

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
COMMERCE**

BCOM 345: LIABILITY INSURANCE

STREAMS: BCOM Y3S2

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 12/04/2023

8.30 A.M – 10.30 A.M

INSTRUCTIONS:

Answer question one and any other two questions

Do not write on the question paper

QUESTION ONE

(a) A Japanese construction company is building a warehouse for Dan. The construction firm routinely leaves some construction equipment at the building site overnight and on weekends. Late one night, Ken, age 10, began playing on some of Japanese's construction equipment. Ken accidentally released the brakes of a tractor on which he was playing, and the tractor rolled down a hill and smashed into the building under construction. Ken was severely injured in the accident. Ken'S parents sued both the Japanese construction company and Dan for the injury.

(i) Based on the elements of negligence, describe the requirements that must be met for the Japanes construction company to be held liable for negligence. [8 marks]

(ii) Describe any three classes of persons that are recognized by the law with respect to entering upon the property of another, pointing out in which class Ken belong.

[6 marks]

(iii) Explain the other legal doctrine applicable in this case given Ken's age. [4 marks]

(b) Suppose you are working in marking department of a non life insurance company writing liability insurance. Mr. Juma who has a residential premise approaches you at your desk

for a solution. Juma keeps fierce dogs for security reasons and has been sued twice by neighbor for injuries by his dogs. On the two suits, he was forced to pay a gross amount of ksh 500,000/= as damages for the injuries sustained. Advise Mr. Juma on the right liability policy that will protect him against such losses in the future, clearly showing the scope of cover and exclusions if any. [12 marks]

QUESTION TWO

- (a) Discuss in detail the scope of cover offered in the directors and officers liability insurance. [12 marks]
- (b) Evaluate the elements that should be assessed in ascertaining the claims cost of a liability loss. [8 marks]

QUESTION THREE

- (a) Discuss in detail the scope of cover offered in product liability insurance, clearly showing the rationale behind this cover. [10 marks]
- (b) Demonstrate the role of liability insurance in promoting the Kenyan economy. [10 marks]

QUESTION FOUR

- (a) Assume you have been invited to give a presentation on terrorism insurance to a group sales executives who want to specialize in selling this product. Show the areas you will cover that will form part of your presentation. [10 marks]
- (b) Company XYZ Ltd is a medium sized manufacturing enterprise based in Nairobi's industrial area involved in the manufacturing of fast moving consumer goods for local and international markets. This company has about 100 employees at different levels. The CEO of XYZ Ltd recently saw the need for insurance. Assume you have been employed as a marketing executive of Maisha Bora insurance company and assigned a responsibility of coming up with the appropriate policies for XYZ Ltd.

Required:

- (i) Explain any two liability loss exposures the company could be exposed to. [4 marks]

- (ii) Explain at least any two appropriate policies that XYZ could consider. [6 marks]
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