



# **The Chartered Institute of Loss Adjusters**

**Associateship Examination 2014 (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 significance, to the handling of a relevant insurance claim, of each of the following:

1. The Control of Asbestos Regulations 2012
2. Consumer Insurance (Disclosure & Representations) Act 2012
3. The Riot (Damages) Act 1886
4. Rehabilitation of Offenders Act 1974
5. Hotel Proprietors Act 1956 in relation to insurable interest.

*(4 marks each)*

Detail what is meant by each of the following in relation to insurance:

1. Risk
2. Peril
3. Moral hazard
4. Physical hazard.

*(5 marks each)*

**40 MARKS**

**QUESTION 2**

With reference to the law of contract, explain in detail the following terms:

1. Contra proferentem rule
2. Offer, Acceptance and Consideration
3. Privity of contract
4. Capacity.

*(10 marks for each)*

**40 MARKS**



### QUESTION 3

When handling a loss, you discover that the Policyholder has another policy in force that may cover the same loss. Detail, with relevant statute and case law, the information you would need to establish whether Contribution applies.

*(20 marks)*

Explain with case law and relevant statute law, as appropriate, the principle of Utmost Good Faith. Detail a two-tier test the Financial Ombudsman Service has applied to “Storm” claims.

*(20 marks)*

**40 MARKS**

### QUESTION 4

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

- i. Reinsurers
- ii. Insurance Brokers
- iii. The Association of British Insurers
- iv. Risk Managers
- v. Underwriters
- vi. Lloyd’s Syndicates.

*(4 marks for each)*

a) Explain what is meant by validation of quantum and validation of ownership. Explain their relevance to an insurance claim and the level of proof required in the case of a household claim.

*(10 marks)*

b) Detail what is meant by indemnity and explain the concept of reinstatement cover taking account of the principle of indemnity.

*(10 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 flood damage to an underground basement. **DO NOT PUT YOUR NAME ON THE LETTER.**

*(20 marks)*

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

1. Average
2. Franchise
3. General Exclusion
4. Underinsurance.

*(5 marks each)*

**40 MARKS**