



UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF COMMERCE

INS 414: INSURER OPERATIONS AND REGULATIONS

DATE: 27TH JULY 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:

REGULATION OF THE INSURANCE INDUSTRY: THE KENYAN CASE

Has the Kenyan insurance industry matured enough to be left to self-regulation through the umbrella association – the Association of Kenya Insurers (AKI)? Or must the industry have to continue being regulated by the government regulatory body – the Insurance Regulatory Authority (IRA)? There are pros and cons of both self-regulation and regulation by governmental authorities.

Self-regulation may play a crucial role in the development of the insurance industry in Kenya. Self-regulation may promote innovations within the industry and facilitate benchmarking with world class best practices. But it is questionable as to whether self-regulation is sufficient in getting rid of rogue players in the industry. Regulation by a governmental authority may succeed more in weeding out rogue insurers, but may also slowdown innovations due to possible rigidities.

The Insurance Regulatory Authority (IRA) is mandated by the Insurance Act to supervise and regulate insurers in Kenya. The Authority also proposes amendments to the Insurance Act, for consideration by the legislature. These amendments are necessary so as to avoid sticking to legislations that could be outdated thus hindering adoption of innovations. Since legislations form the general frame and may not handle specific issues adequately, IRA comes up with regulations for more specific application of the insurance Act.

Required:

In light of the above discussion and expertise in Kenyan Insurance Regulations:

- a)** Demonstrate five merits of self-regulation that would be reaped by Kenyans if the Association of Kenya Insurers (AKI) would be given full

regulatory mandate.

(5 Marks)

- b)** Citing examples, propose five compelling reasons why the Kenyan insurance industry should continue to be regulated by the Insurance Regulatory Authority (IRA).

(10 Marks)

- c)** Appraise the performance of the Insurance Regulatory Authority (IRA) in Kenya based on five purposes for its establishment, citing instances on how each purpose has or has not been adequately executed.

(10 marks)

QUESTION TWO

- a)** A barking but toothless dog is incapacitated to be a watchdog. In concord with this statement, the commissioner of insurance is given 'teeth to bite' in form of powers by both insurance legislations and regulations. Assess five such kinds of powers showing through real examples instances where the Kenyan Commissioner of Insurance has utilised each kind of power.

(7.5 Marks)

- b)** To a large extent, an insurance company is gauged by the public from the perspective of claims payment. This notwithstanding, effective payment requires each party (insured and insurer) to play their roles. Propose five roles required of the insured and insurer in the 'claim processing cycle' underscoring the necessity of each role.

(7.5 Marks)

QUESTION THREE

- a)** Effective claims adjustment is beneficial to both the insured parties and the insurer. Assess the beneficial nature of claims adjustment using three valid justifications.

(7 Marks)

- b)** Analyse four modern insurance marketing channels used by a particular insurance company of your choice in Kenya in attempting to gain greater market share, with one merit and one demerit of each marketing channel. **(8 Marks)**

QUESTION FOUR

- a)** A Sub-Saharan republic has experienced the influx of reinsurance companies in recent years. Citing illustrations, propose six benefits that would be reaped by insurance companies operating in the republic as a result of such influx.

(9 Marks)

- b)** Underwriting is one main feature that distinguishes insurance industry from other industries within the financial services sector. Citing examples drawn from the Kenyan insurance industry, examine three crucial factors that determine the underwriting policy of an insurer.

(6 Marks)

QUESTION FIVE

- a)** Metropolitan Company has been registered and duly licensed to operate in your country as a rating agency for various industries. In determining the relative ratings of insurance companies, analyse five factors that should be used as a yardstick underscoring the significance of each factor.

(7.5 Marks)

- b)** Maendeleo Life Assurance Company is in the process of reviewing its insurance premium rates for the upcoming year with a view to balancing between competitiveness in the industry and profitability. Evaluate five premium elements that the company should envisage in the foregoing make or break decision showing the relevance of each.

(7.5 Marks)

QUESTION SIX

- a)** Malu Insurance Company and Malu Malu Reinsurance Company are in the process of formulating mutually beneficial contracts for the next year. Draw the operational distinctions between 'Treaty arrangement' and 'Facultative arrangement' as modes of reinsurance using appropriate illustrations and underscoring the benefits of each mode.

(6 Marks)

- b)** Insurance offerings through digital platforms can be both beneficial and detrimental to prospective persons seeking to be insured. Demonstrate six precautions to be exercised by such persons to avoid falling prey to scammers, underpinning the essence of each precaution.

(9 Marks)