

QUESTION THREE

- a) Examine five main components of commercial liability insurance policies, and how each protects businesses against various types of liability risks. (10 Marks)
- b) Evaluate five factors that businesses should consider when selecting commercial property insurance coverage and the policy options available to them (5 Marks)

QUESTION FOUR

- a) Explain the term warranty as used in property damage policy (3 Marks)
- b) Explore six coverage options available in commercial liability insurance policies, and each addresses the specific needs and exposures of businesses (12 Marks)

QUESTION FIVE

- a) Risk management considered crucial in the context of commercial property and liability insurance. Examine five ways in which risk management contributes to the overall financial health of businesses. (5 Marks)
- b) Liability policies are expected to protect the insured against third party liabilities arising from the various sources. Describe any five sources of third-party liabilities. (10 Marks)

QUESTION SIX

- a) Highlight four liability risks that commercial operations by Kenyan firms may face (8 Marks)
- b) Describe three ways in which businesses set limits to mitigate losses related to business income. (3 Marks)
- c) Outline five limitations of Business Owners' Insurance (BOP) coverage. (4 Marks)

Furthermore, recognizing the importance of business continuity planning, ABC Corporation had also secured business interruption insurance as part of its risk management strategy. The business interruption coverage helped offset the loss of income and additional expenses incurred during the period of interrupted operations. With financial support from the insurance proceeds, ABC Corporation was able to expedite the restoration of its production facility and resume normal business activities without prolonged disruptions.

Required:

- a) Examine five types of coverage did ABC Corporation have under its commercial property insurance policy, and how did this coverage help mitigate the financial impact of the fire incident. **(5 Marks)**
- b) Describe the process ABC Corporation followed to file a claim with its insurance provider after the fire incident. **(5 Marks)**
- c) Examine five ways in which commercial general liability insurance policy protect ABC Corporation from potential lawsuits and financial liabilities. **(5 Marks)**
- d) Discuss five role of business interruption insurance in ABC Corporation's risk management strategy. **(5 Marks)**
- e) Reflecting on the case study, what Five lessons can other businesses learn about the importance of comprehensive insurance coverage and effective risk management practices in mitigating the impact of unforeseen events such as fires or natural disasters? **(5 Marks)**

QUESTION TWO

- a) Explain with appropriate examples five types of property which may be insured under commercial Property Insurance **(10 Marks)**
- b) Discuss the two fundamental functions of Property-Casualty Insurance **(5 Marks)**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

COMMERCIAL PROPERTY AND LIABILITY INSURANCE AT ABC LIMITED

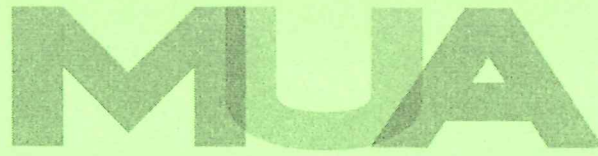
ABC Corporation, a medium-sized manufacturing company, recently experienced a devastating fire at its production facility, resulting in significant property damage and business interruption. As a result, the company incurred substantial financial losses and faced challenges in resuming operations promptly. Fortunately, ABC Corporation had secured comprehensive commercial property insurance coverage to protect its assets and mitigate the financial impact of such unforeseen events.

The commercial property insurance policy provided coverage for damage to the company's buildings, machinery, equipment, and inventory caused by fire, explosion, and other covered perils. Following the fire incident, ABC Corporation promptly filed a claim with its insurance provider to recover the costs of repairing and replacing the damaged property. The insurance company conducted a thorough assessment of the damages and worked closely with ABC Corporation to expedite the claims settlement process.

In addition to property damage, the fire incident also resulted in third-party liability concerns for ABC Corporation. There were allegations from neighboring businesses and residents regarding environmental pollution and health hazards arising from the fire. To address these liability risks, ABC Corporation had purchased commercial general liability insurance, which provided coverage for bodily injury, property damage, and legal defense costs arising from third-party claims.

The commercial liability insurance policy proved invaluable in protecting ABC Corporation from potential lawsuits and financial liabilities arising from the fire incident. The insurance company appointed legal experts to investigate the allegations and defend ABC Corporation against any legal claims. Through effective communication and collaboration with its insurance provider, ABC Corporation successfully resolved the liability issues and mitigated reputational risks.

The
Management
University
of Africa



Sponsored by the Kenya Institute of Management

UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

INS 322: COMMERCIAL PROPERTY AND LIABILITY INSURANCE

DATE: 31ST JULY 2024

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.