

THE CHARTERED INSURANCE INSTITUTE

P96

Diploma in Insurance

Unit P96 – Liability insurances

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 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. List **seven** categories of product that a products liability underwriter should be especially aware of when assessing their exposure. (7)

2. State **four** ways 'claim' may be defined under a standard directors' and officers' liability policy. (8)

3. Katherine runs a small company whose workforce has recently increased to seven employees.

Advise Katherine on how to carry out a workplace risk assessment as suggested by the Health and Safety Executive. (10)

4. (a) Explain what is meant by the term forum shopping. (9)

(b) Explain briefly what effect forum shopping could have on a liability underwriter's exposure to risk. (2)

5. State **seven** categories of person that are considered an 'employee' under an employers' liability policy. (14)

6. Outline the **five** exclusions on a standard public and products liability policy and state the **five** alternative insurance policies under which coverage would be provided. (10)

7. Outline the factors a company director must consider when discharging their duty to promote the success of the company under the Companies Act 2006. (10)

8. Explain briefly the following terms in relation to risk management:
- (a) Red light situations. (2)
 - (b) Amber light situations. (2)
 - (c) Green light situations (2)
9. Identify **five** key requirements of the Sarbanes-Oxley Act 2002. (10)
10. Aidan runs a small company in the manufacturing sector and is aware that he has a duty as an employer to provide safe and suitable plant for his workforce.
- Advise Aidan, with reference to case law and statute, on the validity of the following:
- (a) The duty to provide safe and suitable plant would never apply when an employee was working in premises not owned by the employer. (5)
 - (b) Fred, an employee, is injured when using a packing machine. Aidan investigates and discovers the machine has an unreported latent defect. Aidan claims that he is not responsible for Fred's injury as the machine was in good repair. (5)
 - (c) John, an employee, is a delivery driver. Aidan provides protective boots for John as he delivers heavy loads. John develops frostbite in his toe when working and believes he has a claim against Aidan for providing defective work equipment. (5)
11. A liability underwriter has to decide on what event will trigger the operative clause of a policy.
- Identify the **five** trigger types and give an example of the type of liability insurance that would apply in **each** case. (10)

Questions continue over the page

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12. (a) Outline the cover provided by a standard product guarantee policy. (6)
- (b) Explain briefly why an insured may require this additional cover in addition to a standard products liability policy. (2)
13. (a) List the **three** ways in which public liability insurance is made compulsory. (3)
- (b) Outline **four** examples of compulsory public liability insurance. (8)
14. Explain how limitation periods operate in the context of professional indemnity claims. (10)

PART II

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

- 15. (a)** Define the terms admitted and non-admitted policies. **(8)**
- (b)** Explain why an insured may decide to purchase difference in conditions/difference in limits (DIC/DIL) policies and how they operate. **(15)**
- (c)** State how umbrella liability policies differ from DIC/DIL policies. **(2)**
- (d)** Outline the cover available under the two parts of an umbrella liability policy. **(5)**
- 16.** Claire owns a computer consultancy business and requires insurance.
- With reference to case law:
- (a)** explain how liability could arise out of Claire's computer consultancy business; **(15)**
- (b)** outline a specialist liability insurance product that would be suitable for Claire's computer consultancy business and explain the cover that would be available under this product. **(15)**
- 17. (a)** Explain the **four** factors an underwriter needs to consider when determining the correct rate for a generic liability risk. **(20)**
- (b)** Outline the factors a directors' and officers' liability underwriter would consider when rating a standard risk. **(10)**

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