

The  
Management  
University  
of Africa



Sponsored by the Kenya Institute of Management

**UNDERGRADUATE UNIVERSITY EXAMINATIONS**

**SCHOOL OF MANAGEMENT AND LEADERSHIP**

**DEGREE OF BACHELOR OF COMMERCE**

**INS 312: INSURANCE PRINCIPLES AND PRACTICES**

**DATE: 1<sup>ST</sup> APRIL 2026**

**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:**

### **THE RAVAGING CITY FIRE: THE CASE OF SUPERMATT HYPERMARKETS LTD**

Supermatt Hypermarkets Ltd. was a chain of supermarkets with branches in all major cities within the country, Kenya. Business was booming in the retail industry where Supermatt Hypermarkets Ltd. commanded the lion's share of the market. Misfortunes set in on many of the branches in different locations, one after another. One such misfortune was a ravaging fire that caught its major branch located within the Nairobi CBD (Central Business District).

On that fateful evening, people had just left their places of work and went shopping in preparation to board vehicles to go back to their places of residence. Owing to its favourable geographical location, Supermatt Hypermarkets Ltd. had very many customers as was the normal daily routine. Then sudden fire whose cause could not immediately be established caught the entire building starting from its second floor.

Thick, choking black smoke filled the atmosphere. As people were rushing for their safety to quickly vacate the premises, there were stampedes. The situation became worse when security guards locked all the exit doors to prevent anybody from stealing and escaping with goods. Many deaths occurred due to fire burns, though lives could have been saved through opening the doors for people to escape.

Though the windows at the first floor of the building were mattresses which were thrown out. Good Samaritans outside the building laid the mattresses on the ground and encouraged people to jump out through the windows for their safety. The mattresses provided safe landing which helped to save some lives. Little attempts were made to rescue goods, except for some goods whose value was later estimated through investigations, to have been worth Ksh 1,000,000, which was about ten percent of the total value of goods. No mention of these goods and their value was made by the insured in their claim form. Supermatt Hypermarkets Ltd. had obtained insurance cover from two insurance companies but information about this matter was concealed in the proposal forms so that none of the insurers was aware of the other insurer.

Supermatt Hypermarkets Ltd. had obtained insurance cover against theft from Alpha Insurance Company, while the same goods were covered against fire and burglary by Beta Insurance Company. Insurance claims were lodged for Ksh 10,000,000, being the total value of the goods, to each of the two insurance companies. Alpha Insurance Company declined to offer any compensation while Beta Insurance Company paid compensation of Ksh 10,000,000. Supermatt Hypermarkets Ltd. sued Alpha Insurance Company for failure to honour the claim lodged. Beta Insurance Company sued Supermatt Hypermarkets Ltd. for recovery of Ksh 1,000,000.

**Required:**

- a) Demonstrate the operation of the insurance principle of 'uberrimae fidei' showing two ways through which it has been breached in the above case study.
 

**(5 Marks)**
- b) Justify Alpha Insurance Company's failure to honour the Ksh 10,000,000 claim presented to them, basing your justification on an appropriate doctrine governing insurance contracts.
 

**(4 Marks)**
- c) Assess the bases of two doctrines of insurance to be relied upon by Beta Insurance Company in its attempt to recover Ksh 1,000,000 of the Ksh 10,000,000 paid to Supermatt Hypermarkets Ltd.
 

**(6 Marks)**
- d) Propose five common conditions which would be contained in Supermatt Hypermarkets Ltd. goods insurance policy document briefly showing the essence of each.
 

**(10 Marks)**

**QUESTION TWO**

- a) Design five actions that should be taken by the owner of a comprehensively insured motor vehicle after involvement in an accident, showing the importance of each action.
 

**(10 Marks)**
- b) Discuss five advantages accruing to employers providing their workers with social insurance.
 

**(5 marks)**

**QUESTION THREE**

- a) Appraise four functions of the Insurance Regulatory Authority (IRA) of Kenya citing examples of how each has been performed in recent years. **(6 marks)**
- b) Discuss six disadvantages of self-insurance to business firms. **(9 Marks)**

#### QUESTION FOUR

- a) Assess three risk handling techniques at the disposal of business organizations, indicating situations where each is appropriate. **(9 Marks)**
- b) Demonstrate the applications of the following terms in reinsurance:
  - i) Treaty arrangement. **(3 Marks)**
  - ii) Proportional reinsurance. **(3 Marks)**

#### QUESTION FIVE

- a) Examine the significance of the following kinds of conditions contained in policy documents:
  - i) Conditions precedent to the contract **(2.5 Marks)**
  - ii) Conditions subsequent to the contract **(2.5 Marks)**
- b) Compose five typical contents of proposal forms, underpinning the purpose of each. **(10 Marks)**

#### QUESTION SIX

- a) Analyse four merits of embracing insurance in society. **(6 Marks)**
- b) Evaluate three critical steps of a successful claim procedure for loss of insured household items by theft, underpinning the necessity of each step. **(9 Marks)**