



UNIVERSITY EXAMINATIONS
FOURTH YEAR EXAMINATION FOR THE AWARD OF THE
DEGREE OF BACHELOR IN COMERCE/BUSINESS
MANAGEMET/ECONOMICS
FIRST SEMESTER 2023/2024
[AUGUST-DECEMBER, 2023]

BBAM 440: MARINE INSURANCE

STREAM: Y4 S1

TIME: 2 HOURS

DAY: MONDAY, 3.00 – 5.00 P.M.

DATE: 27/11/2023

INSTRUCTIONS

- 1. Do not write anything on this question paper.***
- 2. Answer Questions ONE and any other THREE Questions***

QUESTION ONE COMPULSORY]

- A. Explain the contents of marine insurance claim. (8 Marks)
- B. Explain the risks usually not covered by marine insurance. (9 Marks)
- C. Explain the clauses that cover marine insurance. (8 Marks)

QUESTION TWO

A. Describe the most important types of insurance in the marine insurance market. (8 Marks)

B. The cost of marine insurance forms an important component of ship operation cost. Explain the notable determinants of cost of marine insurance on the ship's operation cost. (7 Marks)

QUESTION THREE

A. Citing examples, explain the different risks involved of the following terms arising out of marine perils: (12 Marks)

- 1) Total loss
- 2) General average loss
- 3) Particular average loss, and
- 4) Salvage charges

B. Describe briefly maritime perils (3 Marks)

QUESTION FOUR

A. Explain how marine insurance works. (7 Marks)

B. Describe the main players in the marine insurance market. (8 Marks)

QUESTION FIVE

A. A significant portion of the marine insurance is operated by the Mutual insurers who provide

insurance for P & I, Hull and Transport. Suppose in January you bought an Ksh 8M policy

for a warehouse building with an actual cash value of Ksh 10M , and the policy has an 80

percent coinsurance clause, which requires at least 80 percent of the value to be covered in

order to receive the actual loss. By the time the warehouse building suffers a Ksh 1M loss in

November, its actual cash value has increased to Ksh 12M. the coinsurance limit is calculated

as follows:

REQUIRED:

(i) Calculate your penalty for failing to carry at least 80 percent of the actual value to bear part of the loss. (3 Marks)

(ii) What if you had a total loss at the time the warehouse building is worth Ksh 12M, and

you have only Ksh 8M worth of coverage? (3 Marks)

B. Mr. Nyamwaro owns a warehouse in Kisumu. The building would cost Ksh 4M to replace at

today's prices, and Nyamwaro wants to be sure he is properly insured. He feels that he would

be better off if he had two Ksh 2.5M replacement cost property insurance policies on the

warehouse because "then I will know if one of the insurers is giving me the runaround.

Anyhow, you have to get extra shillings to cover expenses if there is a fire—and I can't get

that from one company."

REQUIRED:

(i) If the building is totally destroyed by fire, calculate how much may Nyamwaro collect

without violating contract of indemnity? (3 Marks)

(ii) What is Nyamwaro's insurable interest and does it exceed the value of the building (2 Marks)

C. Explain two main provisions of a coinsurance clause in marine insurance.

(4 Marks)