

**THE CHARTERED INSURANCE INSTITUTE**



**E96**

**Examination element of M96 Liability insurances**

**Based on the 2016/2017 syllabus  
examined from 1 May 2016 until 30 April 2017**

## E96 – Examination element of M96 Liability insurances

Based on the 2016/2017 syllabus examined from 1 May 2016 until 30 April 2017

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## E96 – Examination element of M96 Liability insurances

Based on the 2016/2017 syllabus examined from 1 May 2016 until 30 April 2017

### Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute (CII) to assist students in their preparation for the E96 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their E96 studies before attempting the specimen examination. Students should allow themselves one hour to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time. The examination must be successfully passed within 18 months of enrolment on M96.

Although the specimen examination in this guide is typical of an E96 examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry by reading the periodicals listed in the M96 reading list, which is located on the syllabus in this examination guide and on the CII website at [www.cii.co.uk](http://www.cii.co.uk).

### Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

- 1) Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications)
- 2) Select the appropriate qualification
- 3) Select your unit on the right hand side of the page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

## Syllabus

The M96 syllabus is published on the CII website at [www.cii.co.uk](http://www.cii.co.uk). **Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the CII tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

## Skill Specification

The examination syllabus categorises M96 learning outcomes into attainment levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The syllabus requires that candidates have the ability to understand the subject matter. Each learning outcome begins with one of these cognitive skills:

**Understanding** - Candidates must be able to link pieces of information together in cause and effect relationships. Typically questions may ask 'Why'. Questions set on an understand learning outcome can test either knowledge or understanding or both.

## Examination Information

The method of assessment for the E96 examination is 50 multiple choice questions (MCQs). One hour is allowed for this examination.

The M96 syllabus provided in this examination guide will be examined from 1 May 2016 until 30 April 2017.

Candidates will be examined on the basis of English law and practice unless otherwise stated.

The general rule is that legislative and industry changes will not be examined earlier than 3 months after they come into effect.

Please note that the Insurance Act 2015, which comes into effect on 12 August 2016, will be reflective in examinations and the specimen paper from 1 October 2016.

E96 examinations test the Financial Conduct Authority and Prudential Regulation Authority rules and regulations.

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct response. Each question will contain only one correct or best response to the problem posed.

One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

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.

Candidates are permitted to make rough notes. Candidates are not permitted, in any circumstances, to remove any papers relating to the examination from the examination room.

## Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

## After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

# Liability insurances

## Purpose

At the end of this unit, candidates should be able to understand liability insurance.

## Assumed knowledge

It is assumed that the candidate already has the knowledge gained from a study of the fundamental principles of insurance as covered in IF1 Insurance, legal and regulatory and Mo5/Po5 Insurance law or equivalent examinations.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the identification, evaluation and management of liability risk.	4
2. Understand the main considerations of liability underwriting.	5
3. Understand the risk, cover and practices of employers' liability insurance.	11
4. Understand the risks, cover and practices of public and product liability insurance.	11
5. Understand the risks, cover and practices of directors' and officers' liability and corporate reimbursement insurance.	9
6. Understand the risks, cover and practices of professional indemnity insurance.	10

\*The test specification (relevant to the M96 multiple choice question exam only) has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

## Important notes

### M96

- **Method of assessment**

Mixed assessment for M96 of which both elements must be individually passed. This consists of:

1. an online coursework assignment using RevisionMate consisting of 10 questions which sequentially follow the learning outcomes. This must be successfully completed within 6 months of enrolment; and
2. a multiple-choice question (MCQ) exam at one of the CII's online centres (paper based MCQs are available in April and October for those sitting outside the UK). The MCQ exam consists of 50 MCQs. 1 hour is allowed for this examination. This exam must be successfully passed within 18 months of enrolment.

