

CHUKA**UNIVERSITY****UNIVERSITY EXAMINATIONS****THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF COMMERCE****BCOM 342: AGRICULTURAL INSURANCE****STREAMS: BCOM Y3S2****TIME: 2 HOURS****DAY/DATE: TUESDAY 09/08/2016****2.30 PM – 4.30 PM****INSTRUCTIONS:**

- Answer Question One and any other Two Questions
- Show all your workings
- Do not write on the question paper

Question One

- (a) Using real life examples, explain the informal methods available in handling agricultural risks. [8 marks]
- (b) M/S Mapenzi is a large scale farmer in the coast region, who arranged weather index insurance on her cotton plantation. The following are the details;

Sum insured kshs. 23,000/= per acre

The normal rainfall for the above yield is 780mm

The actual rainfall during the season was 400mm

Rate of premium is 2.5%

Subsidy offered in the area is 20%

Policy deductible 5% on each and every loss

The claims payout structure is as follows;

rainfall range (mm)	Payment (ksh/mm)
554-597	13.32
512-555	14.80
467-511	16.47
426-468	18.30
384-425	20.35

341-383	20.40
298-340	20.45
256-297	20.56
213-255	20.65
170-212	20.78
128-169	20.87
85-127	20.93
42-84	21.00
0-41	21.10

Required:

- (i) Calculate the premium payable [2 marks]
- (ii) Determine the claim payout [4 marks]
- (iii) Explain at least two variables of a weather based insurance [4 marks]
- (c) Assume you have been employed as a marketing executive of XYZ insurance company which is a specialist in underwriting crop insurance. Explain to a tea plantation farmer why it would be necessary to buy crop insurance. [6 marks]
- (d) Discuss the period of insurance in respect to horticulture /plantation (inputs) policy [6 marks]

Question Two

- (a) Is weather index based insurance of any value as a risk management mechanism in farming? Discuss. [14 marks]
- (b) Explain the scope of agricultural insurance in Kenya. [6 marks]

Question Three

- (a) Explain in details the structure of a typical comprehensive floriculture cover issued by insurance companies. [12 marks]
- (b) Explain the possible exclusions in a poultry insurance policy. [8 marks]

Question Four

- (a) A rice farmer in Mwea effected a yield index insurance on her crop whose details are as follows;
 - Guaranteed yield per acre 2 tons
 - Farm area 10 acres
 - 80% level of coverage
 - Guaranteed price per ton kshs 100,000/=

Actual yield per acre 1 ton
Rate of premium 2.5%
Subsidy 35%
Level of indemnity 90%

Required:

- (i) Determine the sum insured [2 marks]
 - (ii) Calculate the premium payable [3 marks]
 - (iii) Calculate the claim payable [3 marks]
 - (b) Discuss the common exclusions under a cattle insurance policy [12 marks]
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