

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS
THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE
BCOM 342: PROPERTY INSURANCE
STREAMS: BCOM Y3S1
TIME: 2 HOURS
DAY/DATE: THURSDAY 06/12/2018
11.30 A.M – 1.30 P.M

INSTRUCTIONS

- Answer question one and any other two questions
- Do not write on the question paper
- Show all workings

1. (a) Explain the advantages of a commercial package policy to a business firm as compared to the purchase of separate policies. [4 marks]
- (b) XYZ company ltd arranged for fire and burglary insurances on their stock within their business premises with salama insurance company ltd. The value of the stock was 70m and the building was also valued at ksh 550m at the beginning of the policy period which was running from 1st December 2017 to 31st December 2018. The rate of premium applicable was as follows;

Rate for fire;

Building 1 per mille

Contents 1.5 mille

Rate for burglary 2.5 per ,mille

On 1st July 2018 XYZ company ltd added stock worth ksh 20 m and requested salama insurance company to include the same to their existing policie.

Required :

- (i) Determine the annual premium payable. [6 marks]
- (ii) Do a narration to reflect the changes in (i) above. [4 marks]

(c) Drawing practical examples from the Kenyan market, explain any two forms of structures adopted by property insurances companies. [10 marks]

(d) ABC company ltd engages in the processing and packaging of food staffs. They have a number of stores and distribution points spread across the country where their stock is stored before they are delivered to their customers. Delivery of their stock to their customers and their stores is normally done using their own vehicles.

Required :

- (i) Identify and explain any two property risk exposures the company is facing. [4 marks]
 - (ii) Explain any two property policies which could be appropriate. [6 marks]
2. (a) Demonstrate on how a prudent underwriter can effectively use a proposal form in assessing property risks. [12 marks]
- (b) Using examples illustrate on how an excess and a deductible can lower the cost of property claim. [8 marks]
3. (a) Critically analyze the domestic package policy issued in the Kenyan market. [15 marks]
- (b) Explain the term endorsement as used in property insurance. [5 marks]
4. (a) Describe the renewal procedures of a property insurance company based in Kenya. [12 marks]
- (b) Explain any four commercial properties which are the subject of a commercial insurance. [8 marks]
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