

P96

Diploma in Insurance

Unit P96 – Liability insurances

April 2017 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. Outline the risk exposure analysis an underwriter would undertake when quoting a liability risk. (10)

2. Explain how the Employers' Liability Tracing Office operates and how it assists employees injured in the workplace. (10)

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

Advise Aidan whether he is likely to succeed in his action against his employer. (12)

4. (a) Identify **four** environmental torts, giving an example of how **each** may arise. (8)

(b) Explain briefly **two** reasons why it might be difficult to bring a successful action for an environmental tort. (4)

5. Explain the particular concerns a public liability underwriter would have when underwriting a proposal for disused warehouse premises with land. (12)

6. (a) Identify the claims trigger which is generally used in a Directors' and Officers' (D&O) liability policy. (2)

(b) Explain briefly why a retroactive date may be included in a D&O liability policy. (4)

(c) Explain briefly how an extended reporting period operates under a D&O liability policy. (4)

7. List **three** policy exclusions usually found on a standard professional indemnity policy, explaining briefly in **each** case why these exclusions would apply. (6)
8. (a) Explain briefly the term 'emerging risks' in the context of liability underwriting. (4)
- (b) Outline **two** main features of emerging risks that make them such an uncertain risk. (6)
9. Isabella, the CEO of a UK company, is reviewing its Directors' and Officers' (D&O) liability policy. She believes it could be necessary to extend the policy coverage.
- Explain the policy extensions generally available and the extent to which they would respond in the following situations:
- (a) Isabella may have to give evidence at an official inquiry which would be time consuming and costly to the business. (4)
- (b) Isabella holds an outside directorship in another company and requires D&O insurance to fulfil her appointment. (4)
- (c) The company has recently started trading within the USA. Isabella requires cover for the company in the event criminal proceedings are brought against it. (4)
10. (a) Outline **four** ways an underwriter could calculate the premium for a professional indemnity risk. (4)
- (b) Outline why a professional indemnity underwriter could find it necessary to charge a higher premium in the following cases:
- (i) construction firms; (3)
- (ii) professionals with more than one office. (3)
11. Identify **four** claims procedures that are usually written into a standard employers' liability policy. (8)

QUESTIONS CONTINUE OVER THE PAGE

12. (a) List the **four** key factors that the insured and insurer should consider when reviewing risk to the insured's organisation. (4)
- (b) Outline the role of the risk manager and liability underwriter in the risk analysis process. (4)
13. John, the risk manager of a multi-national organisation, wishes to extend employers' liability cover to an overseas subsidiary.
- (a) Explain briefly how this cover may be affected. (5)
- (b) Explain briefly **two** considerations a liability underwriter may have when granting this cover. (4)
14. (a) Explain the role of the Employment Medical Advisory Service. (6)
- (b) List **five** options available to the Health and Safety Executive (HSE) when supplementing existing health and safety arrangements or enforcing compliance with the law. (5)

PART II

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

- 15. (a)** Outline the aim of the Defamation Act 2013 and describe how it limits the legal liability of operators of websites. **(10)**
- (b)** Amanda is the CEO of a food manufacturer who wants to buy a media company for their advertising and internet activities.
- Explain the cover provided by an advertising liability extension to the existing public and products liability policy and a stand-alone cyber liability policy. **(20)**
- 16. (a)** Identify **four** factors that may increase the extent to which dust may become a disease hazard for employees. **(8)**
- (b)** Describe briefly the condition pleural plaques. **(4)**
- (c)** Explain how the law protecting claimants suffering from pleural plaques has developed in England, Wales, Scotland and Northern Ireland. **(18)**
- 17. (a)** Explain briefly the **two** categories of cost cover which a liability insurer will provide to their UK insureds. **(4)**
- (b)** Outline how cost cover operates in a liability policy where costs are described as 'in addition to the limit of indemnity'. **(8)**
- (c)** Discuss why a products liability underwriter may find the US legal and awards system a barrier to profitable underwriting. **(18)**

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