

## P96

### Diploma in Insurance

#### Unit P96 – Liability insurances

October 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. (a) Explain briefly why adjudication is used as a form of alternative dispute resolution in the construction industry. (4)
- (b) Explain how the adjudication process operates. (6)
  
2. (a) Explain how insurers use a burning rate to calculate employers' liability premiums. (6)
- (b) State **four** weaknesses in using the burning rate calculation when rating employers' liability risks. (4)
  
3. Identify **five** common exclusions under a professional indemnity insurance policy and state, for **each** exclusion, the reason it has been applied by the underwriter. (10)
  
4. Kezia is an insurance broker arranging personal lines business on behalf of an insured.  
  
Explain to Kezia why it is important that she gathers and submits accurate information to insurers. Refer to the provisions and remedies of the Consumer Insurance (Disclosure and Representations) Act 2012 in your answer. (12)
  
5. (a) Explain briefly how an underwriter may deal with legionella when drafting a public liability insurance policy. (6)
- (b) Describe briefly **two** examples of other emissions that could lead to legal liability for injury or damage to third parties. (4)
  
6. (a) Outline **three** factors which may influence a company's decision on how much liability insurance to purchase. (6)
- (b) State **three** ways in which a liability insurer may limit its underwriting exposure without buying reinsurance. (3)

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7. Describe the role and powers of the Health and Safety Inspectorate. (10)
8. Outline the **six** bases of premium calculation that a public and products liability underwriter may use when rating risks subject to policy adjustment at year end. (12)
9. (a) State the **four** ways a risk manager deals with risks that may threaten their organisation. (4)
- (b) Explain briefly the meaning of red, amber and green risks in relation to risk management. (6)
10. In January 2017, Julie purchased a cyber liability policy for her internet company, NETworks.
- Explain briefly whether Julie would be successful in making a claim in the following circumstances:
- (a) In 2016 NETworks suffered a breach of security which results in liability for defence costs and third party damages. (3)
- (b) A third party consultant reviewing NETworks' cyber security discovers and rectifies a breach of security, which reduces its potential liability. Julie then makes a claim for the consultancy fees. (3)
- (c) Julie receives threats to damage her network unless she pays money to a third party. (3)
11. (a) Distinguish between admitted and non-admitted policies. (6)
- (b) Outline the **three** reasons why an insured may buy a non-admitted policy. (6)
12. Outline **four** common extensions to a directors' and officers' policy. (8)

QUESTIONS CONTINUE OVER THE PAGE

- 13.** Describe briefly why a liability underwriter would use the following type of risk sharing mechanisms, using examples.
- (a)** Excess. **(4)**
  - (b)** Co-insurance. **(4)**
- 14. (a)** Outline the cover provided under a professional indemnity insurance policy. **(2)**
- (b)** Identify how exposure to a professional indemnity loss could arise in **each** of the following professions.
- (i)** Telecommunications companies. **(2)**
  - (ii)** Trade Unions. **(2)**
  - (iii)** Investment advisors. **(2)**
  - (iv)** Travel Agents. **(2)**

**Part II questions can be found on pages 8 and 9**

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

15. (a) Explain **six** categories of person who would be defined as an 'employee' even if they are not under a contract of service with the insured. (12)
- (b) Outline **four** proposals put forward by insurers to reduce their exposure to future latent disease claims. (8)
- (c) Aidan drives a heavy goods vehicle and collects milk at night from farming communities. In very cold conditions, he suffers frostbite because of a hole in his safety boot.
- Explain whether Aidan's employers may be liable in this case, with reference to case law and statute. (10)
16. (a) With regard to the Consumer Protection Act 1987:
- (i) Explain how the Act affects the rights of victims bringing claims against producers, in respect of personal injury or damage to property, caused by faulty goods. (12)
- (ii) Outline **three** defences available to producers under the Act. (6)
- (b) Explain briefly the difference between first party and third party recall in relation to product manufacture. (4)
- (c) Callum has a product recall policy to protect his manufacturing company. Advise Callum on whether the following claims would be covered under the policy:
- (i) A batch of biscuits becomes accidentally contaminated during the production process and has to be recalled and destroyed. (2)
- (ii) The contaminated batch of biscuits requires transportation back from Europe. (2)
- (iii) A batch of cakes is deliberately contaminated by a unhappy employee and has to be recalled. (2)
- (iv) Callum's recall notice discloses the existence of his product recall insurance, which results in a large number of claims being made. (2)



17. (a) Isabella has been invited to become a part-time director of a small limited company.

Advise Isabella with reference to the Companies Act 2006 and **one** legal case, on her duties and potential liabilities if she accepts this role.

**(15)**

- (b) Outline **five** common exclusions that may be found on a standard directors' and officers' liability policy and, for **each** exclusion, explain briefly its effectiveness.

**(15)**

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