



***STRICTLY PRIVATE & CONFIDENTIAL***  
***for internal use only***

# **The Chartered Institute of Loss Adjusters**

## **Associateship Examination 2015 (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.**

#### **Notice of Copyright**

This document and any information contained therein remains the confidential and copyright property of the CIL A. Without infringement neither the whole, nor any extract, may be disclosed, loaned, copied or used for manufacturing, the provision of services or any other purpose whatsoever without the express permission and written consent of the CIL A. No liability is accepted for any loss or damages from any cause whatsoever arising out of the use of this document or its contents.

COPYRIGHT © CIL A 2015



ANSWER ALL QUESTIONS

QUESTION 1

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

1. Financial Ombudsman Service
2. Financial Conduct Authority
3. Risk Manager
4. Underwriter
5. Lloyd's.

(10 Marks)

b) Define Subrogation and explain its working and importance in relation to insurance claims. Your answer should include two examples and details of any relevant statutes and case law.

(20 Marks)

c) Explain Contribution in the context of insurance and detail the requirements for Contribution.

(10 Marks)

**(40 MARKS)**

QUESTION 2

a) Explain, giving examples, the following in relation to the handling of insurance claims and the law of contract:

1. Implied and Expressed Conditions
2. Utmost Good Faith.

A detailed answer including the necessity for Insurers to ask about material issues is required.

(10 Marks each)

b) Define the principle of Proximate Cause and explain its working.

(20 Marks)

**(40 MARKS)**



### QUESTION 3

(a)

- i) Detail what is meant by capacity in relation to contract.
- ii) Explain what is meant by and the effect of the contra proferentem rule in relation to contract.
- iii) Explain the following terms in relation to contract: “an offer” and “consideration”.
- iv) Provide an example of a defence to Negligence. Explain what is meant by the term “Strict Liability”.

(5 Marks each)

(b) Explain with examples the principles of transfer of ownership of real property with regard to the stages of a contract to buy a building.

(10 Marks)

(c) Explain with examples the principles of transfer of ownership of raw materials.

(10 Marks)

**(40 MARKS)**

### QUESTION 4

a) Under ICOBS 8, insurers are required to deal with a Consumer in a particular manner. Explain insurers’ obligations under ICOBS 8 in relation to claims.

(10 Marks)

b) Provide the definition of a riot and name the statute from which this comes.

(10 Marks)

c) Explain the principle of indemnity and explain how this may be modified by a contract of insurance, giving examples.

(20 Marks)

**(40 MARKS)**



### QUESTION 5

- a) Explain the significance of *Donoghue v Stevenson* (1932) in relation to a claim for damages in Negligence. (10 Marks)
- b) Explain what is meant by contributory negligence, how the defence operates and the effect on compensation that may be made. (10 Marks)
- c) Explain the purpose of an acceptance form and a form of discharge. Provide examples of the typical content of these. (10 Marks)
- d) Provide five examples of Moral Hazard and five examples of Physical Hazard. (10 Marks)
- (40 MARKS)**