# UNDERGRADUATE UNIVERSITY EXAMINATIONS
# SCHOOL OF MANAGEMENT AND LEADERSHIP
# DEGREE OF BACHELOR OF COMMERCE

**INS 322 : COMMERCIAL PROPERTY AND LIABILITY INSURANCE**

**DATE: 28TH JULY 2026**

**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:**

**ABC Manufacturing Ltd.**

ABC Manufacturing Ltd. is a medium-to-large industrial production company engaged in the processing of raw materials into finished consumer goods. The company's insured assets include a factory building valued at KES 500 million, machinery and equipment worth KES 300 million, raw material inventory valued at KES 100 million, and finished goods inventory valued at KES 150 million. The operations are heavily dependent on continuous production, with limited tolerance for downtime. A major fire incident occurred at the factory, originating from an electrical fault within the production facility. The fire spread rapidly, causing extensive damage across multiple asset categories. The loss assessment indicates that 40% of the factory building structure was destroyed, while 60% of machinery and production equipment was severely damaged or rendered inoperable. In addition, all raw materials on site were completely destroyed, and approximately 30% of finished goods inventory was lost in the incident.

The fire resulted in a full operational shutdown of the factory for a period of three months, required for rebuilding, equipment replacement, and restocking of production inputs. During this business interruption period, ABC Manufacturing suffered significant financial consequences, including a loss of KES 20 million per month in net profit. The company also incurred additional operational costs of KES 5 million per month to establish and maintain temporary production arrangements in order to partially meet market demand. In addition to property and business interruption losses, the incident also triggered a liability exposure. A third-party delivery personnel was injured on-site during the fire incident and has filed a claim against ABC Manufacturing for KES 2 million, alleging negligence in site safety and emergency response procedures.

This case presents a combined property damage, business interruption, and public liability insurance scenario, engaging multiple sections of a typical industrial insurance program, including fire and perils cover, machinery breakdown extensions, business interruption insurance, and employer/public liability coverage considerations.

**Required:**

a) Identify and explain six commercial property loss exposures faced by ABC Manufacturing Ltd. from the scenario.

**(6 Marks)**

b) Distinguish between direct and indirect property losses using examples from the case study.

**(4 Marks)**

c) Explain the coverage that would be provided under the Building and Personal Property (BPP) Coverage Form for the losses incurred.

**(5 Marks)**

d) Discuss how Business Income Coverage would respond to the losses described.

**(5 Marks)**

e) Analyze the liability loss exposure arising from the injured delivery person and explain which part of a Commercial General Liability (CGL) policy would respond.

**(5 Marks)**

**QUESTION TWO**

a) Provide four differences between named perils and all risk coverage with examples of exclusions

**(8 Marks)**

b) A commercial tenant leases office space in a multi-tenant building. Using the Building and Personal Property (BPP) Coverage Form, explain which property would be covered as "building," which as "business personal property," and which as "property of others."

**(7 Marks)**

**QUESTION THREE**

a) Describe the structure and key components of a Commercial General Liability (CGL) insurance policy.
**(8 Marks)**

b) Distinguish between the concepts of "occurrence" and" claims-made" triggers in CGL policies providing an example of each.
**(7 Marks)**

**QUESTION FOUR**

a) Discuss four advantages of a Business Owners Policy (BOP) compared to separately purchasing commercial property and liability insurance.
**(8 Marks)**

b) Explain five common exclusions found in commercial property insurance policies and justify why insurers include them.
**(7 Marks)**

**QUESTION FIVE**

a) Describe the following valuation methods for commercial property insurance and explain when each is appropriate:

i) Actual Cash Value **(2 Marks)**

ii) Replacement Cost **(2 Marks)**

iii) Agreed Value **(2 Marks)**

b) A business experiences a major fire and files a claim under its business income policy. Explain the steps involved in measuring and computing the business income loss.
**(9 Marks)**

**QUESTION SIX**

a) Explain four importance of Extended Reporting Period (ERP) **(8 Marks)**

b) Discuss seven elements of an integrated commercial property and liability risk management program providing examples in each.

**(7 Marks)**