

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF COMMERCE**

BCOM 343: INSURANCE LAW

STREAMS: BCOM Y3S1

TIME: 2 HOURS

DAY/DATE: TUESDAY 03/12/2019

2.30 PM – 4.30 PM

INSTRUCTIONS:

- **Answer Question 1 and any other Two questions**
- **Do not write on the question paper**

QUESTION ONE

- (a) Insurance contracts have certain legal characteristics that distinguish them from other contracts. Explain [10 marks]
- (b) Explain the general rules of agency that govern the actions of agents and in their relationship to insured. [8 marks]
- (c) Ken effected a fire policy on an ox-plough estate. He later sold the ox-plough to a one man company of which he was the only shareholder. A great deal of the ox-plough destroyed in a fire and the insurers refused to pay the claim deeds. [4 marks]
- (d) Mwati owns a small plane that he flies on weekends. His agent informs him that aircrafts are excluded as personal property under the home owner's policy. As an insured; he feels that his plane should be covered just like any other property he owns. Explain to Mwati the for reasons for excluding certain types of property. [8 marks]

QUESTION TWO

- (a) Discuss the classification of insurance contracts. [10 marks]
- (b) Explain five ways how insurable interest arises. [10 marks]

QUESTION THREE

- (a) John is applying for health insurance policy. He has chronic liver ailment and other health problems. He honestly disclosed the true facts concerning her medical history to the insurance agent. However, the agent did not include all the facts in the application. Instead, the agent stated that he was going to cover the material facts in a separate letter to the insurance company's underwriting department. The agent did not furnish the material facts to the insurer and the contract was issued as standard. A claim occurred shortly thereafter. After investigating the claim, the insurer denied payment. John contends that the company should pay the claim because he answered honestly all questions that the agent asked. On what basis can the insurance company deny payment of the claim? [6 marks]
- (b) Explain the claims process in a case where the peril insured against operates. [14 marks]

QUESTION FOUR

- (a) Explain how a contract of insurance may come to an end. [5 marks]
- (b) One requirement for the formation of a valid insurance contract is that the contract be for a legal purpose. Explain three factors, other than the legal purpose requirement, that are essential to the formation of a binding contract in relation to an auto insurance policy. [6 marks]
- (c) Analyse the functions of the insurance regulatory authority. [5 marks]
- (d) Explain the legal effects of a cover note. [4 marks]
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