

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BCOM 346: INSURANCE OF TRANSPORTATION 1

STREAMS: Y3S2

TIME: 2 HOURS

DAY/DATE: TUESDAY 6 /07/ 2021

8.30 AM – 10.30 AM

INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions.
- Show all your workings
- Do not write on the question paper

QUESTION ONE

- (a) Pamela had insured her commercial vehicle on comprehensive basis with CIC Insurance Company Limited, at Kshs.2.7 million for a period of one year, with effect from 25th July 2019. The rate of premium charged was 5% and Pamela had made a payment of Kshs.50,000/=. After one month of the policy, Pamela realized that she would not be able to complete payment as her business was doing badly, and so decided to have the cover reduced to third party only. The applicable third party premium for one year then was Kshs.10,000/= per year.

Required

- (i) Calculate the annual premium payable [5 Marks]
- (ii) Show the refund/additional premium if any [3 Marks]
- (iii) Do a narration to reflect the changes in the policy [2 Marks]

- (b) A motorist and his two young children were injured while using his vehicle for domestic and pleasure purposes. The motorist and his children incurred a medical bill of Kshs.35,000/= for treatment as a result of the injuries sustained. Incidentally the motorist only has a comprehensive motor insurance. Explain under what circumstances the motorist will be compensated. [6 Marks]
- (c) Analyse a typical process of writing a new motor business. [10 Marks]
- (d) Explain 'uninsured motorist' coverage in a motor insurance policy. [4 Marks]

QUESTION TWO

- (a) Evaluate the four motor insurance coverages offered in insurance industry showing the relevance of each in the Kenyan market. [12 Marks]
- (b) Explain the term suspension and show how cover can be suspended in motor insurance. [8 Marks]

QUESTION THREE

- (a) Assume you are working in a claims department (motor section) of a non-life insurance company and you have been assigned a responsibility of handling a motor claim. Illustrate how you can handle the claim to conclusion. [14 Marks]
- (b) Explain the rationale behind motor insurance. [6 Marks]

QUESTION FOUR

- (a) Demonstrate how a prudent motor underwriter can classify motor vehicles for purpose of effective underwriting, highlighting their attractiveness in terms of risk. [12 Marks]
 - (b) Briefly explain the following documents used in motor insurance.
 - (i) Cover note [4 Marks]
 - (ii) Yellow card [4 Marks]
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