

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BCOM 444: REINSURANCE

STREAMS: BCOM (Y4S2)

TIME: 2 HOURS

DAY/DATE: MONDAY 06/04/2020

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

- Answer question ONE and any other TWO questions
- Show all your working
- Do not write on the question paper

QUESTIONONE

- (a) A reinsurer X accepts 30% of proportional reinsurance with an original sum insured of ksh. 120 M at an original rate of 2 per mille. The reinsurance commission to the cedant is 10%. The original broker was paid a commission of 20%

Required:

- (i) Show how the risk is shared [2 marks]
- (ii) Determine the premium due to X [2 marks]
- (b) Mapato Insurance Corporation has a retention level of kshs, 2,000,000. The insurer arranges four treaties as follows;
- First surplus (4 lines)
- Second surplus (3 lines)
- Third surplus (2 lines)

Assume the following:

A risk of kshs 20,000,000 to BIMA Insurance Corporation

A claim of sksh 4,000,000 for the risk

BCOM 444

Required:

- (i) Show how the risk will be shared [4 marks]
- (ii) Demonstrate how the claim will be handled [8 marks]
- (c) Explain under what circumstances facultative reinsurance would be necessary [8 marks]
- (d) Is treaty reinsurance of any value in the Kenyan market? [6 marks]

QUESTION TWO

- (a) BIMA Re is a new reinsurance company joining reinsurance market and the CEO wants to understand the possible factors that may influence its underwriting results. Advice [10 marks]
- (b) Analyze arbitration (alternative dispute resolution) clause as used in reinsurance contracts [10 marks]

QUESTION THREE

- (a) Evaluate any five buyers of reinsurance programmes [10 marks]
- (b) Assume you have been given a responsibility to prepare a presentation on quota share. Clearly show some of the areas of interest that will form part of your presentation [10 marks]

QUESTION FOUR

- (a) XYZ ltd is a new reinsurance company wishing to enter the international market. Analyze any five factors they may need to consider before joining the international reinsurance market. [10 marks]
 - (b) Why is it necessary for an insurance company to arrange for reinsurance programmes before commencement of business [10 marks]
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