- This syllabus will be examined from 1 May 2016 until 30 April 2017.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  1. Visit [www.cii.co.uk/updates](http://www.cii.co.uk/updates)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page

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- **Method of assessment:** Part I 14 compulsory questions (140 marks). Part II 2 questions selected from 3 (60 marks). Total of 200 marks. Three hours are allowed for this exam.
- The syllabus is examined on the basis of English law and practice unless otherwise stated.
- The general rule is that the exams are based on the English legislative position six months before the date of the exams.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  1. Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page



- 1. Understand the identification, evaluation and management of liability risk**
  - 1.1 Describe the framework for the identification, evaluation and management of liability risk.
  - 1.2 Explain the roles of the various parties involved in the evaluation and management of liability risk.
  - 1.3 Explain the importance of evaluating the historical claims record.
- 2. Understand the main considerations of liability underwriting**
  - 2.1 Describe the different triggering events covered under liability insurance.
  - 2.2 Describe the framework relating to the underwriting of generic liability risks.
  - 2.3 Describe the policy conditions and issues arising under liability insurances.
  - 2.4 Explain the importance of evaluating the exposure to foreign legal environments.
  - 2.5 Describe the underwriting considerations, information and policy wording implications in relation to foreign liability exposures.
- 3. Understand the risk, cover and practices of employers' liability insurance**
  - 3.1 Explain the relevance of the Health and Safety at Work etc Act 1974 to liability insurance.
  - 3.2 Explain the main work of the Health and Safety Executive.
  - 3.3 Explain the duties of an employer and how they are discharged.
  - 3.4 Explain disease exposures from workplace hazards.
  - 3.5 Explain the legal framework governing employers' liability in the workplace under statute and common law.
  - 3.6 Explain the scope of cover of employers' liability insurance including:
    - the operative clause;
    - key definitions;
    - limit of liability;
    - legal costs;
    - common exclusions, conditions and extensions.
  - 3.7 Explain market practices in relation to employers liability insurance including compliance with legislation.
  - 3.8 Describe key underwriting information under employers' liability insurance.
  - 3.9 Describe the common rating bases under employers' liability insurance.
- 4. Understand the risks, cover and practices of public and product liability insurance**
  - 4.1 Explain the risks covered under public and product liability insurance.
  - 4.2 Explain the legal framework for public and product liability insurance.
  - 4.3 Explain the scope of cover of public and product liability insurance including:
    - the operative clause;
    - key definitions;
    - limit of liability;
    - legal costs;
    - common exclusions, conditions and extensions.
  - 4.4 Describe key underwriting information under public and product liability insurance.
  - 4.5 Describe the common rating bases under public and product liability insurance.
- 5. Understand the risks, cover and practices of directors' and officers' liability and corporate reimbursement insurance**
  - 5.1 Explain the risks covered under directors' and officers' liability insurance and corporate reimbursement insurance.
  - 5.2 Explain the legal framework affecting directors' and officers' liability insurance and corporate reimbursement insurance.
  - 5.3 Explain the scope of cover under directors' and officers' liability insurance and corporate reimbursement insurance including:
    - the operative clause;
    - key definitions;
    - limit of liability;
    - legal costs;
    - common exclusions, conditions and extensions.
  - 5.4 Describe key underwriting information under directors' and officers' liability insurance and corporate reimbursement insurance.
  - 5.5 Describe the common rating bases under directors' and officers' liability insurance and corporate reimbursement insurance.
  - 5.6 Explain legal liability for corporate manslaughter in the UK.

## 6. Understand the risks, cover and practices of professional indemnity insurance

- 6.1 Describe how legal liability is covered under professional indemnity insurance.
- 6.2 Explain the risks covered under professional indemnity insurance.
- 6.3 Explain the scope of cover of professional indemnity insurance including:
  - the operative clause;
  - key definitions;
  - limit of liability;
  - legal costs;
  - common exclusions, conditions and extensions.
- 6.4 Describe key underwriting information under professional indemnity insurance.
- 6.5 Describe the common rating bases under professional indemnity insurance.
- 6.6 Describe the risks and cover given under fidelity liability insurance.

## Reading list

The following list provides details of various publications which may assist you with your studies.

**Note: The examination will test the syllabus alone.**

The reading list is provided for guidance only and is not in itself the subject of the examination.

The publications will help you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

### CII study texts

Liability insurances. London: CII. Study text M96P96

Insurance law. London: CII. Study text Mo5Po5

Insurance, legal and regulatory. London: CII. Study text IF1

### Books (and ebooks)

Company law (Law Express series). 2nd ed. Chris Taylor. Harlow: Pearson, 2012.

Directors' and officers' liability insurance. Research Study Group 234A. London: IIL, 2010.

