

The Chartered Institute of Loss Adjusters

Associateship Examination 2008 (April)

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

1.

- i. Explain the difference between risk avoidance, risk reduction, and risk transfer. (15 marks)
- ii. What is the role of reinsurance? (5 marks)
- iii. Explain the social benefits of insurance. (20 marks)

Total 40 marks

2.

- i. What is the purpose and function of a proposal form and a policy document? (5 marks)
- ii. Detail six elements necessary for the formation of a contract. (15 marks)
- iii. What is meant by the term *uberrimae fides* and why is this significant in the formation of an insurance contract? (10 marks)
- iv. Define the following latin maxims and discuss their significance in the law of contract:

Contra preferentum

Ultra vires

Ejusdem generic

(10 marks)

Total 40 marks

3.

- i. Define, with reference to case law, indemnity. (5 marks)
- ii. Describe four ways in which indemnity can be limited. (10 marks)
- iii. Describe three ways in which an indemnity can be provided by the insurer.
(10 marks)
- iv. Explain, with a simple calculation, the pro rata condition of average. (5 marks)

Total 30 marks

4.

- i. What is the difference between express conditions and implied conditions?
(10 marks)
- ii. Explain, with an example of each, conditions precedent to the contract, conditions subsequent to the contract, and conditions precedent to liability. (20 marks)

Total 30 marks

5.

Write notes on FIVE of the following:

- i. The Rehabilitation of Offenders Act 1974
- ii. Captive insurance companies
- iii. Lloyd's
- iv. Financial Ombudsman Service
- v. Hotel Proprietors Act 1956
- vi. Excluded perils

Total 30 marks

6.

- i. What is the difference between insurance and wagering (gambling)? (10 marks)
- ii. Define insurable interest, identifying the features which must be present before it exists. (10 marks)
- iii. Describe three ways in which insurable interest can be created. (10 marks)

Total 30 marks