

P96

Diploma in Insurance

Unit P96 – Liability insurances

October 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) Explain briefly the term 'frequency' in the context of risk assessment. (3)
 - (b) Give an example of a high frequency loss. (1)
 - (c) Outline why an insurance professional might consider using frequency of losses as a good indicator of risk. (2)

2.
 - (a) Explain how a liability underwriter would use wage roll as the basis to calculate the premium to be charged for an employers' liability risk, and state why this would be the case. (10)
 - (b) State the main advantage to an underwriter who uses the method of calculation in **part (a)** above. (2)

3. Timothy and Michael are directors of a company that has ceased trading. They are concerned that they could be legally and financially liable for allowing the business to continue trading when they knew the company was insolvent.

Explain, with reference to relevant statute and case law, the liability these directors could face if their knowledge of inevitable solvency is proven. (13)

4. Explain briefly **five** reasons why there has been a low uptake of rehabilitation programmes offered by insurers to employers' liability claimants. (10)

5. Describe briefly the trigger that is commonly used in public and products liability insurance policies underwritten:
 - (a) within the UK; (5)
 - (b) outside the UK. (5)

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6. With reference to the Employers' Liability (Compulsory Insurance) Act 1969:
- (a) Outline the main purpose of the Act. (2)
 - (b) State to whom the Act applies and the scope of cover to which they are subject. (3)
 - (c) Explain briefly the meaning of the following defined terms under the Act:
 - (i) Approved policy. (2)
 - (ii) Authorised insurer. (2)
 - (iii) Business. (2)
 - (iv) Employee. (2)
7. (a) Outline the following types of damages:
- (i) Special damages. (2)
 - (ii) Punitive damages. (2)
 - (iii) Multiplied damages. (2)
- (b) Explain briefly **two** ways in which a UK liability underwriter may lessen the exposure to damages arising from writing overseas risks. (4)
8. Identify **eight** common exclusions that may be found on a standard professional indemnity policy. (8)
9. Outline the **advantages** and **disadvantages** in using mediation to settle liability disputes. (14)

QUESTIONS CONTINUE OVER THE PAGE

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10. (a) Explain briefly nanotechnology. (3)
- (b) List **two** examples of nanomaterials (2)
- (c) Outline how insurers are mitigating risks from nanotechnology. (3)
11. The CEO of a new company, Isabella, purchased a standard UK directors' and officers' liability policy which was incepted in July 2015.
- Explain briefly how the directors' and officers' liability policy would have responded to the following claims:
- (a) John, a machine operator, is killed at work when using faulty equipment and his next of kin make a claim against Isabella. (3)
- (b) An employee has been discovered embezzling funds from the company for his own personal gain. (3)
- (c) In September 2015 Isabella received notice of a claim from Peter, who alleged that he had made investments based on a misleading statement in the prospectus issued by the company. This led him to suffer a financial loss. (3)
12. State the **three** ways an employer may discharge their duty to provide safe and suitable plant and equipment. (6)
13. (a) Outline what is legionella and where it commonly occurs. (5)
- (b) Explain briefly **two** reasons why insurers under a public liability policy might decline a claim in respect of a legionella outbreak. (4)
14. Explain, with reference to relevant case law, how the infidelity of employees may be covered under a professional indemnity policy. (12)

PART II

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

15. (a) Discuss, with reference to relevant statute and case law, how liability to third parties may arise for architects and engineers. (15)
- (b) Aidan is an architect in a firm tendering for a large overseas contract. During these negotiations a foreign public official approaches Aidan suggesting that the contract would be guaranteed if a monetary inducement was made.
- Advise Aidan of the legal implications under the Bribery Act 2010 of agreeing to such a course of action for him and his organisation. (15)
16. (a) Explain how the General Product Safety (GPS) Regulations 2005 have enhanced the existing legislation concerning consumer protection in the UK. (27)
- (b) List the **three** specialist insurance policies covering risks that are not commonly covered under a standard product liability policy. (3)
17. (a) State how terrorism is defined in the Terrorism Act 2006. (6)
- (b) Discuss how an underwriter might address the terrorism exposure of UK liability risks. (18)
- (c) Explain briefly how terrorism is considered under employers' liability insurance contracts. (6)

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