THE CHARTERED INSURANCE INSTITUTE

P96

Diploma in Insurance

Unit P96 – Liability insurances

April 2016 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 primary focus of a loss control survey. **(2)**

(b) Describe briefly **three** benefits of implementing the recommendations under a loss control survey. **(9)**

2. Frank runs a large manufacturing company that exports goods to countries within the European Union. He is concerned about actions being brought against his company in foreign territories.

(a) Explain to Frank how jurisdiction is decided when defending actions in tort and contract brought by foreign nationals. **(6)**

(b) Outline **three** exceptions to the position identified in your answer to part **(a)** above. **(6)**

3. **(a)** State the main function of the operative clause in a liability insurance policy. **(2)**

(b) List **five** points typically covered in the operative clause of a liability insurance policy. **(5)**

4. Warrens, a firm of architects, is found negligent by the court and is ordered to pay damages in excess of the limit of their costs-inclusive professional indemnity policy. The insurers pay their proportion of the claim.

The court also orders the insured to pay the claimant's costs. Warrens could not comply as they were insolvent. The insurers also declined to pay the costs stating their limit of indemnity had been fully exhausted.

Outline, with reference to case law, the reasons why the professional indemnity insurers would be held responsible to pay the costs in excess of the policy limit. **(10)**

5. **(a)** Explain briefly **two** ways in which the value of money can affect insurers' reserves on a claim. **(4)**

(b) State **two** ways insurers can ensure that their claims reserves remain unaffected by the value of money. **(6)**

6. **(a)** Outline **two** types of exclusion restricting the cover given on a standard public and products liability policy. **(4)**

(b) Identify **three** examples of the two types of exclusion as outlined in your answer to part **(a)** above. **(6)**

7. **(a)** Outline why exclusions do not commonly appear on a standard employers' liability policy. **(3)**

(b) Describe briefly in which circumstances an employer's liability underwriter can impose an exclusion when underwriting a policy. **(4)**

8. Describe briefly **three** ways in which a multinational corporation, domiciled in the UK, could protect its worldwide operations under an international liability programme. **(9)**

9. Describe the main occupational diseases associated with the following roles and how employers may protect their employees from these risks:

(a) Industrial baker. **(4)**

(b) Motor mechanic. **(4)**

(c) Social worker. **(4)**

QUESTIONS CONTINUE OVER THE PAGE

10. Outline **five** categories of person who, under the provisions of the Consumer Protection Act 1987, could be held strictly liable where any damage is caused by a defective product. **(10)**

11. **(a)** State the main function of the Health and Safety Executive (HSE). **(2)**

(b) Describe briefly the **three** main courses of action available to the HSE to improve health and safety at work when existing arrangements are inadequate. **(6)**

12. State **six** general duties codified by the Companies Act 2006. **(12)**

13. Explain how the Compensation Act 2006 ensures that victims of asbestosis will be fully compensated for their disease. **(12)**

14. **(a)** Distinguish between a 'de jure' director, a 'de facto' director and a 'shadow' director as defined in the case of *Re Hydrodam (Corby) Ltd* (1994). **(6)**

(b) Outline briefly the standard care expected of trustees carrying out their duties as outlined in Part 1 of the Trustee Act 2000. **(4)**

Part II questions can be found on pages 8 and 9

PART II

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

15. **(a)** Distinguish between the main features of accidental and non-accidental wordings in relation to public and products liability policies. **(10)**

(b) Explain to what extent cover is available under an extension to a public and products liability policy which protects an insured when advertising their goods, products and services. **(20)**

16. **(a)** Outline **four** examples of poor moral hazard in public liability insurance, stating why it is an important consideration to a liability insurance underwriter. **(10)**

(b) Amanda owns and operates a garden centre.

Advise Amanda, with reference to the Occupier's Liability Acts 1957 and 1984, whether she has breached her duty of care to **each** of the following claimants:

(i) Aidan, when visiting the garden centre, injures his foot whilst trying out a garden fork. Aidan sues Amanda alleging that she has failed in her duty of care. **(5)**

(ii) Amanda displays a very small notice near the entrance to the garden centre warning of uneven steps. Julie, a visitor, trips down a step and is injured. Julie then claims. Amanda states her liability has been absolved by the use of the warning notice. **(5)**

(iii) Amanda enters into a contract with Yvonne to provide food and beverages from a catering van parked at the garden centre. Yvonne falls down a hidden ditch and is injured. Amanda denies any liability. **(5)**

(iv) Stanley, a trespasser, climbs over a fence into the garden centre when it is closed. He fails to notice some unfinished construction, falls, injuring himself and damaging his clothing. Stanley claims for his injury and damage to his property. **(5)**

17. **(a)** Discuss, with reference to the Hedley Byrne principle, how liability to third parties may arise in tort in relation to negligent misstatements that cause financial loss. **(14)**

(b) Explain the cover provided by the Queen's Counsel (QC) clause on a professional indemnity insurance policy, outlining why it assists in resolving claims disputes. **(10)**

(c) Outline the **three** ways a claim from economic loss could arise which would normally be covered under a public and products liability policy. **(6)**

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