

P96

Diploma in Insurance

Unit P96 – Liability insurances

April 2015 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. (a) State the interest of the following when dealing with risk assessment:
 - (i) the risk manager; (2)
 - (ii) the liability underwriter. (2)
- (b) Outline the **four** options open to a risk manager when dealing with risks which could threaten the future viability of the organisation giving an example in **each** case. (8)

2. List **three** exclusions that may be found on a standard employers' liability policy, explaining in **each** case why the exclusion may not apply. (9)

3. Isabella has been invited to become a part-time director of a small company.

Advise Isabella briefly, with reference to relevant case law, on the potential legal liability of undertaking this role. (8)

4. (a) Define the term 'latency' in relation to liability risks. (2)
- (b) Outline **four** reasons why reserving latency losses could be problematic for an insurance company underwriting liability risks. (8)

5. (a) Differentiate briefly between first party and third party recall in relation to product manufacture. (4)
- (b) Outline what is typically covered by a products recall policy. (7)

6. (a) Explain briefly how the creation of the ‘freedom of services’ doctrine assisted UK liability insurance companies when underwriting within the European Economic Area. (4)
- (b) Outline the **three** reasons why a UK liability underwriter could find operating on a ‘freedom of services’ basis problematic when underwriting foreign domiciled risks. (6)
7. Julie and Emily decide to tour Italy and book their travel with Larkins Tours (Larkins). Unfortunately the tour does not go well with both Julie and Emily experiencing bodily injury.
- Advise Julie and Emily, with reference to the Package Travel, Package Holidays and Package Tours Regulations 1992, of their legal position in the following circumstances:
- (a) Julie attends an excursion organised by Larkins through their local Italian representative. The coach is driven uncontrollably at high speed, causing Julie to injure her shoulder. Larkins deny liability stating that they were not responsible for the injury. (3)
- (b) Emily sustains an injury from shattered glass left by the poolside at her hotel. She requires surgery and wishes to claim compensation. Larkins maintain that Emily must make her claim against the hotel through the Italian courts as Larkins is not responsible for the injury. (3)
- (c) Julie goes hang gliding organised by a local company not connected to Larkins. Julie sustains an injury due to faulty equipment. Julie insists that Larkins must offer her compensation in this case. (3)
8. Directors’ and officers’ liability policies are usually arranged to provide indemnity in two sections.
- Identify the **two** sections, outlining the cover **each** section provides. (8)

QUESTIONS CONTINUE OVER THE PAGE

9. (a) Outline how architects and engineers may face legal liability in the operation of their normal duties. (3)
- (b) Explain briefly why collateral warranties are important in relation to the construction industry and state the situation in which an insurer would not extend cover for these warranties. (4)
- (c) Explain the main features of the process of adjudication under the Housing Grants, Construction and Regeneration Act 1996. (5)
10. Explain briefly the reasons why an underwriter requires a full business description of any potential client requiring liability insurance. (6)
11. (a) Define 'triangulation' in relation to assessing liability risk. (2)
- (b) Outline **five** reasons why triangulation may fail to provide a liability underwriter with an accurate assessment of individual risks. (10)
12. Explain briefly, in the context of schools, the exposures a public liability underwriter needs to consider when underwriting risks where children may be the end user of a policyholder's services, using examples from relevant case law where applicable. (10)
13. Emma worked for ten years as a surveyor for a company that has recently become insolvent. A claim is made alleging damage caused by a negligent mortgage valuation for which Emma is responsible.
- (a) Advise Emma briefly, with reference to the case of *Merrett v Babb* (2001), on any liability she may face in regard to the claim. (2)
- (b) State the circumstances in which Emma could be personally liable for negligence arising out of this employment. (9)
14. State the **six** key principles of the EU Liability for Defective Products Rights Directive 1985. (12)

PART II

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

- 15. (a)** Outline the potential liabilities an individual may face at common law when acting in the capacity of director or officer of a company. **(12)**
- (b)** Identify **six** common exclusions that may be found on a standard directors' and officers' liability policy, explaining in **each** case the exclusion in terms of its effectiveness and relationship to the subject matter being insured. **(18)**
- 16.** In May 2013 a client, Paul, asked Yvonne, an insurance broker placing personal lines business, for an explanation of his duty of disclosure in relation to material facts.
- (a)** Explain briefly the **three** ways liability may arise for Yvonne when carrying out her duties. **(15)**
- (b)** Advise Yvonne on the legal position concerning this issue, giving an example of an appropriate statute. **(15)**
- 17. (a)** Identify, with reference to relevant case law, the **four** tests used to help determine whether there is an employee/employer relationship. **(12)**
- (b)** Claire owns a company called 'Hair'. Paul an employee of Claire's, is injured in the workplace. Claire accepts responsibility for Paul's injury. However, before the claim is resolved, Katherine purchases Claire's company. With the transfer of ownership, Paul's employment becomes subject to the Transfer of Undertaking (Protection of Employment) (TUPE) Regulations 1981 and 2006.
- Explain, using case law where applicable, how liability for Paul's injury would be apportioned:
- (i)** to Katherine as Paul's current employer; **(6)**
- (ii)** to Claire and Katherine's employers' liability insurers; **(6)**
- (iii)** in circumstances in which Claire has no employers' liability insurance. **(6)**

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