CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 444: REINSURANCE

STREAMS: BCOM (Y4S2) (ODEL) **TIME: 2 HOURS**

DAY/DATE: WEDNESDAY 07/08/2024 **8.30 A.M. – 10.30 A.M.**

INSTRUCTIONS:

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

Question one

a) Mapato Insurance Corporation has a retention level of Kshs. 2,000,000. The insurer arranges three treaties as follows;

First surplus 3 lines

Second surplus 5 lines

Third surplus 4 lines

Assume the following further:

A risk of Kshs.20, 000,000 to Mapato Insurance Corporation

A claim of Kshs.5, 000,000 for the risk

Rate of premium 5 per mille

Brokerage commission 10%

Required:

(i) Show how the risk will be shared (4 Marks)

(ii) Demonstrate how the claim will be handled (6 Marks)

(iii) Calculate the net premium due to the two treaties (4 Marks)

b) Mr. Mark is a new reinsurance manager with XYZ Insurance Co. Ltd and has been assigned a responsibility by his CEO to come up with the right retention levels for his Company. He is in dilemma as to what will form the basis of his decision. Advise Mr. Mark. (10 Marks)

c) Explain the following clauses as used in the reinsurance contracts

   (i) Intermediary clause (3 Marks)

   (ii) Reinstatement clause (3 Marks)

Question two

a) Evaluate the role of reinsurance brokers in the reinsurance market. (10 Marks)

b) Mapema reinsurance is a new company joining the reinsurance market and the board of directors wants to understand the possible factors that may influence its underwriting results. Advise. (10 Marks)

Question three

a) Janes, an insurance expert, has been invited to give a presentation on quota share treaty. Show the areas that Janes needs to cover that would form part of her presentation. (10 Marks)

b) Assume you have been engaged by one of the leading reinsurance companies and assigned a responsibility in underwriting department. Analyse the information you may consider necessary in making a decision to issue cover. (10 Marks)

Question four

a) Assume you have been engaged as a CEO of a recently formed professional reinsurer that wants to join an international market. Discuss the factors you would consider before joining the market (10 Marks)

b) Explain treaty reinsurance, clearly showing its advantages and disadvantages (10 Marks)

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