Directors' and officers' liability insurance. Adolfo Paolini and Deepak Nambisan. London: Informa, 2008.

Drafting insurance contracts: certainty, clarity, law and practice. Christopher Henley. London: Leadenhall press, 2010.

'Employers' liability insurance'. Chapter – The modern law of insurance. Andrew McGee. 3rd ed. London: LexisNexis, 2011.

'Employers' liability'. Chapter – Insurance disputes. Jonathan Mance, Iain Goldrein, Robert Merkin. 3rd ed. London: Informa, 2011.

'Employers' liability and other compulsory insurances'. Chapter – Birds' modern insurance law. John Birds. 9th ed. London: Sweet & Maxwell, 2013.

Health and safety: risk management. 3rd ed. Tony Boyle. Wigston: IOSH Services, 2010.

'Liability insurance'. Chapter – Birds' modern insurance law. John Birds. 9th ed. London: Sweet & Maxwell, 2013.

Munkman on employer's liability. 16th ed. Barry Cotter and Daniel Bennett (eds) et al. London: LexisNexis, 2013.

Product recall, liability and insurance. M Kendall. London: Globe Business Publishing, 2012.

Professional indemnity insurance. Mark Cannon, Brendan McGurk. Oxford: Oxford University Press, 2010.

Professional indemnity insurance law. W I B Enright, Digby C Jess. 2nd ed. London: Sweet and Maxwell, 2007.

'Professional liability'. Chapter – Insurance disputes. Jonathan Mance, Iain Goldrein, Robert Merkin. 3rd ed. London: Informa, 2011.

The handbook of health and safety practice. Jeremy Stranks. 7th ed. Harlow: Pearson, 2005.

The law of liability insurance. Malcolm Clarke. New York: Informa, 2013.\*

Tort law and liability insurance. Gerhard Wagner. Wien: Springer, 2005.

Tort law: text, cases and materials. Jenny Steele. 3rd ed. Oxford: Oxford University Press, 2014.

## Ebooks

The following ebooks are available through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only):

Bourne on company law. Nicholas Bourne. 6th ed. Hoboken: Routledge, 2013.

Company law. Michael Ottley. 8th ed. Oxon: Routledge, 2013.

Tort law and the Legislature: common law, statute and the dynamics of legal change. Jenny Steel, et al. Oxford: Hart Publishing, 2013.

## Factfiles and other online resources

CII factfiles are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Covering general insurance, life and pensions and financial services sectors, the factfile collection includes key industry topics as well as less familiar or specialist areas with information drawn together in a way not readily available elsewhere. Available online via [www.cii.co.uk/ciifactfiles](http://www.cii.co.uk/ciifactfiles) (CII/PFS members only).

- Recent developments in tort. Alan Peck.
- Recent developments in quantum. Alan Peck.
- The professional liability of insurance brokers. Christopher Henley.
- Civil procedure rules. Alan Peck.
- Risk control. Ian Searle.
- Risk identification. Ian Searle.

Guidance. Health and Safety Executive. Available online via [hse.gov.uk](http://hse.gov.uk).

Further articles and technical bulletins are available at [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/PFS members only).

## Journals and magazines

Insurance times. London: Newsquest Specialist Media. Weekly. Also available online at [www.insurancetimes.co.uk](http://www.insurancetimes.co.uk).

The Journal. London: CII. Six issues a year. Also available online via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/PFS members only).

Post magazine. London: Incisive Financial Publishing. Weekly. Also available online at [www.postonline.co.uk](http://www.postonline.co.uk).

Further periodical publications are available at [www.cii.co.uk/journalmagazines](http://www.cii.co.uk/journalmagazines) (CII/PFS members only).

## Reference materials

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.\*

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

International encyclopedia for insurance law. Wolters Kluwer. Available online via [www.cii.co.uk/lawdatabases](http://www.cii.co.uk/lawdatabases) (CII/PFS members only).

i-law: online database of legal knowledge. Informa. Available online via [www.cii.co.uk/lawdatabases](http://www.cii.co.uk/lawdatabases) (CII/PFS members only).

Insurance: Conduct of Business sourcebook (ICOBS). Available via [www.fshandbook.info/FS/](http://www.fshandbook.info/FS/).

