



Malta International Training Centre

Malta International Training Centre

10th APRIL 2010

Applied Insurance Studies Diploma

Module 1: Insurance Principles and Legal Aspects

Please read the following instructions before commencing the examination.

- The duration of this examination is three hours.
- Answer all questions in Part 1 and TWO out of FOUR questions in Part 2.
- The paper carries a total of 200 marks, as follows:-

Part 1	14 compulsory questions	140 marks
Part 2	2 questions out of 4	60 marks

- You are advised to spend no more than 120 minutes on Part 1.

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PART 1

Answer ALL questions in Part 1.

Each question is worth ten (10) marks.

Note form is acceptable where this conveys all the necessary information.

1. Outline briefly the effect of the Single European Act of 1987 on EU member states.
2. List three (3) advantages and there (3) disadvantages of Binding Precedent.
3. List five (5) categories of facts which the proposer need NOT disclose during an insurance proposal even though they are "Material".
4. List five (5) clauses which form part of a Memorandum of Association.
5. List five (5) essential elements which govern the validity of a legally enforceable contract.
6. List five (5) equitable remedies available for breach of contract.
7. Define Insurable interest and outline three (3) methods by which this may arise.
8. Briefly explain three (3) ways how a contract may be discharged.
9. List the five (5) duties of an agent at law.

10. What is the main distinction between Private and Public law? List three (3) branches for each heading.
11. Compare and contrast Coinsurance to Reinsurance.
12. List five (5) options available to the underwriter should the risk proposed be extra hazardous.
13. Briefly outline the role that the company secretary has in an insurance company.
14. Outline briefly the factors which influence demand in a free economy.

PART 2

Answer TWO (2) of the following questions.

Each question is worth 30 marks.

15. Jenny, who is 10 years old, often plays football unsupervised in the neighbour's drive way. Even though Jenny's parents have been advised on numerous occasions to stop Jenny from continuing to play there, the situation kept was not remedied. On one occasion, Jenny kicks the ball and causes damages to a newly bought sports car belonging to the neighbours. The car alarm went off and Jenny ran away for fear of being caught however falling in an unprotected well dug-up in the neighbours drive way.

Discuss the various legal issues.

16. The association of fireworks of Malta have rented out a piece of land 200 metres away from a residential area. During the winter season, a lightning struck nearby causing a fire and a consequent major explosion. Luckily, no one suffered major injuries however various property damage manifested itself following the incident. The owners have decided to jointly sue the association and have referred the case to you as their legal consultant. On which basis would you file an action in court? Which defence will you anticipate that the association's lawyer may be using?

17. "To the contrary of most contracts which are subject to the doctrine of Caveat Emptor, insurance contracts are subject to the doctrine of Utmost Good Faith".

Discuss.

18. Discuss and argue the case for the ever-growing importance of Economies of Scale in today's economies.



Malta International Training Centre

Applied Insurance Studies Diploma
Examination

MODULE 1: Insurance Law

14 MARCH 2011

PLEASE READ THE FOLLOWING NOTES:

1. Three hours are allowed for this paper, which is in two parts : PART I and PART II.
 2. Answer ALL questions numbered 1-14 in PART I. You are advised to spend no more than 120 minutes on this part of the paper.
 3. In PART II you should answer two (2) questions each carrying 30 marks each from the remaining questions 15-18. The whole paper carries 200 marks.
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Part I: Answer ALL questions 1-14 in this part. Each question carries 10 marks.

1. Outline three ways by which a contract may be discharged.
2. Outline 5 different types of 'Sellers in the Insurance Market'
3. List the special rules and obligations applying specifically to Lloyd's brokers.
4. Define insurable interest and outline the 3 methods by which it is created.
5. List 5 facts which need not be disclosed to the underwriter during insurance placement or renewal of an existing policy.
6. Outline the requirements for a false statement to constitute misrepresentation. What rights does the effected party have?
7. Briefly describe 5 characteristics of the English legal system which distinguishes it from international law.

8. Define the tort of Defamation and list what elements need to be present if an action is likely to succeed in a court of law.
 9. Outline how indemnity is measured and provided —by insurers under Property insurance.
 10. List the advantages and disadvantages for the system of Binding Precedent in the United Kingdom.
 11. Define Contribution and explain the requirements for the latter to arise.
 12. List five clauses which are generally found in a memorandum of association.
 13. Outline 3 advantages and 3 disadvantages of 'Economies of Scale'.
 14. List and briefly explain five principles of the Data Protection Act 1998.
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Part II: Answer two (2) questions from 15-18 (30 marks each)

15. Money is an essential for the survival of the company; finance is often referred to as the 'blood stream' of an enterprise. Discuss the categories of financing an enterprise in detail.
16. Many agreements are undertaken in business world around the globe. Some agreements are deemed to have a formal and binding effect on both parties whilst others are merely for general agreement purposes. In Detail explain the requirements for an 'agreement' to become a valid legal contract.
17. You are the appointed claims manager of a large insurance company and have been asked to deliver a lecture to junior claims handlers about the doctrine of proximate cause.
18. Outline the defences available in the general law of tort citing relevant case law where applicable.
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Applied Insurance Studies Diploma
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MODULE 1: Insurance Law.

19 MARCH 2011

PLEASE READ THE FOLLOWING NOTES:

1. Three hours are allowed for this paper, which is in two parts : PART I and PART II.
 2. Answer ALL questions numbered 1-14 in PART I. You are advised to spend no more than 120 minutes on this part of the paper.
 3. In PART II you should answer two (2) questions each carrying 30 marks each from the remaining questions 15-18. The whole paper carries 200 marks.
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Part I: Answer ALL questions 1-14 in this part. Each question carries 10 marks.

