

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE IN BACHELOR OF COMMERCE

BCOM 343: INSURANCE LAW

STREAMS: BCOM Y3S1

TIME:2 HOURS

DAY/DATE: TUESDAY 17/12/2024

11.30 A.M. –1.30 P.M.

INSTRUCTIONS:

1. Answer Question 1 and any other TWO Questions
2. Do not write on the question paper

QUESTION ONE

(a) John who had applied for an insurance cover for his house forgot to sign the proposal form but Mamba insurance company issued a policy, latter after discovering the defect the insurer wanted to cancel the policy. Advise him. (6marks)

(b) Explain the general rules of agency that govern the actions of agents and in their relationship to insured. (8marks)

(c) Insurance policies are interpreted according to certain well-defined rules of construction which have been established by case laws; discuss six rules. (12marks)

(d) Explain the essentials of the doctrine of insurable interest. (4marks)

QUESTION TWO

(a) Distinguish between insurance contracts and commercial contracts (10marks)

(b) Assume that a ksh 300,000 liability claim is covered under two liability insurance contracts. Policy A has a ksh 500,000 limit of liability for the claim, while policy B has a ksh 125,000 limit of liability. Both contracts provide for contribution by equal shares.

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- (i) How much will each insurer contribute towards this claim? (5marks)
- (ii) If the claim were only ksh 50,000 how much would each insurer pay? (5marks)

QUESTION THREE

(a) A wall of a building was damaged in Chuka town and remained standing for several weeks. The municipal authority for the sake and public safety, ordered it demolished. While demolishing the wall damaged the adjoining building owned by Ben.

Required:

- (i) Indicate the proximate cause of the damage to Ben's building. (2 Marks)
- (ii) Explain the position of Ben regarding insurer's compensation. (2marks)
- (b) Explain the importance of subrogation. (6marks)
- (c) Explain the circumstances where issue of policy does not amount to acceptance. (4marks)
- (c) Explain three purposes in a insurance policy. (6marks)

QUESTION FOUR

- (a) Explain the exceptions to the principle of indemnity. (8marks)
- (b) A person is said to have insurable interest in the subject matter of insurance if he will suffer a monetary loss on its destruction by happening of the event insured against. Explain how insurable interest arises. (12marks)
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