

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 342: PROPERTY INSURANCE

STREAMS: BCOM Y3S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 4/12/2019

2.30 P.M – 4.30 P.M

INSTRUCTIONS

Answer question one (compulsory) and any other two questions

Do not write on the question paper

Show all workings

QUESTION ONE

- (a) A businessman arranged a burglary insurance policy on a first loss basis. The following are the details.

Value at risk ksh 200m

First loss sum insured ksh 60m

Rate of premium 5 per mille

Proportion of FLSI % of premium chargeable

Upto 20% 30%

21% to 30% 40%

31% to 40% 50%

41% to 50% 75%

Over 50% 100%

Required:

Calculate the premium payable.

[6 marks]

- (b) Mr. Openda arranged for a domestic package insurance policy on his residential premises for a period of one year from 21/4/2019 to 20/4/2020. The sum insured in respect of the building was ksh 20million and contents were covered up to the tune of ksh 2million.

On 21st July, 2019 Mr. Openda purchased household items worth ksh 1 million and requested that the same be included in the policy. Assume the following:

Applicable rate

Building	2 per mille
Content	10 per mille

Required ;

- (i) Using pro-rata compute the additional premium and determine the annual premium payable. [6 marks]
- (ii) Do a narration to reflect the changes in (i) above. [3 marks]
- (c) Is property insurance of any value in Kenya? [10 marks]
- (d) Demonstrate how a prudent underwriter can effectively use an excess to improve the underwriting results of a property insurance company. [5 marks]

QUESTION TWO

- (a) Most property insurers have moved away from issuing a standard fire policy and instead introduced extensions to make their policy attractive. Discuss some of the extensions. [12 marks]
- (b) Industrial all risks is a package policy. Discuss. [8 marks]

QUESTION THREE

- (a) Assume you have been hired as a claims officer of Bima insurance company. Your insured's business was recently destroyed by fire. Show how you would handle this claim to conclusion. [12 marks]
- (b) Analyse the coverage offered in respect of money. [8 marks]

QUESTION FOUR

- (a) ABC limited arranged a fire policy on their business and suffered a loss as result of a fire outbreak. The policy was subject to average condition and the following were the details:

Sum insured	ksh 10,200,000
Value at the time of loss	ksh 15,000,000
Cost of repairs	ksh 5,200,000

Cost of reinstating whole property at time of effecting repairs ksh 15,600,000.

Required :

- (i) Demonstrate how the claim will be shared between the insurer and ABC limited if they chose cash settlement in place of reinstatement. [4 marks]
 - (ii) Show how the claim will be shared between the insured and ABC limited if a special condition of average applies. [4 marks]
 - (iii) Assume reinstatement memorandum is involved, how much will be payable to ABC ltd? [2 marks]
 - (b) Explain any five major perils of concern in property insurance business. [10 marks]
-