



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

INS 322: COMMERCIAL PROPERTY AND LIABILITY INSURANCE

DATE: 2ND APRIL 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:

FIRE AT NAIROBI BUSINESS PARK

In June 2024, a large fire broke out at Nairobi Business Park, a mixed-use commercial complex hosting offices, retail shops, and restaurants. The fire was traced to faulty electrical wiring in one restaurant. The blaze spread rapidly, destroying three office blocks and causing significant business interruption for tenants.

Some tenants had Business Owners' Policies (BOPs), while others had only Commercial General Liability (CGL) coverage. A few relied on basic property coverage with limited causes of loss protection. Tenants suffered losses ranging from destruction of property, loss of income, extra expenses incurred to relocate, and liability lawsuits from injured visitors.

Insurance adjusters raised concerns about underinsurance, inadequate reading of policy clauses, and confusion between occurrence vs. claims-made liability coverage. The County Government of Nairobi also questioned whether property owners had sufficient risk management strategies in place.

Required:

- a) Examine two types of loss exposures illustrated in the case.

(5 Marks)

- b) Discuss Five ways how Business Income Coverage would apply to affected tenants. **(5**

Marks)

- c) Analyze the implications of tenants failing to properly read and interpret their insurance policies.

(5 Marks)

- d) From a risk management perspective, suggest two proactive measures that could have reduced the severity of the fire loss.

(5 Marks)

- e) Evaluate the role of the claims-made form in handling liability lawsuits arising from this incident.

(5 Marks)

QUESTION TWO

- a) Imagine you are a risk manager for a manufacturing company in Thika. Examine three major property loss exposures the company faces and evaluate how appropriate coverage could protect against each.
- b) Discuss why relying only on **basic coverage** may not be sufficient in the Kenyan business environment.

(10 Marks)

(5 Marks)

QUESTION THREE

- a) Using practical examples show how a misinterpretation of exclusions in an insurance policy could lead to financial loss for a small Kenyan business.
- b) Explore five strategies business managers can use to ensure they fully understand their policy documents.

(5 Marks)

(10 Marks)

QUESTION FOUR

- a) Critically analyze the difference between replacement cost coverage and actual cash value coverage, showing how each would impact a medium-sized hotel in Mombasa after a fire.

(5 Marks)

- b) Examine the importance of endorsements and extensions in tailoring BPP coverage to unique business needs. **(10 Marks)**

QUESTION FIVE

- a) Compare how the basic, broad, and special forms of covered causes of loss would apply if heavy flooding affected a retail supermarket chain in Kisumu.
(9 Marks)
- b) Evaluate the significance of **extra expense coverage** for businesses in Kenya's service industry (e.g., ICT firms, banks).
(6 Marks)

QUESTION SIX

- a) Differentiate between Commercial General Liability (CGL) coverage and Business Owners' Policy (BOP) using practical Kenyan business examples.
(5 Marks)
- b) Assess five advantages of the claims-made form in protecting professional firms in Kenya (e.g., law firms, consultancies).
(10 Marks)