



# **The Chartered Institute of Loss Adjusters**

**Associateship Examination 2009 (April)**

**Paper C1**

**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

- a. List, providing insurance examples, the essential features for the creation of a legal contract. (15 marks)
- b. Using case law where appropriate define the following and explain their significance in the law of contract:
- i. Contra Preferentum
  - ii. Ultra Vires
  - iii. Ejusdem Generis
  - iv. Uberrimae fides
- (15 marks)
- c. Giving an example, explain what a warranty is and why an insurer would include one in an insurance policy. (5 marks)
- d. What action can an insurer take in the event of a breach of a warranty? (5 marks)

**Total 40 marks**

### QUESTION 2

Answer **FIVE** of the following:

- a. Differentiate between co-insurers and reinsurers
- b. Summarise the aims and powers of the Financial Services Authority
- c. Summarise the role and function of the Financial Ombudsman Service
- d. Summarise the role of the Association of British Insurers
- e. Explain the role of a Lloyd's broker
- f. Explain the role of a Risk Manager
- g. Explain outsourcing in the context of insurance

**Total 40 marks**



### QUESTION 3

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

**Total 40 marks**

### QUESTION 4

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

**Total 40 marks**

### QUESTION 5

- a. Insurance is a “risk transfer” mechanism. Explain this statement indicating the value of insurance to society in general and commerce in particular. (20 marks)
- b. Differentiate between peril and hazard. (5 marks)
- c. Differentiate between physical and moral hazard. (10 marks)
- d. How do insurers protect their risks? (5 marks)

**Total 40 marks**