

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

POSTGRADUATE EXAMINATION FOR THE AWARD OF MASTERS DEGREE IN
BUSINESS ADMINISTRATION

MBAD 893: INSURANCE LAW

STREAMS: MBA Y2S1

TIME: 3 HOURS

DAY/DATE: THURSDAY 7/12/2017

2.30 P.M - 5.30 P.M.

INSTRUCTIONS:

- Answer ALL 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) Discuss the circumstances under which the principle of uberrimae fidei does not apply in insurance contract. [10 Marks]
- (d) Michael owns a small plane that he flies on weekends. His agent informs him that aircraft 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.
- (i) Explain to Michael the rationale for excluding certain types of property, such as aircraft, under the home owner's policy. [3 Marks]
- (ii) Explain some additional reasons why exclusions are presently in insurance. [3 Marks]

QUESTION TWO

- (a) Discuss the classification of insurance contracts. [10 Marks]
- (b) A wall of a building was damaged in Chuka Town and remained standing for several weeks. The Municipal Authority for the sake of public safety, ordered it demolished. While demolishing the wall damaged the adjoining building owned by Peter.

Required:

- (a) Indicate the proximate cause of the damage to Peter’s building. [3 Marks]
- (b) Explain the position of Peter regarding insurer’s compensation. [3 Marks]
- (c) Explain the importance and components of an insurance policy document. [10 Marks]

QUESTION THREE

Otieno is applying of 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. However, 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. Otieno contends that the company should pay the claim because he answered honestly all questions that the agent asked.

- (a) On what basis can the insurance company deny payments of the claim? [6 Marks]
- (b) What legal doctrines can Otieno use to support his arguments that the claim should be paid? [4 Marks]
- (c) Jane affected a fire policy on an amount of cut timber of his estate. He later sold the timber to a one man company of which he was the only shareholder. A great deal of the timber was destroyed in a fire and the insurers refused to pay the claim decide. [4 Marks]
- (d) On 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]

QUESTION FOUR

- (a) Explain how a contract of insurance may come to an end. [5 Marks]
- (b) Can other parties be insured under a policy even though they are not specifically named? Explain. [5 Marks]
- (c) Explain the legal effects of a cover note. [5Marks]
- (d) Explain the principle of causa proxima citing relevant case law. [5 Marks]

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