



# **The Chartered Institute of Loss Adjusters**

**Associateship Examination 2011 (April)**

**Paper C1**

**The Principles of Insurance**

**3 ½ Hours**

**Maximum Marks 200**

**Answer ALL questions**

*Where appropriate, answers should make reference to relevant case law or statute*

**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**

Utmost good faith is a fundamental principle of insurance. In that context explain what is meant by misrepresentation.

(20 marks)

Detail what constitutes a material fact and explain the effect of non-disclosure in terms of a Consumer as defined by the Financial Services Authority.

(20 marks)

**40 MARKS**

**QUESTION 2**

With reference to the law of contract explain the following terms:

1. Intention to create legal relations
2. Consideration
3. Privity of contract
4. Express and implied contract terms

(10 marks for each)

**40 MARKS**

**QUESTION 3**

When handling a loss you discover a term within the Policy that is ambiguous. State the name of the rule that the courts use to interpret the wording and explain the principles the courts employ to seek to resolve the dispute.

(20 marks)

The Financial Services Authority requires that the Customer is Treated Fairly and have provided six “consumer outcomes”. List these six outcomes and explain two of them.

(20 marks)

**40 MARKS**



#### QUESTION 4

a) Briefly explain the role of five of the following parties in relation to the insurance market:

- i. Co-insurers
- ii. Financial Ombudsman Service
- iii. Reinsurers
- iv. Lawyers
- v. Loss Adjusters
- vi. Underwriting Agencies

(4 marks for each)

b) Explain, in relation to the tort of negligence, the principles of Neighbour and of Duty of Care.

(20 marks)

**40 MARKS**

#### QUESTION 5

Write a letter to a Policyholder to explain and assist them in understanding what information should be provided to support a claim for storm damage to a boundary wall.

(20 marks)

Explain the following words in the context of an insurance claim:

1. Peril
2. Franchise
3. Excess
4. Underinsurance

(5 marks each)

**40 MARKS**