

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA AND CHOGORIA CAMPUSES

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 342: PROPERTY INSURANCE

STREAMS: BCOM Y3S1

TIME: 2 HOURS

DAY/DATE: MONDAY 16/12/2024

8.30 A.M – 10.30 A.M.

INSTRUCTIONS:

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

QUESTION ONE

(a) Mr. James arranged a theft insurance policy on a first loss basis. The following are the details

Value at risk Kshs.100M

First loss sum insured Kshs.30M

Rate of premium 4.5 per mille

Introductory discount 5%

Proportion of FLSI	% of premium chargeable
Upto 20%	30%
21% to 30%	40%
31% to 40%	50%
41 to 60%	75%
Over 60%	100%

Required:

- (i) Determine the premium payable. **(6 Marks)**
- (ii) Explain why it would be necessary to arrange a theft insurance on first loss basis. **(4 Marks)**
- (b) Many insurance companies have now moved away from the standard fire policy to issue more comprehensive fire insurance. Discuss. **(14 Marks)**
- (c) Ms Mapenzi arranged for a domestic package insurance policy on her residential house for a period of one year from 21/4/2020 to 20/4/2021. The sum insured in respect of the building was Kshs.15 Million and the applicable rate of premium was 2 per mille. On 21st August 2020, she gave 14 days notice to cancel her policy, as she had disposed off her house.

Required:

Assuming full premium was paid, using prorata, compute the refund premium due to MS Mapenzi. **(6 Marks)**

QUESTION TWO

- (a) Assume you have been recruited as a marketing executive of Maisha Bora insurance company and your key responsibility is to grow your sales by 30% within one year. Bring out your understanding on the possible channels you could use to achieve your objective. **(10 Marks)**
- (b) Evaluate the coverages offered in a typical goods in transit policy. **(10 Marks)**

QUESTION THREE

- (a) Analyse a typical money insurance policy available in the Kenyan market. **(10 Marks)**
- (b) Describe any five major properties which form the subject matter for property insurance. **(10 Marks)**

QUESTION FOUR

- (a) Assume you have been hired as a claims officer of a property insurance company. Your insured's business was recently destroyed by fire. Demonstrate how you would handle this claim to conclusion. **(12 Marks)**
- (b) Show how a reasonable underwriter can use excess and warranties to improve his/her company's underwriting results. **(8 Marks)**
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