

**CHUKA**



**UNIVERSITY**

## **UNIVERSITY EXAMINATIONS**

### **FIRST YEAR EXAMINATION FOR THE AWARD OF DIPLOMA IN INSURANCE AND RISK MANAGEMENT**

**DIRM 0111: INSURANCE LAW**

**STREAMS: DIRM Y1S1**

**TIME: 2 HOURS**

**DAY/DATE: WEDNESDAY 11/12/2019**

**2.30 P.M – 4.30 P.M**

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#### **INSTRUCTIONS**

**Answer question one and any other two questions**

**Do not write on the question paper**

#### **QUESTION ONE**

- (a) A drunk driver ran a red light and smashed into Karan's car. The cost to repair the car was valued at 300,000. He has comprehensive cover on his car with a deductible of ksh 20,000.
- (i) Can Karan collect from both negligent driver's insurance and his own insurer/  
Explain your answer. [3 marks]
- (ii) Show how the insurer would handle the claim if it was subject to a 3% franchise of the sum insured and the loss to the vehicle was ksh 100,000. [3 marks]
- (b) Explain how legal definition of insurance relates to the functional definition of insurance. [4 marks]
- (c) Give relevant examples to explain how waiver and Estoppel are applicable in regulating the relationship between an insurance agent and the insurance company. [4 marks]
- (d) Insurance contracts are of diverse classifications. The insurance act recognizes only those insurance contracts are of certain classifications. The insurance act recognizes only those insurance contracts classified on certain basis. Explain. [10 marks]

- (e) Last straw cases were among the land mark decisions that were made in determining the proximate cause of a loss event. Briefly describe THREE main cases that were used in this land mark court decision. [6 marks]

## QUESTION TWO

- (a) Kimanzi is applying for health policy through an insurance broker. He has cancer of the throat and other health problems. He honestly disclosed the true facts concerning her medical history to the insurance broker. However the broker failed to mention about the preexisting condition to the insurance company during the application. A claim occurred shortly thereafter. After investigating the claim, the insurer denied payment. Kimanzi contends that the company should pay the claim because he answered honestly all questions that the broker asked.
- (i) On what basis can the insurance company deny payment of the claim? [5 marks]
- (b) Explain the legal effects of a certificate of insurance. [5 marks]
- (c) Insurance contracts have certain legal characteristics that make them distinct from other contracts. Explain. [10 marks]

## QUESTION THREE

- (a) Discuss the reasons for exclusions in an insurance contract. [6 marks]
- (b) An insurance contract must identify the person or parties who are insured under the policy. Discuss the various categories in which insureds can be classified. [6 marks]
- (c) What do you understand by the 'corollary'? Define and describe the principles of insurance that are corollary to each other. [8 marks]

## QUESTION FOUR

- (a) Explain eight insureds legal responsibilities following a loss. [8 marks]
- (b) Explain how a contract of insurance may come to an end. [5 marks]
- (c) Explain the following as applied in insurance.
- (i) Corridor deductible [2 marks]
- (ii) Concealment [2 marks]

(d) Explain three main functions of the insurance regulatory authority. [3 marks]

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