

The Chartered Institute of Loss Adjusters

Associateship Examination – 2004

Paper C1

The Principles of Insurance

3½ Hours

Maximum Marks – 200

Answer all questions

1. Summarise the circumstances in FOUR of the following cases and show how they apply to insurance:

- a) Johnson Brothers v BW Developments [2003]
- b) Commercial Union Assurance Co v Hayden [1977]
- c) Mitchell v Ealing Borough Council [1978]
- d) TSB v Botham [1995]
- e) Blyth v Birmingham Waterworks Co [1856]
- f) Regina Fur Company Ltd v Bossom [1958]

Total 40 marks

2. a) Detail the six elements necessary for the formation of a contract. (15 marks)

b) What is meant by the terms “Uberrimae Fides”, and why is this significant in the formation of an Insurance contract? (10 marks)

c) Using case law where appropriate define what is meant by the following latin maxims and discuss their significance in the law of contract:

- i “Contra Preferentum”
- ii “Ultra Vires”
- iii “Ejusdem Generis”

(15 marks)

Total 40 marks

3. a) Describe the differences between contribution arising at common law and as modified by the contribution and average clause of the Standard Fire Policy. (15 marks)

b) Define Proximate Cause. (5 marks)

c) List the provisions of the ABI Theft/Impact Agreement (10 marks)

Total 30 marks

4. a) List those actions required of the Insured under Claims Condition 1 of the Standard ABI Fire Policy. (15 marks)

b) Quoting relevant case law describe what the courts would presently consider to be storm under a specified perils policy (15 marks)

Total 30 marks

5. a) Define insurable interest, identifying the features that must be present before it exists. (15 marks)
- b) At what point should insurable interest exist under a material damage policy? (5marks)
- c) What is the common law situation with regards to the insurable interest of a person who has exchanged contracts to purchase property? How is this modified by the Law Society's "standard conditions of sale" 1990 edition. (10 marks)

Total 30 marks

6. a) List the differences between the basic condition of average as provided for under the ABI Standard Fire policy and:
- i The special condition of average
 - ii The condition of average incorporated within the standard Reinstatement Memorandum. (15 marks)
- b) Define the three options open to an insurer under the settlement provisions of the ABI standard fire policy. What are the implications of the ruling in *Brown v Royal Insurance* [1859] for one of these options? (15 marks)

Total 30 marks