Professional negligence and liability. London: Informa Professional. Looseleaf, updated.

\*Also available as an ebook through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only).

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### Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the multiple-choice component.

These are available on the CII website under the unit number before purchasing the unit. They are available under the following link [www.cii.co.uk/qualifications/diploma-in-insurance-qualification](http://www.cii.co.uk/qualifications/diploma-in-insurance-qualification).

These exemplar papers are also available on the RevisionMate website [www.revisionmate.com](http://www.revisionmate.com) after you have purchased the unit.

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### Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers.

You are strongly advised to study guides from the last two sittings. Please visit [www.cii.co.uk](http://www.cii.co.uk) to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Alternatively, if you have a current study text enrolment, the latest exam guides are available via [www.revisionmate.com](http://www.revisionmate.com).

Older guides are available via [www.cii.co.uk/pastexamguides](http://www.cii.co.uk/pastexamguides) (CII/PFS members only).

## Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at [www.cii.co.uk/iilrevision](http://www.cii.co.uk/iilrevision) (CII/PFS members only).

1. Statistical analysis and quantitative forecasting are **most** appropriate for which type of risks?
  - A. Catastrophe.
  - B. Frequency.
  - C. Latency.
  - D. Severity.
  
2. What is the **main** responsibility of a manufacturing company's formally-appointed risk manager in respect of a liability risk?
  - A. Assess the impact.
  - B. Eliminate the impact.
  - C. Establish a captive insurer.
  - D. Underwrite the risk.
  
3. A commercial liability policyholder has a high frequency of slip and trip claims. The underwriter is assessing the impact that an increased excess would have on the insurer's exposure. Using past claims data, what is the **most appropriate** technique to assess the impact?
  - A. A banded claims history.
  - B. A burning rate calculation.
  - C. A claims triangulation.
  - D. An incurred but not reported forecast.
  
4. A commercial liability underwriter is calculating a burning rate percentage for a risk. What data is needed to perform this calculation?
  - A. Claims paid and claims frequency.
  - B. Total claims and claims frequency.
  - C. Total claims and wage roll.
  - D. Wage roll and outstanding claims.
  
5. An insurer, who wishes to limit its latency exposure to employers' liability claims, would **typically** issue a policy based on which trigger?
  - A. Claims made.
  - B. Losses discovered.
  - C. Manifestation.
  - D. Occurrence.
  
6. When seeking to determine the likely claims cost for a new employers' liability risk, which type of losses are **most likely** to be difficult for an underwriter to predict?
  - A. Catastrophe losses.
  - B. Frequency losses.
  - C. Latency losses.
  - D. Severity losses.

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7. Under a specialist cyber liability insurance policy, what first party cover is available?
- A. Damage to the insured's website from an intentional virus attack.
  - B. Damage to the insured's website from a negligent employee.
  - C. Infringement of intellectual property rights.
  - D. Loss of third party data from a negligent employee.
8. A UK-based toy manufacturer with a French manufacturing subsidiary sells goods within the EU. An American tourist purchases a toy whilst on holiday in Spain and during the holiday suffers an injury from the toy. The toy was manufactured in France. If a personal injury claim is made, the law of which country would **usually** apply?
- A. France.
  - B. Spain.
  - C. UK.
  - D. USA.
9. A **typical** reason for an insured to purchase an admitted liability policy is to
- A. always operate on a fully-insured basis solely within a home territory.
  - B. always ensure full compliance with overseas regulation.
  - C. ensure that all claims can be considered under home legislation.
  - D. help overcome situations where the insurer is unlicensed to write business in a particular overseas country.
10. A Health and Safety Inspector has served an improvement notice on an employer for a breach of health and safety regulations. What is the **minimum** number of days after the issue of the notice that the compliance period will start?
- A. 7 days.
  - B. 14 days.
  - C. 21 days.
  - D. 30 days.
11. The Health and Safety Executive's **main** responsibilities include
- A. auditing and maintaining workplace equipment.
  - B. devising safe traffic routes in the workplace.
  - C. overseeing staff in the workplace.
  - D. producing technical guidance notes.
12. Under the Health and Safety at Work etc. Act 1974, the duty of every employer to ensure the health, safety and welfare at work of all its employees is a duty based upon what legal test?
- A. Either an absolute duty or so far as reasonably practicable.
  - B. An absolute duty only.
  - C. So far as reasonably practicable only.
  - D. Strict liability.

