

# P96

## Diploma in Insurance

### Unit P96 – Liability insurances

October 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. Explain how Section 214 of the Insolvency Act 1986 exposes directors to possible claims against them. **(10)**
  
2. Paul is in the process of setting up a new company. Advise Paul whether his potential employees will be 'relevant employees' or exempt under the Employers' Liability (Compulsory Insurance) Regulations 1998. **(10)**
  
3. Explain the difference between damages and compensation in relation to the wording of a standard public liability policy. **(10)**
  
4. List **eight** standard exclusions that may be found on a Directors' & Officers' Liability policy. **(8)**
  
5. Katherine produces a range of cleaning products that she markets directly to customers over the internet and to retail outlets. Claire, a long-term customer, is dismayed to find her soft furnishings have been adversely affected by one of Katherine's products.  
  
Advise Claire of her legal rights in the following circumstances:
  - (a) Claire wishes to make a claim for damages, for a product purchased directly from Katherine, but is concerned how to prove that Katherine's product is at fault. **(3)**
  - (b) Katherine maintains that the same cleaning product has been offered for sale for the last 15 years and that her legal disclaimer is protection from all claims. **(3)**
  - (c) Claire has purchased Katherine's faulty cleaning product from a department store and wishes to make a claim against this store. **(3)**
  - (d) Claire receives from her mother a birthday gift of a supply of Katherine's cleaning products and one of these items has proved faulty. **(3)**

6. (a) Outline the benefits to an employer who decides to implement the recommendations of a loss control survey. (10)
- (b) List **two** interested parties who may employ a loss control surveyor. (2)
7. (a) Explain briefly how an underwriter could calculate the premium for a professional indemnity risk. (4)
- (b) Outline why a professional indemnity underwriter could find it necessary to charge a higher premium in the following cases:
- (i) Construction firms. (3)
- (ii) Professionals with more than one office. (3)
8. Aidan owns a large UK plasterboard company that regularly advertises its products in the trade press.
- At the renewal of the company's public and product liability policy, Aidan is advised by his broker to extend this cover to include advertising liability.
- Outline the additional cover that could be provided by Aidan's broker. (9)
9. (a) Outline how adjudication, as defined by the Housing Grants, Construction and Regeneration Act 1996, operates as a form of alternative dispute resolution. (5)
- (b) Identify the industry that uses the above adjudication process. (1)
10. The Supreme Court ruled that the causation trigger will now apply to claims brought against employers' liability policies which indemnify for injury or disease 'sustained' or 'contracted' during a policy period.
- Outline **five** reasons why the Supreme Court made this ruling. (10)
11. (a) Explain how the case of *Singer & Friedlander Ltd v John D Wood & Co* (1977) provided a basis for assessing negligent valuation claims. (7)
- (b) Explain briefly why this method is not totally successful in the assessment of negligent valuations. (5)

Questions continue over the page

12. Identify and explain briefly the factors a risk manager may consider when deciding whether to retain or transfer a risk. (10)
13. (a) State how, since 2007, it has become easier for a successful prosecution to be brought against a company for corporate manslaughter. (3)
- (b) Outline the circumstances in which the offence may occur. (4)
- (c) Outline **two** ways in which employers' liability and public liability insurers' have responded to a greater exposure to their policies from corporate manslaughter cases. (6)
14. (a) State how an employers' liability underwriter would calculate the burning cost of a risk. (3)
- (b) Identify **five** deficiencies in using the burning cost method to calculate the claims activity for the following year. (5)

## PART II

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

15. (a) Discuss, with reference to case law, how liability to third parties may arise in tort in relation to negligent misstatements that cause financial loss. (22)
- (b) Describe briefly, in relation to a professional indemnity policy, the purpose of the Queen's Counsel (QC) clause. (5)
- (c) State the benefit of the QC clause for an insured. (3)
16. (a) Identify the duties of an employer to their employees and state how the employer may discharge these duties. (8)
- (b) Describe the main occupational diseases associated with the following occupations and how employers may protect their employees from these risks. (16)
- Paint sprayer in a car manufacturing plant.
  - Heavy machinery worker.
  - Motor mechanic.
  - Supermarket checkout assistant.
- (c) Outline the **three** types of rehabilitation available to employees who have suffered a workplace injury. (6)
17. (a) Outline the **three** remedial measures businesses must undertake if they cause damage to the environment as detailed in the Environmental Damage (Prevention and Remediation) Regulations 2009. (9)
- (b) Michael acquires brownfield sites to sell on as land redevelopment projects for the building industry. He is concerned with possible environmental impairment issues on the sites and is looking for an insurance product to protect his business interests.
- (i) As a broker, advise Michael on an appropriate product and the stages necessary to obtain this cover. (11)
- (ii) Outline the level of cover that would be available under this product. (10)

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