

The
Management
University
of Africa



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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

INS 413: ADVANCED LIABILITY INSURANCE

DATE: 8TH 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 and answer the questions that follow;

PROPERTY RISK EXPOSURES AT CITRUS INC.

Citrus Inc. is a medium-sized agro-processing and distribution company engaged in the production, storage, and export of fresh citrus fruits and citrus-based products. The company owns extensive physical assets, including citrus orchards, processing plants, cold storage facilities, warehouses, office buildings, and a fleet of delivery vehicles. Its operations depend heavily on specialized machinery such as fruit grading equipment, refrigeration systems, and automated packaging lines.

Citrus Inc. operates in an environment exposed to a range of physical hazards, including fire, flooding, extreme weather conditions, mechanical breakdown, theft, and accidental damage. The orchards are vulnerable to natural perils such as drought, storms, and pests, while processing facilities face risks associated with equipment malfunction, power outages, and fire outbreaks.

The company also stores large volumes of perishable inventory, making it particularly susceptible to spoilage losses in the event of refrigeration failure. In addition to direct physical damage to property, Citrus Inc. faces significant **loss consequences** arising from property losses. These include business interruption due to halted production, loss of revenue from spoiled inventory, increased operating expenses from outsourcing processing activities, and reputational damage caused by delayed deliveries to export markets. The management of Citrus Inc. recognizes that these property-related risks cannot be eliminated entirely and therefore requires a structured risk management approach combining loss prevention, loss reduction, and property insurance solutions.

As a result, Citrus Inc. is seeking professional advice on identifying its major property exposures, understanding the potential loss consequences, and implementing appropriate risk management strategies to protect its assets and ensure business continuity.

Required:

- a) Describe four different types of property exposures and loss consequences that Citrus faces .

(10 Marks)

- b) For each of the above, give specific risk management solutions for dealing with these consequences.

(5 Marks)

- a) Assess five ways how business interruption resulting from a major property loss could affect Citrus Inc.'s operations and financial performance. **(10 Marks)**

QUESTION TWO

A medium-sized manufacturing firm has recently experienced multiple liability claims arising from customer injuries, employee accidents, and environmental complaints from a nearby community.

Required:

- a) Assess five practical benefits of combining liability insurance with non-insurance risk management techniques in managing the firm's liability exposures.

(10 Marks)

- b) Discuss two challenges the firm may face when implementing liability risk control measures **(5 Marks).**

QUESTION THREE

A retail chain is considering purchasing Commercial General Liability (CGL) insurance after facing claims related to customer slips, advertising injury, and defective products.

Required:

a) Evaluate five ways in which Commercial General Liability (CGL) insurance protects the retailer against liability-related financial losses. **(10 Marks)**

b) Discuss two limitations of CGL insurance exclusions and assess how they affect the retailer's overall risk exposure.

(5 Marks)

QUESTION FOUR

A logistics company operates a fleet of trucks transporting goods across the country. Some vehicles are insured under third party policies, while others are comprehensively insured.

Required:

a) Explore five statutory protections provided to third-party motor accident victims under motor liability laws.

(10 Marks)

b) Examine **two reasons** why Motor Insurance Bureau (MIB) protection is essential in a compulsory motor insurance system. **(5**

Marks)

QUESTION FIVE

An engineering consultancy firm employs skilled professionals and manual workers and is exposed to workplace injuries and professional negligence claims.

Required:

a) Examine five differences between workers' compensation insurance and professional liability insurance as applied in the firm.

(10 Marks)

- b) Evaluate two implications of operating without adequate coverage in either area.

(5 Marks)

QUESTION SIX

A multinational company operates in aviation, marine transport, and environmentally sensitive industries, with potential losses exceeding standard policy limits.

Required:

- a) Analyze five ways how excess liability insurance enhance the firm's risk financing strategy in managing catastrophic losses.

(10 Marks)

- b) Evaluate the role of alternative risk financing methods in improving long-term financial sustainability for such an organization.

(5 Marks)