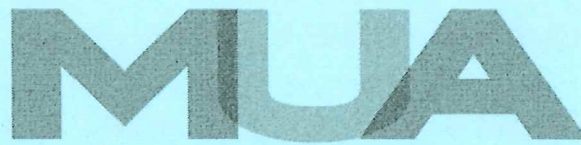


The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

INS 322: COMMERCIAL PROPERTY AND LIABILITY INSURANCE

DATE: 17TH DECEMBER 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.

QUESTION ONE

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

PROTECTING A NAIROBI RESTAURANT WITH COMMERCIAL PROPERTY AND LIABILITY INSURANCE

In the bustling city of Nairobi, Kenya stands "Savory Delights," a popular restaurant known for its delectable cuisine and vibrant atmosphere. Owned and operated by Jane and David, Savory Delights has become a beloved dining destination for locals and tourists alike. However, despite their success, Jane and David are aware of the potential risks that come with running a restaurant in a dynamic urban environment.

One evening, a kitchen fire erupts due to a malfunctioning electrical appliance, causing significant damage to Savory Delights' kitchen and dining area. The fire results in the temporary closure of the restaurant, leading to financial losses and disruption to operations. Recognizing the importance of protecting their business, Jane and David had wisely invested in commercial property and liability insurance to safeguard against unforeseen events.

Their insurance policy includes coverage for property damage, business interruption, and general liability. Following the fire incident, Jane and David promptly file a claim with their insurance provider. The insurer dispatches a claims adjuster to assess the damage and determine the coverage applicable to the loss. Thanks to their comprehensive insurance coverage, Savory Delights receives compensation for the property damage, including repairs to the kitchen equipment and restoration of the dining area.

Moreover, the business interruption coverage proves invaluable as it reimburses Savory Delights for the lost income during the period of closure. With the financial support from their insurance policy, Jane and David are able to expedite the restoration process and reopen Savory Delights to their loyal customers. While there were no injuries resulting from the fire, Jane and David recognize the potential risks associated with operating a restaurant, including slip-and-fall accidents, foodborne illnesses, and customer dissatisfaction. Their liability insurance provides protection against third-

party claims of bodily injury, property damage, and advertising injury, ensuring that Savory Delights is adequately covered in the event of unforeseen accidents or lawsuits.

Required:

- i) Discuss five ways in which Jane and David's investment in commercial property and liability insurance help in mitigating the financial impact of the kitchen fire incident at Savory Delights (5 Marks)
- ii) Examine five key components of Savory Delights' insurance policy (5 Marks)
- iii) Describe three roles of the insurance claims adjuster in assessing the damage caused by the fire at Savory Delights (5 Marks)
- iv) Assess five ways how business interruption coverage support businesses like Savory Delights in recovering lost income and maintaining financial stability during periods of closure or disruption (5 Marks)
- v) Evaluate five ways in which liability insurance protect Savory Delights against potential risks and liabilities associated with operating a restaurant (5 Marks)

QUESTION TWO

- a) Discuss SIX benefits of professional liability insurance (errors and omissions insurance) for service-based businesses, such as consultants, architects, and healthcare professionals (12 Marks)
- b) Evaluate the purpose of a reporting form in Building and Personal Property insurance? (3 Marks)

QUESTION THREE

- a) Examine Five factors considered when determining the premium for commercial property insurance (5 Marks)
- b) Discuss five key benefits of business interruption coverage within commercial property insurance. (10 Marks)

QUESTION FOUR

- a) Explain the concept of "coinsurance" in commercial property insurance and how it affects the settlement of claims in the event of a loss (7 Marks)
- b) Discuss four common exclusions found in commercial property insurance policies. (8 Marks)

QUESTION FIVE

- a) Explore three types of property covered under Building and Personal Property insurance (6 Marks)
- b) Discuss the criteria for acceptance of risks in commercial property and liability insurance. (9 Marks)

QUESTION SIX

- a) Evaluate five roles of umbrella liability insurance in providing additional coverage beyond the limits of primary liability policies (5 Marks)
- b) Discuss with examples five risk mitigation strategies that businesses can implement to reduce their insurance costs. (10 Marks)