

P96

Diploma in Insurance

Unit P96 – Liability insurances

October 2014 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. List the **eight** main common policy conditions found on a standard liability policy. (8)

2. (a) Explain briefly 'alternative dispute resolution' (ADR). (4)
(b) List the **three** main forms of ADR. (3)

3. Explain briefly:
 - (a) how directors' and officers' liability insurance is generally purchased for subsidiaries; (5)
 - (b) how charities purchase directors' and officers' liability insurance. (5)

4. (a) Describe briefly the condition 'pleural plaques'. (4)
(b) Explain briefly how the law protecting claimants suffering from pleural plaques was amended by *Johnston v International Combustion Ltd* (2007). (6)

5. Aidan is a director, with responsibility for security of his company's office premises. He decides to investigate an attempted burglary and climbs onto the roof. He then falls through a skylight and sustains an injury. He sues his employers claiming they have not provided a safe place of work.

Explain, by reference to appropriate case law, whether Aidan is likely to succeed in his action against his employers. (12)

6. Explain why it is important for a liability insurer to have a full history of prosecutions relating to the risk proposed as part of its risk evaluation process. (8)
7. (a) State what is meant by the term 'professional' in the context of professional indemnity insurance. (2)
- (b) Outline the usual test for professional negligence which would be applied to professional people. (8)
- (c) Explain briefly the Bolam test in the context of professional negligence. (5)
8. (a) Define the term 'emerging risks' in the context of liability underwriting. (4)
- (b) Outline how product liability underwriters are addressing the underwriting risk of:
- (i) electromagnetic fields; (2)
- (ii) the potential exposures that may occur following the prolonged use of mobile phone technology. (4)
9. Explain how the Employers' Liability Tracing Office (ELTO) operates to assist employees injured in the workplace. (10)
10. Describe briefly, using examples, why a liability underwriter would use the following type of risk sharing mechanisms.
- (a) Excess. (4)
- (b) Co-insurance. (4)

QUESTIONS CONTINUE OVER THE PAGE

- 11.** In July 2014, Claire purchases professional indemnity insurance for her consulting engineers' company. The policy is valid for a year and Claire notifies four claims within the policy period.

Explain, under the standard terms of a professional indemnity policy, whether cover applies in any of the following instances.

- (a) Claire notifies a claim to her professional indemnity insurer which she was first aware of in January 2014. (3)
- (b) Claire notifies a claim concerning a worker who is injured on a site for which her company has responsibility. (3)
- (c) Claire notifies a claim arising out of damage to a property which is being renovated by her company, arising out of a design issue. (3)
- (d) Claire receives a letter from a client in September 2014 alleging that her company was negligent in the preparation of design specifications. (3)
- 12.** (a) Outline **three** main factors an insurer should consider when underwriting liability cover. (6)
- (b) State **two** ways in which a liability insurer may limit its indemnity exposure. (4)
- 13.** Identify **five** claims procedure conditions that could be written into a standard employers' liability policy. (10)
- 14.** Explain, from a risk management perspective, why insurers should take an active interest in the way an insured deals with their customer complaints. (10)

PART II

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

- 15. (a)** Identify and explain briefly **five** rating bases commonly used by a public and products liability underwriter. **(10)**
- (b)** Identify, with examples, **five** categories of potentially hazardous product and explain the underwriting problems associated with **each** category. **(20)**
- 16.** Discuss how a personal injury claimant could have funded their legal costs prior to April 2013, and how the reforms from Lord Justice Jackson's review seek to remedy the previous imbalances inherent in this system. **(30)**
- 17. (a)** Describe how a person may find themselves subject to liability as a 'director' under English law. **(10)**
- (b)** Katherine is the Managing Director of a small service company. Katherine believes she requires run-off protection as part of her directors' and officers' liability insurance in the event that the company is taken over or becomes insolvent.
- Advise Katherine why this insurance could be necessary, the form it would take, and the typical policy provisions. **(20)**

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