13. Employees exposed to coal dust are at risk of contracting what type of industrial disease?
- A. Byssinosis.
  - B. Dermatitis.
  - C. Mesothelioma.
  - D. Pneumoconiosis.
14. What is the **minimum** indemnity limit required under the Employers' Liability (Compulsory Insurance) Regulations 1998?
- A. £5,000,000 exclusive of costs and expenses per claim.
  - B. £5,000,000 inclusive of costs and expenses per claim.
  - C. £10,000,000 exclusive of costs and expenses per claim.
  - D. £10,000,000 inclusive of costs and expenses per claim.
15. When an employers' liability insurance policy includes a claims notification condition, what **typically** would the insured **NOT** be required to do in the event of a claim?
- A. Appoint an expert to investigate liability and report on the claim.
  - B. Immediately notify the claim or occurrence which could result in a claim.
  - C. Pass all communications from third parties to the insurer in relation to the claim.
  - D. Provide the insurer with all the help and information required in respect of the claim.
16. Which type of incident would an employee **NOT** be able to claim for successfully under the standard definition of bodily injury in an employers' liability policy?
- A. Anxiety.
  - B. Chronic pain.
  - C. Defamation of character.
  - D. Post-traumatic stress disorder.
17. An employee was injured at work and has a valid claim against his employer, who has since ceased trading following insolvency. How is the employee **most likely** to be compensated for his injury?
- A. A claim against the employers' liability insurer on risk at the time of the injury.
  - B. An ex gratia payment from the employers' liability insurer on risk at the time of the injury.
  - C. As an ordinary creditor in insolvency proceedings.
  - D. Under the Financial Services Compensation Scheme for statutory classes of insurance.
18. Which Act removed the concept of strict liability and allows more freedom for employer's to defend claims?
- A. Compensation Act 2006.
  - B. Corporate Manslaughter and Corporate Homicide Act 2007.
  - C. Disability Discrimination Act 1995.
  - D. Enterprise and Regulatory Reform Act 2013.

19. When an underwriter is considering the application of a specific exclusion to an employers' liability insurance policy, it should always refer to a
- A. particular type of disease.
  - B. particular type of injury.
  - C. specific activity of the employee.
  - D. specific activity of the employer.
20. What are the implications of a reimbursement clause in relation to an employers' liability risk?
- A. The insured will handle and settle claims above an agreed limit with the insurer managing the claims below.
  - B. The insurer will handle and settle claims above an agreed limit with the insured managing the claims below.
  - C. The insured will handle and settle the claims, but the insurer will reimburse the insured up to a certain limit.
  - D. The insurer will handle and settle the claims, but the insured will reimburse the insurer up to a certain limit.
21. A policyholder has incurred clean-up costs in addition to the statutory costs imposed following sudden and accidental pollution. How would a public liability policy **typically** provide for these costs, if at all?
- A. As a collateral warranty.
  - B. As an exclusion and costs would not be covered.
  - C. As an extension.
  - D. As a policy condition.
22. The rule in Rylands v Fletcher is one of
- A. negligence.
  - B. nuisance.
  - C. strict liability.
  - D. trespass.
23. Why is it important to establish the legal nature of an organisation when determining liability for bodily injury or damage to third party property?
- A. A corporation has no distinct legal entity from its shareholders.
  - B. A partnership always enjoys a corporate personality.
  - C. Individual members of an unincorporated entity are jointly and severally liable for their own torts.
  - D. Unincorporated entities can be sued in the entity's name.

