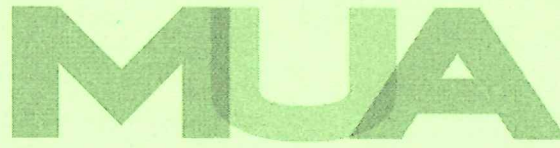


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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**

**SCHOOL OF MANAGEMENT AND LEADERSHIP**

**DEGREE OF BACHELOR OF COMMERCE**

**INS 412:      ADVANCED PROPERTY INSURANCE**

**DATE:        7<sup>TH</sup> AUGUST 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:

**RISK MANAGEMENT IN PROPERTY INSURANCE**

Jane owns a small retail business that operates out of a commercial property. Her property includes the building, inventory, and business equipment. To protect her investment, she has purchased property insurance. Jane understands that identifying potential risks is crucial. She conducts a thorough risk assessment to determine what risks her property faces. Her property is located in an area prone to natural disasters, such as hurricanes and floods, which increases her exposure to weather-related risks. Additionally, she is concerned about theft, fire, and vandalism.

Based on her risk assessment, Jane collaborates with an insurance agent to select an appropriate property insurance policy. She opts for an all-risk policy, which provides coverage for a wide range of perils, including natural disasters and theft. Jane carefully considers her budget and decides on a premium amount that she can comfortably afford. She also chooses a deductible that aligns with her risk tolerance. A higher deductible lowers her premium but increases her out-of-pocket costs in case of a claim.

Jane takes proactive steps to minimize risks. She installs security cameras and alarm systems to deter theft and vandalism. She also reinforces the property's structure to withstand potential natural disasters. Jane understands that her insurance needs may change over time. She conducts regular policy reviews with her insurance agent to ensure that her coverage remains adequate. As her business grows, she updates her policy to reflect the increased value of her property and inventory. Unfortunately, a severe hurricane strikes the area, causing significant damage to Jane's property. She promptly contacts her insurance company to initiate the claims process.

Her insurer sends an adjuster to assess the damage and determine the coverage amount. With the insurance payout, Jane is able to repair and rebuild her damaged property, replace her inventory, and resume her business operations. The insurance coverage helps her recover financially from the disaster. After the claim settlement, Jane reevaluates her property's risk profile and decides to make additional investments in loss prevention measures, such as improving flood defenses and

enhancing the property's structural integrity. Jane recognizes that risk management is an ongoing process. She continues to work closely with her insurance agent to ensure her property insurance coverage evolves to meet her changing needs and the evolving risks her business faces.

**Required:**

- a) Explain the process of conducting a risk assessment for a property that is seeking insurance coverage. (5 marks)
- b) Evaluate three common risks that property owners should consider when assessing their property for insurance. (6 marks)
- c) Assess three factors that property owners should consider when choosing the type and level of coverage for their property insurance policy. (6 marks)
- d) "Jane reevaluates her property's risk profile and decides to make additional investments in loss prevention measures, such as improving flood defenses and enhancing the property's structural integrity" Evaluate how premiums and deductibles impact the cost of property insurance, and how property owners balance their choices in this regard. (4 marks)
- e) Evaluate two effective loss prevention measures property owners can implement in the event of a property damage claim (4 marks)

**QUESTION TWO**

- a) Propose five perils that are excluded under contractors' all risks insurance which are also the generally applicable to all property damage. (5 marks)
- b) Evaluate six benefits of a 'combined policy' to the insurer (10 marks)

**QUESTION THREE**

- a) Describe the scope of 'all risks' policy. (3 marks)
- b) Examine six exclusions under 'all risks' policy. (6 marks)
- c) Assess the three types of policies in goods-in-transit insurance. (6 marks)

**QUESTION FOUR**

- a) Examine two tasks performed by a typical risk underwriter. (4 marks)
- b) Discuss six factors that should be taken into consideration when underwriting a Goods in transit insurance policy for a client (6 marks)
- c) The staff of a hotel has requested you to advice on rating system used when evaluating whether to accept a proposal to insure a building against fire and amount to set as premium. Explore five factors that are of critical importance. (5 marks)

**QUESTION FIVE**

- a) Examine four factors that will be taken into account when designing a reinsurance programme for property (8 marks)
- b) Assess four methods that can be used to spread risk (4 marks)
- c) Analyze three exclusions to a glass insurance policy (3 marks)

**QUESTION SIX**

- a) A building worth Ksh. 100,000 but insured for Ksh. 50,000 is totally destroyed. The insurer will only pay Ksh. 25,000, which represents 50% of the insurance value, but 25% of the full value. Of course, the insured has insured his or her building for only 50% of its real value. With reference to the average clause in the insurance policy, explain if the insurer will receive full compensation. (9 marks)
- b) Evaluate three factors that should be taken into consideration when underwriting a goods in transit insurance policy (6 marks)