

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF COMMERCE

BCOM 342: PROPERTY INSURANCE

STREAMS: BCOM Y3S1

TIME: 2 HOURS

DAY/DATE: FRIDAY 8/12/2017

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 the workings

QUESTION ONE

M/S Beauty purchased a domestic package insurance policy from Bima Insurance Company Limited in respect of her residential premises, and covered building and contents sections only for Kshs.20 Million and Kshs.2 Million respectively. The period of insurance was running from 20/12/2016 to 19/10/2017. The rate of premium applicable was as follows;

| | |
|----------|---------------|
| Building | 1.5 per mille |
| contents | 5 per mille |

On the 20th March, 2017, M/S Beauty requested her insurers to add to the policy other contents she purchased worth Kshs.600,000

Required:

- Using pro-rata, calculate the additional premium payable. [5 Marks]
 - Do a narration to reflect the endorsement in (i) above. [5 Marks]
- (b) Discuss the interest of a risk surveyor in risk assessment for insurance. [5 Marks]
- (c) Using examples, explain how the following can be used by a property underwriter to improve her underwriting profit
- Deductible [5 Marks]
 - Warranty [5 Marks]

- (d) Bima Ltd is a property insurance company which want to increase its market share by 20%. In their business strategy, the senior managers agreed that they adopt a more aggressive approach, by moving away from using “salaried staff” to other distribution channels. Explain the other possible channels, while commenting on the suitability of their approach.

[5 Marks]

QUESTION TWO

- (a) XYZ Company Ltd insured her property against fire perils for **Kshs.375 Million**. The policy was subject to a normal average condition. The insurer charged a premium rate of **1.75** per mille and allowed a special discount of 5% due to a voluntary deductible of **Kshs.50,000**. At the time of loss after the adjustment, the property’s market value was established to be **KShs.500 Million**. The cost of property damage as a result of fire was estimated to be **Kshs.50 Million**.

Required:

- (i) Calculate the premium payable by XYZ Company Ltd. [2 Marks]
 - (ii) Demonstrate how the claim will be shared between the insured and the insurer. [4 Marks]
 - (iii) Assume special condition of average applies to the policy, how much will be payable to XYZ Company Ltd? [2 Marks]
- (b) Discuss the claims process of a typical property insurance company in Kenya. [12 Marks]

QUESTION THREE

- (a) Most property insurance companies in Kenya have moved away from issuing a standard fire policy and instead introduced extensions to make their policy attractive. Discuss some of these extensions. [12 Marks]
- (b) Analyze the coverage offered in goods in transit policy. [8 Marks]

QUESTION FOUR

- (a) Assume you have been approached to deliver a presentation to property insurance marketers to make them effective in meeting market expectations. One of the areas of concern is the perils in property which create a need for certain products. Using examples, explain some of these perils that will form part of your presentation. [15 Marks]
- (b) Demonstrate how householders comprehensive insurance is a package policy. [5 Marks]

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