The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2019

EXAMINATION FOR THE DIPLOMA IN RISK MANAGEMENT & INSURANCE (YR I SEM I)

UNIT CODE: DMRI 1101

UNIT TITLE: PRINCIPLES OF RISK MANAGEMENT AND INSURANCE

DATE: 4TH DECEMBER, 2019   **TIME: 2:00 PM – 4:00 PM**

INSTRUCTIONS:
- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

(a) Make short notes on the following terms as used in insurance   (8 marks)
   i.   Moral Hazard and Adverse Selection
   ii. Peril and Hazard
   iii. Risk and Insurance
   iv. Risk Management

(b) Consider two buildings, A and B. A is a woodworking shop, with a probability of fire of 0.05. B is a metal workshop, where the probability is 0.02. The buildings are so close together that if one catches fire, there is an 85% chance (.85) that the other will burn as well.

   i.   Find the probability that building A starts the fire and spreads it to building

                                                                          (5 marks)

   ii. Find the probability that B is first to catch fire and spread to building A

                                                                          (5 marks)

(c) Discuss FIVE Principles of Insurance   (10 marks)

(d) Differentiate between insurable and non-insurable risks   (2 marks)

QUESTION TWO

(a) Describe FOUR steps in the risk management process   (8 marks)

(b) Describe **SIX** objectives of risk management   (12 marks)

QUESTION THREE

(a) Describe **FIVE** techniques and tools for risk Identification   (10 marks)

(b) Managing the insurance portfolio for a large corporation or company is almost a job in its own right. Discuss **FIVE** functions involved in managing insurance portfolio

                                                                          (10 marks)

QUESTION FOUR

(a) Briefly explain FIVE methods of handling risk. Give an example of each   (10 marks)

(b) Discus THREE basic categories of risk giving relevant examples in each   (10 marks)

QUESTION FIVE

    (a) Highlight FOUR distinguishing Features of Insurance Contract   (8 marks)

    (b) Discuss **FIVE** functions of the risk management department   (10 marks)

    (c) Define the term risk   (2 marks)