

P96

Diploma in Insurance

Unit P96 – Liability insurances

April 2013 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.**

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 six 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. State what the following health and safety abbreviations stand for.
 - (a) PUWER. (2)
 - (b) RIDDOR. (2)
 - (c) COSHH. (2)

2. Identify **eight** common exclusions that may be found on a standard professional indemnity policy. (8)

3. Explain briefly the **four** changes implemented by the Third Parties (Rights Against Insurers) Act 2010 to enable claimants to more easily bring an action against a third party's insurer where an insured has ceased trading. (12)

4.
 - (a) Outline **two** methods by which a professional indemnity underwriter may impose compulsory risk sharing on an insured. (8)
 - (b) State the **two** main reasons why insurers impose these restrictions on the insured. (2)

5.
 - (a) Identify **three** ways a liability underwriter may assess the value of long tail claims over time. (6)
 - (b) Explain briefly how a liability underwriter may use the triangulation method to assess the claims record over a fixed period. (6)

6. State **three** characteristics of each of the following methods of alternative dispute resolution.
 - (a) Arbitration. (3)
 - (b) Mediation. (3)
 - (c) Adjudication. (3)

7. In January 2013, Katherine, as managing director, purchases a directors' and officers' liability policy for a new start-up company, F&T.
- Explain briefly whether Katherine would be successful in making a claim in the following circumstances.
- (a) In February 2013, Katherine receives notice of a claim from Clare alleging that a misleading statement by F&T has led Clare to suffer a financial loss. Katherine is concerned that the costs involved in defending the action are not covered under the policy. (3)
- (b) Paul, a director of F&T, sues Katherine over an alleged incorrect share allocation. (3)
- (c) In 2011, Mike brought an action for damages against F&T for a breach of warranty and Katherine and her legal team have subsequently been dealing with Mike's ongoing claim. (3)
- (d) Alan, the Finance Director, has been discovered embezzling funds from F&T for his own personal gain. (3)
8. (a) Explain how and why an employers' liability underwriter would use wage roll as a basis to calculate premium. (10)
- (b) State the main advantage to an employers' liability underwriter in using this method of calculation. (2)
9. Ben, a newly qualified solicitor, decides to set up as a sole practitioner specialising in personal injury claims. Ben needs to take out professional indemnity insurance.
- As his broker, advise Ben on the following.
- (a) The principle risks involved in setting up as a sole proprietor specialising in this area of business. (4)
- (b) The **two** common causes of claims against solicitors. (4)
10. Explain with reference to case law, how vicarious liability extends an employer's duty to employ competent employees. (12)
11. (a) State what the abbreviation DIC/DIL stands for. (2)
- (b) Explain how and why DIC/DIL policies would be used. (8)

Questions continue over the page

12. (a) Identify **four** factors which may increase the extent to which dust may become a disease hazard for employees. (6)
- (b) List **two** dust related diseases. (2)
13. Outline the definition of de facto and shadow directors as given in *Re Hydrodam (Corby) Limited* (1994). (6)
14. Danny, an architect in a large UK company, is tendering for a lucrative overseas contract.
- In the course of this transaction, Danny is contacted by a foreign public official who suggests that by providing a financial inducement Danny's company may be guaranteed to win the contract.
- (a) Name the UK legislation which prohibits this behaviour. (1)
- (b) Outline the offences under this legislation. (8)
- (c) Identify the penalties prescribed under this legislation for non-compliance. (6)

PART II

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

15. Explain how an underwriter could offer cover on the following special liability risks.
- (a) Terrorism (UK and USA). **(15)**
 - (b) Pollution and contamination (UK, Europe and USA). **(15)**
16. (a) Define risk management and explain its role in eliminating hazards for both risk managers and underwriters. **(12)**
- (b) Explain **three** ways in which a public and products liability underwriter can assess how well the insured manages their risks. **(18)**
17. (a) Explain how an employer could discharge their duty to provide a safe system of work. **(8)**
- (b) Discuss, using examples from case law, how this duty should protect employees from work related stress. **(22)**

