



# **The Chartered Institute of Loss Adjusters**

**Associateship Examination 2013 (April)**

**Paper C1**

**The Principles of Insurance**

**3½ 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**

Explain the following terms in relation to the law of contract:

- a) Privity of contract
- b) Intention to create legal relations
- c) Consideration
- d) Express and implied contract terms.

*(10 marks for each)*  
**40 MARKS**

**QUESTION 2**

Explain each of the following terms in simple language which could be understood by a policyholder with no insurance knowledge:

- a) Utmost good faith
- b) Moral hazard
- c) Physical hazard
- d) Insured peril.

*(10 marks for each)*  
**40 MARKS**

**QUESTION 3**

Give an example of the following in relation to insurance claims, explaining the importance of each:

- a) Validation of quantum
- b) Validation of circumstances
- c) Delegated authority
- d) Calculation of value at risk.

*(10 marks for each)*  
**40 MARKS**



#### QUESTION 4

Give an example of recommendations a loss adjuster might make to underwriters to reduce the physical risk in each of the following (no marks will be given for recommending an exclusion from the policy):

i)

- a) A property located in an area with a high incidence of theft and malicious damage
- b) Stock in a warehouse on low-lying ground close to a water course
- c) A domestic property let to tenants (both private and local authority social services tenants)
- d) A domestic property with contents containing a high level of jewellery and other valuables.

*(5 marks for each)*

ii)

Following your visit, write a letter to a policyholder whose house has been severely flooded, explaining what action is required by them and the measures you/insurers will be taking regarding any claim for physical damage to buildings and contents and alternative accommodation.

*(20 marks)*

**40 MARKS**



## QUESTION 5

- a) Define proximate cause, giving two examples and using case law where appropriate.
- b) Define indemnity and give two examples of how an insurer can provide indemnity in a household risk.

*(10 marks each)*

- c) Explain the independent liability method of apportionment between insurers when contribution arises, giving an example calculation.

*(20 marks)*

**40 MARKS**