



UNIVERSITY EXAMINATIONS

**FIRST YEAR EXAMINATION FOR THE AWARD OF THE DEGREE OF
BACHELOR OF SCIENCE IN ACTUARIAL SCIENCE
SECOND SEMESTER 2022/2023
[JANUARY-APRIL, 2023]**

BACS 120: ELEMENTS OF RISK AND INSURANCE

STREAM: Y1S2

TIME: 2 HOURS

DAY: MONDAY, 12:00 – 2:00 PM

DATE: 27/03/2023

INSTRUCTIONS

- 1. Do not write anything on this question paper.**
- 2. Answer question ONE and any other TWO questions.**

QUESTION ONE (30 MARKS)

- a) Define risk. In your definition, state the relationship between risk and uncertainty. [4 Marks]
- b) Differentiate the following terms giving examples
- Dynamic risks and static risks. [3 Marks]
 - Fundamental risks and particular risks. [3 Marks]
 - Pure risks and speculative risks. [3 Marks]
- c) State whether the following statements are True or False (T/F). [5 Marks]
- Not all pure risks are insurable
 - Some speculative risks can be insured
 - Sitting for a CAT is requirement for passing this course
 - Risk includes all situations in which there is an exposure to adversity
 - A peril cannot be a cause of a loss.
- d) Distinguish between “perils” and “hazards” and give two specific examples of each. [6 Marks]
- e) Identify two common misconceptions about risk management, and explain why these misconceptions developed. [6 Marks]

QUESTION TWO (20 MARKS)

- a) Identify and briefly describe the four basic techniques available to the risk manager for dealing with the pure risks facing the firm. Give an example of each technique. [12 Marks]
- b) List the four types of pure risk facing an individual or an organization and give an example of each. [8 Marks]

QUESTION THREE (20 MARKS)

- a) Identify and briefly describe the six steps in the risk management process. [12 Marks]
- b) Distinguish among traditional risk management, financial risk management, and enterprise risk management. [6 Marks]
- c) In your opinion, should the corporate risk manager's responsibility be expanded to include financial risk management? [2 Marks]

QUESTION FOUR (20 MARKS)

- a) List and explain each of the desirable elements of an insurable risk. (10 Marks)
- b) Give examples of three uninsurable exposures and indicate why each is uninsurable. (10 Marks)

QUESTION FIVE (20 MARKS)

- a) Identify the reasons for self-insurance and the disadvantages of self-insurance. [10 Marks]
- b) Identify three categories into which insurance coverages may be priority ranked, indicating the nature of the exposures or risks to which each applies. [6 Marks]
- c) Distinguish between the cost of financing risk and the cost of financing losses. [4 Marks]