CHUKA   **UNIVERSITY**

UNIVERSITY EXAMINATIONS

FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

AGBM 302: AGRICULTURAL INSURANCE

STREAMS: BCOM Y4S1   **TIME: 2 HOURS**

DAY/DATE: FRIDAY 06/12/2019   **8.30 A.M. – 10.30 A.M.**

INSTRUCTIONS:
- **Answer question ONE and any other TWO questions**
- **Show your workings**
- **Do not write on the question paper**

QUESTION ONE

(a)   Nyongesa is a large scale farmer in the Western part of Kenya, who arranged weather index insurance on his wheat plantation. The following are the details;

Sum insured Kshs. 60,000/= per acre
Farm area 40 acres
The normal rainfall for the above yield is 780 mm
The actual rainfall during the season was 450 mm
Rate of premium is 2.5%
Subsidy offered by the government is 30%

The claims payout structure is as follows;

Rainfall range (mm)	Payment (Kshs/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. (4 marks)

(ii) Demonstrate how the payout will be made. (6 marks)

(b) Discuss under what circumstances a cattle insurance policy can pay a dairy farmer who has such policy. (10 marks)

(c) Evaluate the commonly used exclusions in a poultry insurance policy. (10 marks)

QUESTION TWO

(a) Mr. Mwangoma is a prominent farmer in the coast region who is worried about the frequent losses to his farm enterprise resulting misfortunes. Discuss any five possible misfortunes he could be facing. (10 marks)

(b) George believes that all agricultural risks are insurable, while Jocelyn believes otherwise. Discuss this statement in the light of insurance mechanism giving the right position. (10 marks)

QUESTION THREE

(a) A barley farmer arranged for yield index insurance on her crop whose details are as follows;

Guaranteed yield per acre 2 tons
Farm area 50 acres
80% level of coverage
Guaranteed price per kg kshs 1,000/=
Actual yield per acre 1 ton
Rate of premium 2.5%
Subsidy 30%
A deductible of 5% of each and every loss minimum Ksh. 10,000

Required:

      (i)   Determine the sum insured.   (3 marks)
      (ii)   Calculate the premium payable.   (3 marks)

      (iii)   Show the claim payable.   (4 marks)

(b)   Is weather index insurance of any value in Kenya?   (10 marks)

QUESTION FOUR

(a)   Analyze a comprehensive floriculture insurance policy.   (16 marks)

(b)   Agricultural insurance is synonymous with crop insurance. Discuss.   (4 marks)