CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

RESIT/SPECIAL SECOND YEAR EXAMINATION FOR THE AWARD OF BACHELOR OF COMMERCE/COOPTERATIVE MANAGEMENT/ENTREPRENEURSHIP/PROCUREMENT & LOGISTIC MANAGEMENT

BCOM 241: RISK AND INSURANCE

STREAMS: BCOM/BCOP/BEEM/BPLM (Y2S2) **TIME: 2 HOURS**

EXAMINATION SESSION:MAY 2025

INSTRUCTIONS:

(i) Answer Question ONE and any other Two Questions
(ii) Show all your workings
(iii)Do not write on the question paper

QUESTION ONE **(30 MARKS)**

(a) John arranged for a motor insurance policy on his car for a sum insured of Kshs. 500,000/= . During the policy period, the vehicle got involved in an accident and the cost of repairs were established at Ksks, 50,000/=

Required:

(i) Calculate the claim payable assuming a policy excess of 2.5% of the sum insured and a deductible of Kshs 10,000/= **(5 Marks)**

(ii) Assume that the market value of the car at the time of accident was Kshs.600, 000/= and the policy is subject to average condition, what will be the claim payable? **(5 Marks)**

(b) Using examples, explain the following terms commonly used in risk and insurance

i) Physical hazard **(3 Marks)**

ii) Moral hazard **(3 Marks)**

iii) Morale hazard **(2 Marks)**

iv) Peril **(2 Marks)**

(c) Demonstrate how insurance contracts are unique from other commercial contracts **(10 Marks)**

QUESTION TWO **(20 MARKS)**

(a) Using relevant examples explain the contribution of insurance in the economic development of Kenya **(10 Marks)**

(b) XYZ Manufacturing Company Limited insured their property against theft with Insurance Companies; A, B, and C for; kshs.3M, Kshs.5M and Kshs.2 M respectively. During the policy period, their store was broken into and properties worth Kshs.500, 000/= were stolen.

Required:

i) Demonstrate how the claim will be settled to Mashariki assuming the policy is subject to an excess 10% of each and every loss (eel) **(6 Marks)**

ii) Explain the essential requirements of the principle of contribution **(4 Marks)**

QUESTION THREE **(20 MARKS)**

(a) Demonstrate how the Insurance Regulatory Authority meets its mandate in supervising and regulating the Insurance Industry in Kenya(**10 Marks**)

(b) Using examples explain the differences between the following risks

i) Pure and speculative risks **(6 Marks)**

ii) Fundamental and Particular risks **(4 Marks)**

QUESTION FOUR **(20 MARKS)**

(a) Write brief notes on the following policies of insurance

i) Term Life Insurance **(5 Marks)**

ii) Domestic Package Insurance **(5 Marks)**

(b) Indemnity" is about restoring the insured. However, there are situations when the insured is less than indemnified. Using examples, explain any five circumstances that may limit indemnity **(10 Marks)**