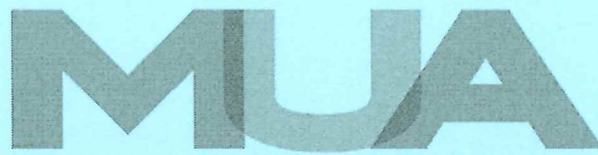


The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

INS 414: INSURER OPERATIONS AND REGULATIONS

DATE: 11TH DECEMBER 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 carefully and answer the questions that follow:

REGULATOR SHOCKS 20 KENYAN INSURERS WITH RECORD FINES OVER BREACHES (EXTRACTS)

The insurance regulator has fined 20 insurers a record Sh94.85 million over various breaches, including failure to pay claims, shining a spotlight on the sector that collects billions of shillings from customers with the promise of compensation in case of a loss.

The Insurance Regulatory Authority (IRA) data shows the year ended 2022 marked the third straight year of rising fines as well as the number of insurers getting penalised. The regulator had in the preceding financial year penalised 10 insurers Sh56.9 million, which was an increase from Sh17.6 million in 2020 and Sh2.7 million in 2019. The breaches included failing to pay claims, late payment of annual licensing fee and late submission of financial performance records, leaving the regulator in the dark over their stability and safety of covers.

The growth in the number of insurance companies breaching industry regulations puts focus on the stability of many of the firms and presents a worry to millions of customers in an environment where complaints over delayed or unpaid claims have been mounting.

Source: Nation Media Group, Tuesday, January 02, 2024

Required:

In the light of the above case;

- a) Analyse five powers conferred on Commissioners of Insurance, showing how each is important. **(10 Marks)**
- b) Demonstrate which of the powers conferred on Commissioners of Insurance have been invoked in the above case citing examples. **(5 Marks)**
- c) Assess five functions of the Insurance Regulatory Authority (IRA) of Kenya which justify IRA's penalization of insurers as shown in the above case. **(10 Marks)**

QUESTION TWO

- a) Distinguish the operations of the following reinsurance concepts:
- i) Treaty arrangement (2.5 Marks)
 - ii) Facultative arrangement (2.5 Marks)
- b) Due to the prevalence of cybercrimes, propose five precautionary measures required to be exercised by prospects engaging insurance firms to acquire insurance policy. (10 Marks)

QUESTION THREE

- a) Express the formula of the following ratios and show how beneficial they are for a listed insurance company:
- i) Debt Equity Ratio (3 Marks)
 - ii) Earnings Per Share (EPS) (3 Marks)
- b) In an environment characterized by cut-throat competition, companies engage in diverse tactics in an attempt to get more customers, including luring customers from other companies. Examine six such tactics that may be employed by insurance companies. (9 Marks)

QUESTION FOUR

- a) Assume that you have a firm whose main operation is to determine the relative ranking of various companies. Demonstrate five bases you would use to determine the relative ranking of insurance companies in your country. (5 Marks)
- b) An insurance company seeking to reinsure risks undertakes to lose part of the premiums received through remitting such to the reinsurance company. This notwithstanding, there are advantages that such company stands to gain. Compose five of these advantages. (10 Marks)

QUESTION FIVE

- a) Identify three departments that are specially found in insurance companies but not in companies found in other industries and describe the major roles of each of these departments. **(6 Marks)**
- b) Evaluate three subject matters that have to be regulated by the governmental regulator of the insurance sector of your country, highlighting one reason why each such subject matter needs to be regulated. **(9 Marks)**

QUESTION SIX

- a) Describe the following practices, underpinning the reasons why each is prohibited by insurance regulators of diverse jurisdictions.
- i) Twisting **(2.5 Marks)**
 - ii) Rebating **(2.5 Marks)**
- b) The 'claim processing cycle' involves five main processes. Design a five process model of the claim processing cycle highlighting the tasks undertaken under each of the processes. **(10 Marks)**