

The Chartered Institute of Loss Adjusters

Associateship Examination 2007

Paper C1

The Principles of Insurance

3½ Hours

Maximum Marks 200

Answer all questions

**PLEASE ENSURE THAT QUESTION NUMBERS ARE ENTERED CLEARLY AND IN FULL ON
THE COVER OF YOUR ANSWER BOOK AND IN YOUR ANSWER BOOK**

ANSWER ALL QUESTIONS

QUESTION 1

- i. Explain the difference between *caveat emptor* and *uberrima fides*. (10 marks)
- ii. Define, quoting your source, material fact. (5 marks)
- iii. What facts need not be disclosed? (15 marks)
- iv. What is a warranty? What is the effect of a breach of warranty on an insurance contract? (10 marks)

Total 40 marks

QUESTION 2

- i. Define proximate cause. (5 marks)
- ii. Giving examples differentiate between insured perils, uninsured perils and excepted or excluded perils. (15 marks)
- iii. Outline the circumstances and decision in:
Tootal Broadhurst Lee v London Lancashire Fire Insurance Co (1908) (10 marks)
Gaskarth v Law Union Insurance Co. (1876) (10 marks)

Total 40 marks

QUESTION 3

- i. Define, quoting your source, subrogation. (5 marks)
- ii. Explain why subrogation is considered to be a corollary of indemnity. (20 marks)
- iii. When does the right of subrogation arise? (5 marks)
- iv. In what ways can subrogation arise? (10 marks)

Total 40 marks

QUESTION 5

Write notes on the following:

- a. Excess & franchise
- b. Co-insurers and reinsurers
- c. The aims and powers of the Financial Services Authority
- d. The role and function of the Financial Ombudsman Service
- e. The role of the Association of British Insurers
- f. Lloyd's broker
- g. Risk Manager
- h. Direct writers

Total 40 marks

QUESTION 6

- i. Insurance is a "risk transfer" mechanism. Explain this statement indicating the value of insurance to society in general and commerce in particular. (20 marks)
- ii. Differentiate between peril and hazard. (5 marks)
- iii. Differentiate between physical and moral hazard. (10 marks)
- iv. How do insurers protect their risks. (5 marks)

Total 40 marks