



The Chartered Institute of Loss Adjusters

Associateship Examination 2013 (October)

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

- a) Describe the 3 essential elements necessary to establish insurable interest.
- b) Give details of the 4 ways in which insurable interest can arise.
- c) When should an insurable interest exist?
- d) Explain the effect the Gambling Act 2005 had on the principle of insurable interest.

(10 marks for each)

40 MARKS

QUESTION 2

Write notes detailing the role and/or purpose of the following:

- a) The Financial Ombudsman Service
- b) Co-insurers and reinsurers
- c) Lloyd's brokers
- d) The ABI and BIBA.

(10 marks for each)

40 MARKS

QUESTION 3

- a) Explain what is meant by the term Utmost Good Faith. What is its significance in the formation of an insurance contract? Also, explain how the insurance contract differs from other forms of contract in this regard.
- b) In the event of a breach of Utmost Good Faith, explain what criteria the Insurer or Underwriter might use to decide what, if any, action should be taken when considering a claim. Explain your answer in relation to commercial and domestic insurance.

(20 marks for each)

40 MARKS



QUESTION 4

- a) Explain contribution and why it is considered to be an equitable principle.
(10 marks)
- b) At common law, detail what conditions have to be met for contribution to apply.
(5 marks)
- c) Explain why a non-contribution clause is sometimes included in insurance policies.
(5 marks)
- d) Giving examples and showing your working, explain the Standard condition of average and the Special (75%) condition of average.
(20 marks)

40 MARKS

QUESTION 5

- a) Identify and explain the essentials of a legally enforceable Contract.
- b) Explain what is meant by the term *contra proferentem*.
(10 marks each)
- c) Provide the definition of *tort*.
- d) Explain what is meant by *negligence*. When giving your answer, explain *duty of care* and to whom a *duty of care* is owed.
(10 marks each)

40 MARKS