**CHUKA**                                     **UNIVERSITY**

## UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE**

**AGBM 302: AGRICULTURAL INSURANCE**

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

**DAY/DATE: THURSDAY 6/12/2018**                        **8.30 A.M – 10.30 A.M**

**INSTRUCTION:**

- **Answer question one and any other two questions**
- **Show all your workings**
- **Do not write on the question paper**

1.     A rice farmer in mwea 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 ton ksh 100,000

Actual yield per acre 1 ton

Rate of premium 2.5%

Subsidy      25%

Level of indemnity 90%

A deductible of 2.5% of each and every loss minimum ksh 10,000

**Required:**

(i)    Determine the sum insured.                                   [3marks]
(ii)   Calculate the premium payable                               [3 marks]
(iii)  Show the claim payable                                      [4 marks]

(b) A large scale farmer in Nyandarua who has been experiencing a lot of losses on his farm due to natural vagaries approaches you as an expert for advise. Prescribe for him, the approaches to use in handling those loss exposures.                [10marks]

(c) Discus the shortcoming of weather index based insurance.        [10 marks]

2.    (a) Explain under what circumstances a cattle insurance policy could indemnity a farmer.
                                                                    [ 10marks]

(b) Mr. Maina is a poultry farmer who wants to arrange a comprehensive poultry policy on his farm. He approaches you with the following details;

Types of birds is broilers

| Batch (in weeks) | Number |
|---|---|
| 1 | 500 |
| 2 | 2,000 |
| 3 | 1,000 |
| 4 | 1,200 |

Assume you have been given the following multiplier to use in determining week wise valuation;

| Weeks | Multiplying factor |
|---|---|
| 1 | 0.160 |
| 2 | 0.336 |
| 3 | 0.709 |
| 4 | 1.370 |
| 5 | 1.962 |

 A day old chick cost ksh 80

Feed cost ksh 10 per kg

Rate of premium 7% for 1 day to 8 weeks birds.

**Required:**

(i)    Determine the total sum insured.                                    [8marks]
(ii)   Show the premiums payable.                                          [2 marks]

3.    (a) Assume you have been assigned a responsibility to give a presentation to group of farmers interested in lift irrigation insurance. Illustrate the areas that will form part of your presentation.                                    [12 marks]

(b) Demonstrate how price and technology risks affect agriculture.        [8 marks]

4.    (a) John graduated from Elimu University and was offered a position as an underwriting assistant in a property insurance company. He was assigned a responsibility of preparing acceptance terms for a poultry policy. Explain the conditions he will place to ensure underwriting profitability.                                    [10 marks]

(a) Discuss the period of insurance for various plantation crops.         [6 marks]

(c) Explain the scope of agricultural insurance.                          [4 marks]

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