

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**SECOND YEAR EXAMINATION FOR THE AWARD OF
DEGREE OF BACHELOR OF EDUCATION (ARTS)**

BUST 321: RISK MANAGEMENT AND INSURANCE

STREAMS: BUST Y3S2

TIME: 2 HOURS

DAY/DATE: TUESDAY 13 /07/ 2021

2.30 PM – 4.30 PM

INSTRUCTIONS:

- Answer Question One and any other TWO questions.
- Do not write on the question paper

QUESTION ONE

- (a) Explain the concept of risk. [10 Marks]
- (b) Explain the principle methods of handling risk giving examples. [8 Marks]
- (c) Ben borrowed Ksh.60,000 from KCB Ltd to purchase a fishing boat. He keeps the boat at the dock owned by the Kitu Company Ltd. He uses the boat to earn income by fishing. Ben has also a contract with Double Fin Fishing Company to transport Shrimp from one part to another along African Coastline. Explain the existence and extent of insurance interest for:
- (i) KCB Ltd [4 Marks]
- (ii) Pwani Company Ltd [4 Marks]
- (iii) Double Fin Fishing Company [4 Marks]

QUESTION TWO

- (a) “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.

[10 Marks]

- (b) A wall of a building was damaged in Meru town and remained standing for several weeks. The municipal authority for the sake and public safety, ordered id demolished. While demolishing the wall damaged the adjoining building owned by kariuki.

Required:

- (i) Indicate the proximate cause of the damage to Kariuki’s building. [2 Marks]
- (ii) Explain the position of Kariuki regarding insurer’s compensation. [3 Marks]
- (c) Explain the role of the under writing process. [5 Marks]

QUESTION THREE

- (a) Explain the cost of risk to the economy. [6 Marks]
- (b) Discuss the circumstances under which the tenet of Uberrimae Fedei does not apply in Insurance contract. [6 Marks]
- (c) Distinguish between Insurance contract and general commercial contract. [8 Marks]

QUESTION FOUR

- (a) Company A insures house contents for Ksh.15,000 while company B insures them for Ksh.10,000, the insures losses are Ksh.3,000 in a fire. What is the liability of each insurer? [6 Marks]
- (b) Explain the components of an insurance policy document. [7 Marks]
- (c) Explain the functions of the insurance regulatory authority. [7 Marks]
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