THE CHARTERED INSURANCE INSTITUTE

CII

P96

Diploma in Insurance

Unit P96 – Liability insurances

April 2011 examination

Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

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Unit P96 – Liability insurances

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 200 marks, as follows:

Part I	14 compulsory questions	140 marks
Part II	2 questions selected from 3	60 marks

- You should answer **all** questions in Part I and two out of the three questions in Part II.
- You are advised to spend no more than two hours on Part I.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show each step in any calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page. If a question has more than one part, leave several lines blank after each part.

PART I

Answer ALL questions in Part I.

Note form is acceptable where this conveys all the necessary information.

1. **(a)** Outline **three** conditions that would usually be present within a claims notification procedure for an employers' liability insurance. **(9)**

(b) State why these conditions are important to underwriters. **(1)**

2. Identify **five** common extensions to the cover available under directors' and officers' liability insurance. **(10)**

3. **(a)** State the main purpose to the insured of a loss control survey. **(1)**

(b) Describe **four** benefits to an insured who chooses to implement the recommendations of a loss control survey. **(12)**

4. Outline the cover provided under a standard products recall policy. **(10)**

5. **(a)** Explain how insurers use a burning rate to calculate employers' liability premiums. **(7)**

(b) State **five** weaknesses in using this calculation when rating such risks. **(5)**

6. Directors' and officers' liability policies are traditionally arranged to provide indemnity in two sections.

(a) Identify these **two** sections. **(2)**

(b) Describe briefly the cover each section provides. **(6)**

7. Harry is the human resources director for Company Q and as part of his role he is responsible for security of the office premises. Whilst on the roof investigating an attempted burglary, he falls through a skylight and is injured. Harry sues his employers claiming that they have not provided a safe place of work.

Discuss, by reference to appropriate case law, whether Harry is likely to succeed in his action against his employers. **(14)**

8. Identify **seven** types of person considered to be an employee under an employers' liability policy. **(7)**

9. **(a)** Outline the cover provided under a professional indemnity insurance policy. **(4)**

(b) Identify how exposure to a professional indemnity loss could arise in each of the following professions:

(i) Telecommunications companies; **(2)**

(ii) Trade unions; **(2)**

(iii) Investment advisers. **(2)**

10. In 2002, arising out of the collapse of the Enron Corporation and Arthur Andersen, the US Government enacted legislation to regulate company directors and its external auditors.

(a) State the name of this legislation. **(1)**

(b) State to which companies it would apply. **(1)**

(c) Outline how the companies in part (b) above, implement this legislation to ensure they are compliant with the Act. **(10)**

11. **(a)** Define risk management. **(3)**

(b) List **three** ways in which an organisation may control its exposure to risk. **(3)**

12. Explain the main differences between accidental and non-accidental wordings, in relation to public and products liability policies. **(10)**

13. Identify **four** exclusions commonly found on a professional indemnity insurance policy and state the reasons why they apply. **(8)**

14. Jill, a qualified chartered accountant, is approached to act as a non-executive director of a retail company.

Advise Jill on her legal liability should she accept the appointment, including reference to any relevant case law. **(10)**

Questions continue over the page.

PART II

Answer TWO of the following THREE questions.
Each question is worth 30 marks.

15. Discuss how the law in the UK protects consumers from damage to health, safety and property caused by defective products. **(30)**

16. **(a)** Describe the main types of claims trigger a liability insurer may use when underwriting liability policies. Give an example of a relevant type of insurance for each class. **(15)**

(b) Discuss the consequences of *Bolton v Commercial Union and MMI* (2006) in relation to the use of triggering events in UK asbestos litigation. **(15)**

17. **(a)** Discuss, using examples from case law, how liability may attach to surveyors carrying out valuations. **(24)**

(b) Outline the impact of *Merret v Babb* (2001) in relation to mortgage valuations. **(6)**