

CHUKA



UNIVERSITY

COLLEGE

UNIVERSITY EXAMINATIONS

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

BCOM 240: ELEMENTS OF RISK AND INSURANCE

STREAMS: BCOM Y2S1

TIME: 2 HOURS

DAY/DATE: TUESDAY 13/12/2012

2.30 P.M– 4.30 P.M

INSTRUCTIONS:

Answer question One and any other two questions.
Do not write on the question paper.

- Q1. (a) Explain the meaning of the following:
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|-------------------|-----------|
| (i) Risk | [2 marks] |
| (ii) Peril | [2 marks] |
| (iii) Uncertainty | [2 marks] |
| (iv) Hazard | [2 marks] |
| (v) Insurance | [2 marks] |
- (b) Distinguish between Fundamental and particular risk. [4 marks]
- (c) Show how risk is a burden to the Kenyan society. [6 marks]
- (d) Discuss the basic requirement for the formation of a valid insurance contract. [14 marks]
- Q2. (a) Daniel Hatari borrowed Ksh.5 million from overseas bank to purchase a fishing boat owned by Pwani Company Limited. He uses the boat to earn income by fishing. Hatari has also a contract with Double Fin fishing company to transport shrimp from one part to another along African coastline.

Explain the existence, non existence and the extent of insurable interest for

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|---------------------------------|-----------|
| (i) Overseas Bank (K) Ltd | [4 marks] |
| (ii) Double Fin fishing company | [4 marks] |

- (iii) Pwani Company Ltd [4 marks]
- (b) Explain the essentials of the Doctrine of subrogation. [8 marks]
- Q3. (a) Citing the provision of Traffic and Insurance Act explain the comprehensive motor insurance policy as provided by insurers in Kenya. [10 marks]
- (b) Discuss Business interruptions policy as provided in Kenya by insurers. [10 marks]
- Q4. (a) Explain the function of a proposal form. [10 marks]
- (b) Discuss the reasons for regulating insurance industry in Kenya. [10 marks]
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