CHUKA **UNIVERSITY**

UNIVERSITY EXAMINATIONS

FIRST YEAR EXAMINATION FOR THE AWARD OF DIPLOMA IN INSURANCE AND RISK MANAGEMENT

DIRM 0113: AGRICULTURAL INSURANCE

STREAMS: DIRM (Y1S2)   **TIME: 2 HOURS**

DAY/DATE: WEDNESDAY 08/04/2020   **8.30 A.M. – 10.30 A.M.**

INSTRUCTIONS:
- **Answer question ONE and any other TWO.**
- **Show all your workings.**
- **Do not write on the question paper.**

QUESTION ONE

(a)   A rice farmer coast arranged for yield index insurance on her crop whose details are as follows;

Guaranteed yield per acre 2 tons
Farm area 10 acres
80% level of coverage
Guaranteed price per ton kshs 10,000/=
Actual yield per acre 1 ton
Rate of premium 2.5%
Subsidy

Required:

(i)   Determine the sum insured   (3 marks)

(ii)   Calculate the premium payable   (3 marks)

(iii)   Show the claim payable   (4 marks)

(b)   Analyse any five methods a typical livestock insurance company can use in identifying cattle for purpose of insurance underwriting.   (10 marks)

(c)   Explain the challenges of weather index insurance.   (10 marks)

QUESTION TWO

(a)   A poultry farmer is willing to take a poultry insurance policy for her chicks; however, he will like you to explain some of the available exclusions in a poultry policy. (10 marks)

(b)   Discuss the benefits of crop insurance in Kenya.   (10 marks)

QUESTION THREE

(a)   Demonstrate the available strategies a prudent farmer can use in managing the misfortunes normally experienced in farming.   (10 marks)

(b)   Explain the scope of agricultural insurance.   (4 marks)

(c)   Assume you have been employed as an underwriter in an insurance company doing agricultural insurance, briefly explain the factors you may consider in issuing a hail insurance policy.   (6 marks)

QUESTION FOUR

(a)   James contends that all agricultural risks are insurable, while Jane thinks otherwise. Show the correct position in the light insurance as a risk management mechanism. (10 marks)

(b)   Is weather index insurance of any value in Kenya?   (10 marks)