

THE CHARTERED INSURANCE INSTITUTE

P05

Diploma in Insurance

Unit P05 – Insurance law

April 2014 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 P05 – Insurance law

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 4	60 marks

- You should answer **all** questions in Part I and two out of the four 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
Each question is worth ten marks

Note form is acceptable where this conveys all the necessary information

1. (a) Distinguish between public law and private law. (4)
- (b) List the **three** main branches of public law and **three** branches of private law. (6)

2. Local custom is a minor source of law.

Identify and explain briefly **five** conditions which must be satisfied before a custom will be recognised by the courts as legally binding. (10)

3. Explain what effect the Trade Union and Labour Relations (Consolidation) Act 1992 has on the legal status of trade unions.

OR

Explain what is meant by the term 'The Crown', what it consists of, and what effect the Crown Proceedings Act 1947 has had on its immunity. (10)

4. Jane effects a life policy in her name but later decides that she wishes the benefits of the policy to be paid to her daughter, Sarah.

(a) State, citing the statutes, **two** ways in which statutory assignment of Jane's life policy can be achieved and outline the procedures that must be followed in **each** case. (8)
- (b) Describe briefly the key advantage to Sarah of a statutory, rather than an equitable, assignment being effected. (2)

5. Mr Smith owns a dog which barks constantly every night keeping his next door neighbour Jeremy awake. Jeremy sees the dog in Mr Smith's garden and shoots at it with an air rifle. A few days later Mr Smith sees Jeremy and during the course of an argument, Mr Smith hits Jeremy causing him injury.

Advise what civil wrongs have been committed by both Jeremy and Mr Smith, citing any relevant case law in support of your answer.

(10)

6. Donald causes an accident due to his negligent driving which results in damage to Michael's vehicle and the death of Jennifer. Michael's insurers, Racey Insurance Company, settles his claim for the cost of repairs to his vehicle but learns that Michael's Uncle has given him £250 in an effort to cheer him up.

- (a) Racey Insurance Company writes to Michael advising him that he must repay his insurers the £250 he received from his Uncle.

Advise Michael of his legal position, citing relevant case law to support your answer.

(7)

- (b) Jennifer has a life insurance policy. Her insurers pay out £100,000 as a result of her death and then attempt to recover this money from Donald's insurers, XYZ, by way of subrogation.

Advise XYZ as to their legal position.

(3)

7. Explain the doctrine of promissory estoppel in the context of the law of contract, using the leading case to illustrate your answer.

(10)

8. David Smith Ltd effects a commercial fire insurance policy on its business premises and informs their insurers, ABC, that the building has a sprinkler system installed. A fire occurs and the building is badly damaged. ABC investigates the claim and discovers that the building has never been fitted with a sprinkler system. David Smith Ltd admits that they had provided ABC with this information in an effort to reduce the premium.

Advise ABC of the remedies available to them.

(10)

Questions continue over the page

9. (a) Outline the **four** main provisions of the Life Assurance Act 1774.
- (b) State what is the legal effect on a policy governed by the Life Assurance Act 1774 where insurable interest is lacking. (2)
10. (a) State the statutory definition of a 'material fact' as provided in the Marine Insurance Act 1906. (3)
- (b) List **seven** factors which need not be disclosed by a proposer in the placing of insurance. (7)
11. Describe the circumstances of and the principle(s) of law illustrated by **one** of the following cases:
- Manifest Shipping Co. v Uni-Polaris Shipping Co. (2001) (The Star Sea).*
- OR**
- Leyland Shipping v Norwich Union Fire Insurance Society Ltd (1918).* (10)
12. (a) Explain briefly **three** ways in which the terms of a contract may be implied. (6)
- (b) The Sale of Goods Act 1979 incorporates a number of implied terms.
- Outline **two** main provisions of this Act. (4)
13. (a) Outline the effect of the Occupiers' Liability Act 1957. (3)
- (b) Describe briefly the circumstances of the case *British Railways Board v Herrington (1972)* and explain how the general duty of care was amended as a result of the Occupiers' Liability Act 1984. (7)

- 14.** Sandra is employed as a junior clerk by Catering Insurance Brokers (Catering). Sandra's contract of employment states that if she leaves Catering she must not work for any insurance firm within ten miles of Catering's offices for the next three years. Sandra has been offered a job at a higher salary with another broker whose offices are one mile away. Sandra wants to take the job but is worried about being sued.

Using case law in support of your answer:

- (a)** Advise Sandra of her legal rights. (5)
- (b)** Explain whether your advice would differ if Sandra was a senior executive at Catering. (5)

Questions continue over the page

PART II

Answer TWO of the following FOUR questions

Each question is worth 30 marks

15. Kevin decides to sell his house and appoints a local estate agent, Ideal Houses, to sell the property on his behalf. The estate agent receives an offer for the property from Susan which Kevin rejects. Susan increases her offer by £5,000 but agrees with Ideal Houses that if Kevin accepts less than this revised offer, then she will pay Ideal Houses £1,000 as a 'thank you' for securing the property for her. Kevin accepts an increased offer of £2,000 but, following the sale, discovers that Susan paid Ideal Houses £1,000 in order to secure the purchase of the property.
- (a) Discuss the rights and remedies of Kevin against Ideal Houses and Susan, using case law in support of your answer. (25)
- (b) Advise Susan briefly on her legal position against Ideal Houses and Kevin. (5)
16. Discuss how a court might decide whether an insurance policy is joint or composite when two or more persons are insured, supporting your answer with reference to case law. (30)
17. Describe the **five** factors which could limit an insured's entitlement to a full indemnity, giving examples of the types of cover where this may be applicable. (30)
18. (a) Distinguish between void, voidable and illegal contracts. (6)
- (b) Describe **two** sets of circumstances in which an insurance contract might be:
- (i) Void. (4)
- (ii) Voidable. (4)
- (iii) Illegal. (4)
- (c) Explain how the remedies available to the parties (insurer and insured) vary in relation to void, voidable and illegal contracts, including the rights of the parties to recover any money that has been paid. (12)

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