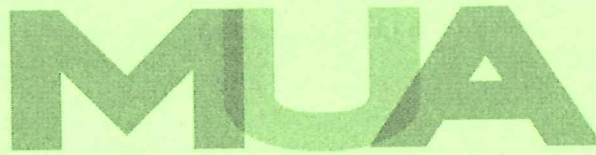


The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF COMMERCE

INS 413 : ADVANCED LIABILITY INSURANCE

DATE: 1ST 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 and answer the questions that follow;

MANAGING LIABILITY RISKS IN KENYAN BUSINESSES: A COMPREHENSIVE INSURANCE APPROACH

Kenya's business environment, like many others globally, is subject to a myriad of legal liabilities. Understanding the legal framework is essential for businesses to mitigate potential risks effectively. Kenyan enterprises grapple with challenges ranging from contractual disputes to employee-related issues, demanding a comprehensive approach to liability management.

Kenyan businesses employ risk control measures to minimize exposure to liabilities. From implementing stringent safety protocols in manufacturing units to conducting regular employee training sessions on compliance, companies focus on proactive measures to prevent potential risks before they escalate into liabilities. Commercial liability insurance forms the backbone of risk management strategies in Kenyan businesses. Companies invest in policies tailored to their unique risks, such as business auto insurance for transportation-related liabilities and professional liability insurance for service-oriented sectors. These policies provide financial protection and legal support, ensuring businesses can navigate complex legal challenges.

Kenya's growing emphasis on environmental conservation and sustainability has led to the emergence of environmental liability concerns. Businesses operating in sectors with ecological footprints, such as manufacturing and agriculture, employ specialized environmental insurance to address pollution risks and ecological damages. Adopting eco-friendly practices not only aligns with global environmental goals but also mitigates liabilities related to environmental concerns.

Kenyan businesses prioritize the safety and well-being of their workforce. Workers' compensation insurance ensures financial support for employees in case of injuries or accidents on the job. Additionally, employment practices liability insurance protects businesses from legal claims related to employment issues, fostering a harmonious employer-employee relationship while managing legal risks effectively. Professional liability insurance is vital for service-oriented businesses such as legal firms, healthcare

providers, and consultants. It safeguards professionals from legal claims arising from errors, omissions, or negligence in their services. General liability insurance, on the other hand, provides broad coverage against various liabilities, including property damage and bodily injuries, ensuring businesses are prepared for unforeseen circumstances.

In the realm of financial management, fiduciary liability insurance is crucial for businesses handling employee benefit plans. It protects against claims related to mismanagement of employee funds, ensuring financial security for both employees and employers. Kenyan businesses prioritize fiduciary responsibilities, mitigating risks associated with financial management through comprehensive insurance coverage.

Kenyan businesses' proactive adoption of liability insurance and robust risk management practices exemplify their commitment to sustainable growth and ethical conduct. By navigating the complexities of legal liabilities through tailored insurance solutions, these businesses not only ensure their financial security but also contribute to a resilient and thriving business landscape in Kenya. Embracing a holistic approach to risk management, Kenyan enterprises stand poised to overcome challenges and seize opportunities, reinforcing the nation's position as a hub of innovation and responsible entrepreneurship.

Required:

- i) Examine five key sectors discussed in the case study where Kenyan businesses face liability risks, and how do specialize insurance policies mitigate these risks.

(10 Marks)

- ii) Using specific examples from the case study, explore three ways in which Kenyan businesses employ risk control measures to minimize liability exposure, especially in areas like environmental concerns and employment practices

(6 Marks)

- iii) Evaluate two roles of commercial liability insurance in Kenyan businesses as captured in the case study.

(4 Marks)

- iv) Discuss five ways in which Kenyan businesses contribute to sustainable growth and ethical conduct through their proactive adoption of liability insurance and risk management practices

(5 Marks)

QUESTION TWO

- (a) Describe two similarities and two differences between excess liability insurance and umbrella liability insurance. **(8 marks)**
- (b) James has a Kshs. 500,000 umbrella policy. He is involved in a car accident and is found to be liable for kshs. 500,000 in property damages. His car insurance liability limit is Kshs. 400,000. How much money will his umbrella insurance policy pay out in this case and why? **(2 marks)**
- (c) (i) Illustrate by giving examples the difference between garage liability insurance and garage keepers insurance. **(3 Marks)**
- (ii) Describe the coverage of garage keepers' insurance. **(2 Marks)**

QUESTION THREE

- (a) Discuss five principles of marine insurance as used in marine liability insurance. **(10 Marks)**
- (b) Explore different types of negligence concerning advanced liability insurance. **(5 Marks)**

QUESTION FOUR

- (a) Discuss the five types of aviation liability insurance. **(10 Marks)**
- (b) Professional liability insurance, also known as professional indemnity insurance or errors and omissions (E&O) insurance, is a specialized form of coverage designed to protect professionals and their businesses from financial losses resulting from negligence, errors, or omissions in the services they provide. Examine five coverages of professional indemnity insurance. **(5 Marks)**

QUESTION FIVE

- (a) Evaluate three types of risk management techniques that a business needs to safeguard its business operations. **(6 Marks)**
- (b) Discuss three benefits that a business derives from a commercial general liability insurance plan. **(6 Marks)**
- (c) Describe environmental liability insurance. **(3 Marks)**

QUESTION SIX

- (a) Jeremiah owns a fleet of vehicles that are used for transporting goods. All his vehicles are insured under commercial motor insurance. One of his vehicles while on its way to Kisumu was hit from behind by uninsured lorry and the driver lost control and hit a saloon car. The car was badly damaged and the occupants were also badly injured. Jeremiah's vehicle was damaged and the driver was also injured in the accident. Examine five items will be covered by Jeremiah's commercial motor insurance policy. **(10 Marks)**
- (b) Discuss the coverage of workers compensation policy. **(5 Marks)**

