

The Chartered Institute of Loss Adjusters

Associateship Examination 2006

Paper C1

The Principles of Insurance

3½ Hours

Maximum Marks 200

Answer all questions

ANSWER ALL QUESTIONS

Question 1

- i. Define, citing your source, negligence and contrast this with nuisance. (10 marks)
- ii. What are the three factors that a plaintiff must show for an action in negligence to succeed? (10 Marks)
- iii. Outline the circumstances in the case of *Donoghue v Stevenson* (1932). What general principle was established in this case? (10 marks)
- iv. Give two examples of a statutory liability. (10 marks)

40 Marks

Question 2

- i. Explain why Contribution is considered to be a corollary of indemnity. (10 marks)
- ii. At common law, what conditions need to be met for contribution to apply? (5 marks)
- iii. Why is a non-contribution clause included in policies? (5 marks)
- iv. Using worked examples explain the Standard condition of average and the Special (75%) condition of average. (20 marks)

40 marks

Question 3

- i. Explain the significance of *Castellain v Preston* 1883 to insurable interest. (10 marks)
- ii. Describe the relationship between a Bailor and a Bailee, indicating the insurable interest that each would have in a transaction/contract. (10 marks)
- iii. What is the effect of the Hotel Proprietors Act 1956 on limits and liability? (10 marks)

30 marks

Question 4

Differentiate between the words in **FIVE** of the following:

- i. Excess / Franchise
- ii. Uberrima fides / Caveat emptor
- iii. Physical hazard / moral hazard
- iv. Co-insurance / re-insurance
- v. Insured perils / special perils/ excluded perils
- vi. Acceptance Form / Assignment

30 marks

Question 5

Write notes on **FIVE** of the following:

- i. Leppard v Excess Insurance Co Ltd (1979)
- ii. Glasgow Training Group (Motor Trade) v Lombard Continental plc (1989)
- iii. Carter v Boehm (1766)
- iv. Pawsey v Scottish Union and National Insurance Co (1908)
- v. Contra Proferentem
- vi. Rehabilitation of Offenders Act 1974

30 marks

Question 6

- i. List, providing insurance examples, the essential features for the creation of a legal contract? (15 marks)
- ii. Giving an example, explain what a warranty is and why an insurer would include one in an insurance policy. (10 marks)
- iii. What action can an insurer take in the event of a breach of a warranty?
(5 marks)

30 marks