CHUKA  **UNIVERSITY**

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

AGBM 302: AGRICULTURAL INSURANCE

STREAMS:BCOM Y4S1 **TIME: 2 HOURS**

DAY/DATE: WEDNESDAY 18/12/2024 **11.30 A.M – 1.30 P.M**

INSTRUCTIONS:

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

QUESTION ONE

(a) A wheat farmer in Trans Nzoia arranged for yield index insurance on her crop whose details are as follows:

Guaranteed yield per acre 3 tonnes

Farm area 200 acres

Guaranteed price per kg kshs120/=

Realized yield per acre 2 tonnes

Rate of premium 4%

Government subsidy 30%

Level of indemnity 90%

Introductory discount 5%

Deductible 10% eel, minimum Kshs.20, 000/=

Required:

i) Determine the sum insured (2 Marks)

ii) Calculate the premium (3 Marks)

iii) Demonstrate how the claim will be settled (5 Marks)

(b) Illustrate the circumstances under which a cattle insurance policy can indemnify the insured, clearly showing the requirements to be furnished during claim intimation. (12 Marks)

(c) Evaluate the period of insurance in respect of horticultural policy, explaining why it is referred to as 'input' insurance. (8 Marks)

QUESTION TWO

(a) Valuation chart for layers (Poultry Insurance)

Weeks	Multiplier	Number of chicks
1	0.160	1,000
2	0.336	1,000
3	0.709	500
4	1.270	1,500
5	1.962	2,000
6	2.882	4,000
7	3.815	5,000

Assume the following;

A day old chick costs Kshs.120

Feed cost Kshs. 30 per kg

Using the above valuation chart, answer the following questions;

i) Calculate the total sum insured (6 Marks)

ii) What would be the premium payable assuming a rate of 10% subject to an introductory discount of 5% of the premium (4 Marks)

(b) Is agricultural insurance of any value to the Kenyan economy? (10 Marks)

QUESTION THREE

(a) A group of farmers from the coast region have been experiencing serious losses from their farming activities as a result various risks. Bring out the type of risks they could be experiencing. (10 Marks)

(b) Differentiate between agricultural relief and agricultural insurance. (10 Marks)

QUESTION FOUR

(a) Jane believes that agricultural insurance is limited to crop insurance, while James thinks otherwise. Discuss this statement. (10 Marks)

(b) Explain the advantages and disadvantages of weather based index insurance. (10 Marks)
