principle of *'Uberima Fides'* imposes that the insured must disclose all material facts. Briefly, but clearly explain him what the speaker meant. (6 Marks)

b) Global competition is a reality many businesses cannot ignore. In light of this, the business leaders have a justification to develop plans and strategy to manage these global as well as local risks. Discuss the benefit of such a move. (6marks)

c) Insurance contracts are different from other legal contracts explain. (8marks)

QUESTION FOUR

a) Explain the impartance of insurance from the business point of view. (10marks)

b) "Although no risk is completely meets all ideal requirement of insurable risk, some come closer to meeting them than others." Explain the ideal requirement of an insurable risk. (10marks)