

The
Management
University
of Africa



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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

INS 324: LAW OF INSURANCE

DATE: 15TH 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:

INSURANCE CLAIMS AND POLICYHOLDER DISCLOSURES - MR. ANAND

Mr. Anand, while celebrating his 36th birthday on 2nd January 2020 with friends, discussed protecting his family through insurance coverages. He decided to take insurance for the protection of his wife, Mrs. Rama (a homemaker aged 32), and their two children: a daughter aged 10 and a son aged 6 years.

He consulted a financial planner and explained his financial background and objectives, which included providing family income in his absence and accumulating funds for his children's education and other expenses. After discussions, the financial planner suggested two insurance policies:

1. **Whole Life Insurance Policy** - to provide family income in his absence.
2. **Unit Linked Insurance Policy (ULIP)** - to accumulate funds for children's education and other expenses.

Mr. Anand finalized his decision in August 2020. He had not visited a doctor for major ailments. On the Whole Life Insurance proposal form, he answered positively to health questions and believed he was in good health. However, he did not disclose his smoking habit. While purchasing the ULIP, the agent assured him of 20% guaranteed returns. Mr. Anand believed this would meet his obligations for his children's education and expenses. Both proposals were accepted on 21st August 2020. Mr. Anand informed his family, saved the policy numbers on his mobile phone, and kept the originals in a safe place. He continued paying premiums promptly.

On 10th September 2023, Mr. Anand was hospitalized and died due to a massive heart attack. The death certificate stated the heart attack resulted from severe damage to blood vessels.

After his death, Mrs. Rama could not find the original policy documents. She approached an employee of M/s XYZ Insurance Company with the policy numbers from her husband's phone. The employee initially claimed that the policy documents **were required** to process the claim. Upon further discussion, the employee discovered that Mr. Anand was a smoker, which he had not disclosed on the Whole Life Insurance proposal. The company indicated that this concealment could affect the claim.

Required:

- (a) Mr. Anand did not disclose his smoking habit in the Whole Life Insurance application form. Discuss the provisions of the law of insurance in regard to misrepresentation and concealment.

(5 Marks)

- (b) Discuss the relevance of Section 45 of the Insurance Act (Cap. 487, Kenya), as amended by the Insurance Laws (Amendment) Act, 2015, in relation to this case.

(10 Marks)

- (c) Examine the position of the law as regards loss of policy documents.

(5 Marks)

- (d) Discuss in light of insurance regulatory practices whether Mr Anand can expect the guaranteed returns assured by the agent in the ULIP.

(5 Marks)

QUESTION TWO

In relation to sources of law in your country:

- (a) Examine four practical reasons why delegated legislation is important for insurance regulation in Kenya. **(10**

Marks)

- (b) Discuss five circumstances where African customary law may be applied in insurance-related disputes in Kenyan courts

(5 Marks)

QUESTION THREE

- (a) An insurance broker is designing a policy for a corporate client and wants to ensure all elements of a valid contract are present. Examine the five elements as applied in insurance contracts.

(10 Marks)

- (b) “A contract of insurance is a contract of “Uberrimae fidei (utmost good faith)”. Discuss.

(5 Marks)

QUESTION FOUR

- (a) A new insurance company seeks to operate in Kenya and must comply with IRA regulations. Examine five ways the Insurance Regulatory Authority promotes good governance and consumer protection in the insurance industry. **(5 Marks)**

- (b) Akili Mingi owns a house at Muthaiga in Nairobi valued at Sh. 20 million. He insured it against fire with Linda Mali Insurance Co. Ltd and Pokea Insurance Co. Ltd for Sh. 15 million and Sh. 10 million respectively. He also insured his household goods against burglary with Lipa Insurance Co. Ltd. for Sh. 5 million. One night while he was away, burglars broke into the house, stole all household goods and set the house on fire completely destroying it. Akili Mingi claims the sum assured from the three insurance companies. Advise them. **(10 Marks)**

QUESTION FIVE

A company intends to register as a general insurer and work with Kenya Reinsurance Corporation.

- a) Describe five requirements an insurer must meet for registration and operational approval.

(10 Marks)

- b) Explore five reasons why a company might fail registration and their impact on operations.

(5 Marks)

QUESTION SIX

An insurance company is preparing its financial statements for regulatory submission.

Required:

- a) Examine five factors that insurers must consider when assessing assets, liabilities, and capital adequacy to ensure solvency.

(10 Marks)

- b) Discuss two risks of holding unsuitable investments and their possible impact on policyholders.

(5 Marks)