

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

### EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

**BCOM 345: LIABILITY INSURANCE**

**STREAMS: BCOM Y2S2**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 14/04/2020**

**2.30 PM – 4.30 PM**

#### **INSTRUCTIONS:**

- **Answer Question One and any other Two Questions**
- **Do not write on the question paper**

#### **QUESTION ONE**

- (a) Caterpillar Mowers manufactures and sells power lawn mowers to the public and distributes the product through its own dealers. John is a home owner who has purchased lawn mower from an authorized dealer on the basis of the dealer's recommendation that 'the Mower is the best one available to do the job'. John was cutting his lawn when the mower blade flew off and seriously injured his leg.
- (i) John sues Caterpillar Mowers and asks damages based on negligence in producing the power mower. Is Caterpillar mowers guilt of negligence? [8 marks]
- (ii) Show how the doctrine of res ipsa loquitur can be applied in this case. [4 marks]
- (iii) Explain the various types of damages that john might receive if Caterpillar mowers is found guilty of negligence. [4 marks]
- (b) Analyze a typical product liability insurance policy. [10 marks]
- (c) Explain the essential coverage elements in an environmental impairment liability insurance policy offered by insurance companies in Kenya. [4 marks]

**QUESTION TWO**

- (a) Demonstrate the uniqueness of a commercial general liability policy issued on a claims made basis. [8 marks]
- (b) Assume you have been hired as a consultant by a company which underwrites liability insurance and your assignment is to determine the correct rate for a liability risk. What factors would be of value in setting the right rate? [8 marks]
- (c) Explain the crucial elements a claims analyst of a liability insurance company would consider when assessing the claims experience. [4 marks]

**QUESTION THREE**

- (a) Discuss the role of liability insurance in the development of commerce and industry in Kenya. [8 marks]
- (b) Write brief notes on physician's professional liability policy available in the Kenyan insurance market. [5 marks]
- (c) Explain the doctrine of attractive nuisance clearly showing its relevance in liability insurance. [7 marks]

**QUESTION FOUR**

- (a) Explain any five general liability loss exposures that may necessitate any business enterprise to seek for various liability insurance policies. [10 marks]
  - (b) Negligence is a major source of liability in liability insurance, which may give rise to huge court awards resulting to huge claims. However, there are available defenses that can be used against negligence to deny awards or reduce the amount of liability. Explain some of these defenses. [10 marks]
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