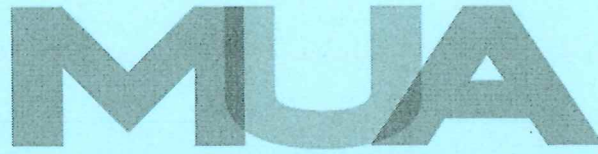


The  
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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**

**SCHOOL OF MANAGEMENT AND LEADERSHIP**

**DEGREE OF BACHELOR OF COMMERCE**

INS 312: INSURANCE PRINCIPLES AND PRACTICE

DATE: 16<sup>TH</sup> 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 following case and answer the questions that follow:

**REJECTION OF INSURANCE CLAIM AND COVERAGE REVOKED**

Mrs. M contacted her insurance broker to file a claim for damage to the roof of her home. The damage was believed to be storm-related. This claim required a loss adjuster to assess the cause and extent of the damage. The loss adjuster subsequently visited Mrs. M's property to assess it in person, in the presence of her contractor, and later revealed that in his opinion, and in the opinion of Mrs. M's contractor, the roof damage was not caused by a storm and thus the claim could not be accepted.

Mrs. M then had another contractor conduct an inspection of the damage to support her insurance claim. This contractor also concluded the damage was not storm-related. It had already been reported to the insurance company that the previous contractor had agreed with the loss adjudicator in concluding the roof damage was not caused by a storm.

The insurance company thus decided to reject the insurance claim on the basis that the damage was not caused by the storm, consistent with the three expert opinions. Her home insurance policy was revoked. Mrs. M complained to the insurance regulator regarding the rejection of her claim.

Regarding this complaint about the rejection of her insurance claim for the roof damage, the insurance regulator did not have any evidence to call into question the opinions of the three experts, two of which Mrs. M had engaged herself, and so decided to not uphold that aspect of the complaint.

**Required:**

- a) Discuss five advantages of insurance to individuals and the entire economy indicating which of these benefits Mrs. M has forfeited. **(10 Marks)**
- b) Demonstrate how the doctrine of 'Causa Proxima' operates and how it has been responsible for the rejection of Mrs. M's claim. **(3 Marks)**
- c) Propose four essentials of insurance contracts and their usage other than Causa Proxima that Mrs. M needs to be aware of in any future dealings with insurers. **(8 Marks)**

- d) Certain actions need to be taken by insured parties such as Mrs. M in the event of claims. Examine two such actions that Mrs. M may have failed to comply with.

**(4 Marks)**

### QUESTION TWO

- a) Citing relevant examples, differentiate the following conditions in insurance policies:

i) Conditions precedent to the contract **(3 Marks)**

ii) Conditions subsequent to the contract **(3 Marks)**

- b) For seamless relations between the insured and the insurer, following the claims procedure to the letter is essential. Design three steps of a seamless claims procedure showing the essence of each step. **(9 Marks)**

### QUESTION THREE

- a) Assess five arguments in favour of insurance companies' self-regulation as opposed to regulation by a governmental authority. **(7.5 Marks)**

- b) Examine five factors responsible for low uptake of insurance cover in Kenya. **(7.5 Marks)**

### QUESTION FOUR

- a) Business ventures encounter various risks which have to be addressed one way or the other. Examine four strategies that may be employed by businesses in handling risks, citing the risk characteristics that match each strategy. **(8 Marks)**

- b) Based on seven purposes served by Kenya's Insurance Regulatory Authority (IRA), appraise IRA's level of success in the achievement of each purpose, citing examples. **(7 marks)**

**QUESTION FIVE**

- a) Demonstrate the mode of operation of the following reinsurance arrangements:
- i) Proportional reinsurance (4 Marks)
  - ii) Treaty reinsurance arrangement (4 Marks)
- b) A trade-off has to be made by corporations as to whether to self-insure assets or acquire insurance policy cover. Examine seven demerits of self-insurance. (7 Marks)

**QUESTION SIX**

- a) Muota-Mchana commented; 'Any kind of risk is insurable'. Contrast this comment by pointing out four characteristics of insurable risk (6 Marks)
- b) Assess six features that authenticate insurance proposal forms. (9 Marks)