24. Which type of business is required by law to have public liability insurance?
- A. A cat rescue shelter.
  - B. A children's nursery.
  - C. A horse riding establishment.
  - D. A water utility company.
25. What is a possible defence available to a manufacturer being sued under the Consumer Protection Act 1987?
- A. A full disclaimer was issued with the product.
  - B. The defect did not exist in the product at the time it was produced.
  - C. The manufacturer did not approve the design of the product.
  - D. The supply of the product was in the course of business.
26. A hotel guest gave her purse and jewellery to the manager of the hotel she was staying in for safekeeping. Whilst in the custody and control of the hotel, cash of £200 and jewellery valued at £500 was stolen. What is the **maximum** amount the hotel can be held liable for in respect of the guest's stolen property?
- A. £50
  - B. £100
  - C. £500
  - D. £700
27. Under the operative clause of a public liability policy, cover provided for damage to property always includes
- A. an employee's non-intellectual property rights.
  - B. the insured's material property.
  - C. a third party's intangible property.
  - D. a third party's tangible property.
28. When is the claims made trigger **typically** used in the UK in respect of a public and product liability risk?
- A. Product liability insurance for electrical products.
  - B. Product liability insurance for pharmaceutical products.
  - C. Public liability insurance for financial institutions.
  - D. Public liability insurance for retail shops.
29. A claim is presented from a member of the public for his wrongful arrest in a clothing store. Under the clothing store's public and product liability policy, where would a claims handler **first** refer to see if this claim is covered?
- A. The attestation clause.
  - B. The operative clause.
  - C. The policy exclusions.
  - D. The policy extensions.



30. An engineering company approaches an insurer for a public liability insurance quotation. The company derives 5% of its turnover from its work on offshore oil rigs. In these circumstances, on what basis is the insurer **most likely** to provide cover for the offshore work?
- A. Apply a deductible.
  - B. Apply an inner-limit.
  - C. Provide cover in full.
  - D. Exclude cover.
31. An insurer receives a public liability proposal from a children's nursery which is responsible for 10 children. What is the **normal** method of rating the premium in these circumstances?
- A. Estimated wages.
  - B. Number of children.
  - C. Qualification of staff.
  - D. Square footage of the nursery.
32. A directors' and officers' liability policy is **commonly** extended to include which employees, if any?
- A. None as it cannot be extended.
  - B. All employees.
  - C. Employees acting in a managerial or supervisory capacity only.
  - D. Employees acting in a technical capacity only.
33. What is a de facto director?
- A. One who always acts in a non-executive capacity.
  - B. One who claims to act as a director but is not validly appointed.
  - C. One who does not claim to act as a director.
  - D. One who is validly appointed to the office.
34. What percentage of a listed company's main board should be independent non-executive directors?
- A. A minimum of 20%.
  - B. A maximum of 25%.
  - C. A minimum of 50%.
  - D. A maximum of 75%.
35. Cover for directors' and officers' liability is **usually** arranged on the basis of a limit which is expressed as
- A. any one loss.
  - B. any one occurrence.
  - C. a total aggregate of liability.
  - D. unlimited liability.

36. When a company no longer trades, a run-off directors' and officers' liability policy may continue to provide cover for up to the standard statutory **minimum** period of
- A. two years.
  - B. four years.
  - C. six years.
  - D. eight years.
37. Under a standard directors' and officers' liability policy, what does the discovery period condition refer to?
- A. It allows the insured to pay a pre-agreed premium so that for a set period after renewal, the insured can notify claims occurring prior to expiration of the policy.
  - B. It allows the insured to report claims on a claims occurring basis.
  - C. It allows the insurer to refuse claims which are made and not reported within 10 days.
  - D. It allows the insurer to exclude liability for all claims in relation to non-executive directors.
38. When assessing the risk posed by a company in the telecoms sector, what will a directors' and officers' liability underwriter be **most** concerned about?
- A. The business activity.
  - B. The geographical location.
  - C. The staff turnover.
  - D. Unfair competitive practices.
39. The rate that an underwriter will apply to achieve the premium for a directors' and officers' liability risk is **most likely** based upon the
- A. estimated wages and salaries and geographical area of operation.
  - B. estimated wages and salaries and qualifications of the senior staff.
  - C. geographical area of operation and limit of indemnity chosen.
  - D. qualifications of the senior staff and limit of indemnity chosen.
40. What are the implications under the Corporate Manslaughter and Corporate Homicide Act 2007 with regard to prosecution?
- A. Individual directors cannot be prosecuted in their own right.
  - B. Individual directors can be prosecuted in their own right.
  - C. Organisations cannot be prosecuted in their own right.
  - D. Organisations can be prosecuted in their own right.

41. A firm of solicitors operating as a limited liability partnership are reviewing its insurance needs for the next year. The firm determines it needs £7,000,000 professional indemnity cover for each and every claim. It purchases a policy which provides the minimum limit required by the Solicitors Regulation Authority. What additional limit of indemnity will the firm need in order to achieve its cover requirement?
- A. £2,000,000
  - B. £3,000,000
  - C. £4,000,000
  - D. £5,000,000
42. Where a property valuer has been found negligent in his valuation of a property, to what extent in law would he be liable for damages to a lender?
- A. The difference between the negligent valuation and the correct valuation only.
  - B. The difference between the negligent valuation and the correct valuation plus any subsequent reduction in property values.
  - C. A refund of the valuation fee only.
  - D. A refund of the valuation fee plus any punitive damages.
43. Which members of the medical profession are able to obtain professional indemnity insurance cover?
- A. Dentists only.
  - B. Doctors and dentists only.
  - C. Doctors, nurses, and dentists only.
  - D. Doctors, nurses, dentists and practitioners of alternative medicine.
44. Under a professional indemnity policy, how is the limit of indemnity and defence costs **typically** arranged?
- A. Always as a limit applicable to any one claim, inclusive of defence costs.
  - B. Always as a limit applicable to any one claim, excluding defence costs.
  - C. As an aggregate limit inclusive of defence costs.
  - D. As an occurrence limit exclusive of defence costs.
45. It is **usual** for professional indemnity policies to exclude
- A. claimants' costs.
  - B. defence fees.
  - C. financial losses.
  - D. liquidated damages.

46. Where within a professional indemnity policy does it state that cover is on a claims made basis?
- A. General conditions.
  - B. Limit of liability.
  - C. Operative clause.
  - D. Recital clause.
47. A manufacturing company has bought a firm of consulting engineers that has been trading for the last five years. When considering this acquisition, the underwriter will need in particular to consider the cover that the consulting engineers have bought for
- A. employers' liability.
  - B. product liability.
  - C. professional indemnity.
  - D. public liability.
48. When considering a proposal for professional indemnity insurance, an underwriter is **least likely** to be interested in
- A. employee behaviour.
  - B. employee wages.
  - C. previous claims history.
  - D. previous insurance history.
49. A surveyor contacts an insurer requesting a quotation for professional indemnity insurance. The proposal indicates that the surveyor also conducts property valuations. How will this affect the insurer's quotation?
- A. An excess will automatically apply.
  - B. A premium loading will be applied with the normal rate for a surveyor.
  - C. A premium discount will be applied.
  - D. The limit of indemnity will always be reduced.
50. The finance director of an architectural partnership has been made aware by the external auditor of a misappropriation of funds by an employee. Which insurance policy is **most likely** to contain an extension to respond to any claim arising from these circumstances?
- A. Directors' and officers' liability.
  - B. Employers' liability.
  - C. Professional indemnity.
  - D. Public liability.

## Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
<b>Learning Outcome 1</b>			<b>Learning Outcome 4</b>			<b>Learning Outcome 6</b>		
1	B	1.1	21	C	4.1	41	C	6.1
2	A	1.2	22	C	4.1	42	A	6.1
3	A	1.3	23	C	4.1	43	D	6.2
4	C	1.3	24	C	4.2	44	C	6.3
<b>4 questions</b>			25	B	4.2	45	D	6.3
			26	D	4.3	46	C	6.3
<b>Learning Outcome 2</b>			27	D	4.3	47	C	6.4
5	A	2.1	28	B	4.3	48	B	6.4
6	C	2.2	29	B	4.3	49	B	6.5
7	A	2.3	30	D	4.4	50	C	6.6
8	B	2.4	31	B	4.5	<b>10 questions</b>		
9	B	2.5	<b>11 questions</b>					
<b>5 questions</b>								
			<b>Learning Outcome 5</b>					
<b>Learning Outcome 3</b>			32	C	5.1			
10	C	3.1	33	B	5.2			
11	D	3.2	34	C	5.2			
12	A	3.3	35	C	5.3			
13	D	3.4	36	C	5.3			
14	B	3.5	37	A	5.3			
15	A	3.6	38	D	5.4			
16	C	3.6	39	C	5.5			
17	A	3.6	40	D	5.6			
18	D	3.7	<b>9 questions</b>					
19	D	3.8						
20	D	3.9						
<b>11 questions</b>								