1. Distinguish between simple contracts and contracts under seal.
2. Distinguish between the following:
 - (A) Torts and Crimes
 - (B) Tort and Breach of contract
 - (C) Liquidated and Unliquidated damages
3. List the five duties of an agent at law.
4. Outline the Doctrine of 'Estoppel' citing the relevant case law.
5. Describe the ways by which a company may be formed in the United Kingdom.
6. Briefly describe 5 characteristics of the English legal system which distinguishes it from international law.
7. What is the main distinction between Private and Public law? List 3 examples under each heading.

8. Define the tort of Defamation and list what elements need to be present if an action is likely to succeed in a court of law.
 9. Distinguish between Implied and Express conditions of an insurance contract and support your answer with examples.
 10. List the advantages and disadvantages for the system of Binding Precedent in the United Kingdom.
 11. Define Negligence and outline what needs to be proved by the claimant in order to succeed in a case based on the above. (Support your answer with case law)
 12. Outline the main differences between Coinsurance and Reinsurance.
 13. Outline the differences between moral and physical hazard. Use examples to illustrate your answer.
 14. Outline the 3 secondary benefits that Insurance provides to the Economy in general
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Part II: Answer two (2) questions from 15-18 (30 marks each)

15. You are the IT General Manager of a leading insurance company in the UK. A conference is being held in relation to how IT has aided the Financial Market especially insurance. Prepare an essay to be distributed to the conference attendees.
16. GAS Storage Ltd have rented out a piece of land 300 metres away from residential areas. During the winter season, a lightning struck nearby causing a fire and a consequent major explosion. A magisterial enquiry was held and it was concluded that the storage of gas was not done 'in accordance with good practice'. Luckily no one suffered major injuries however various property damage manifested itself following the incident. The owners have decided to jointly sue the company and have referred the case to you as their legal consultant. On which basis would you file an action in court? Which defence will you anticipate that the company's lawyer may be using?
17. John has recently visited a local supermarket. As customary he picked a trolley and filled it with foodstuffs. When he went near the counter he unloaded the trolley and noticed that the total has reached €200.00. Thomas advised the supermarket representative that he did not have sufficient cash for the transaction. The supermarket employee insisted that Thomas should get the cash and pay for all the items since legally a contract has already been formed. Discuss.



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Applied Insurance Studies Diploma
Examination

MODULE 1: Insurance Law,

28 FEBRUARY 2011

PLEASE READ THE FOLLOWING NOTES:

1. Three hours are allowed for this paper, which is in two parts : PART I and PART II.
 2. Answer ALL questions numbered 1-14 in PART I. You are advised to spend no more than 120 minutes on this part of the paper.
 3. In PART II you should answer two (2) questions each carrying 30 marks each from the remaining questions 15-18. The whole paper carries 200 marks.
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Part I: Answer ALL questions 1-14 in this part. Each question carries 10 marks.

1. Define insurable interest and outline the 3 methods by which it is created.
2. Outline the Doctrine of 'Estoppel' citing the relevant case law.
3. A contract which is made by 'Mistake' is generally void. List the four forms that 'mistake' can take.
4. Outline 3 variations which extend, and 3 variations which limit the principle of indemnity.
5. What are the two forms a defamatory statement can take? What are the defences applicable to such a statement?
6. List the advantages and disadvantages for the system of Binding Precedent in the United Kingdom.
7. Distinguish between the following:
 - (A) Ratio Decidendi and Obiter Dictum
 - (B) Reversing and Overruling
 - (C) Disapproving and Distinguishing
8. Define Subrogation and outline three ways by which this may arise.
9. List five facts which the underwriter NEED NOT know about when forming his opinion of the risk.
10. Explain the following in respect of Legislation in the English legal system:

A. Retroactive/Retrospective Legislation

B. Delegated Legislation

11. Outline the four indemnity options available to an insurer in settling the claim.
 12. List five clauses which are generally found in a memorandum of association.
 13. In the context of Equity Finance outline the characteristics of Risk Capital/Ordinary Share Capital of an organisation.
 14. Outline 3 advantages and 3 disadvantages of 'Economies of Scale'.
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Malta International Training Centre

Applied Insurance Studies Diploma
Examination

MODULE 1: The Legal and Business Environment

4 MARCH 2012

PLEASE READ THE FOLLOWING NOTES:

1. Three hours are allowed for this paper, which is in two parts : PART I and PART II.
 2. Answer ALL questions numbered 1-14 in PART I. You are advised to spend no more than 120 minutes on this part of the paper.
 3. In PART II you should answer two (2) questions each carrying 30 marks each from the remaining questions 15-18. The whole paper carries 200 marks.
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Part I: Answer ALL questions 1-14 in this part. Each question carries 10 marks.

1. What is the main distinction between Private and Public law? List three (3) examples under each heading.
2. Define Subrogation and outline three (3) ways by which this may arise.
3. List the advantages and disadvantages for the system of Binding Precedent in the United Kingdom.
4. Explain the importance of the Limitation of Actions Acts.
5. Outline three (3) ways by which a contract may be discharged.
6. Distinguish between Implied and Express conditions of an insurance contract and support your answer with examples.
7. Define Insurable Interest and outline the essential elements for insurable interest to exist.

8. Explain the defence of 'Volenti non fit injuria' and outline any situations in which this defence might have little or no legal significance.
 9. Outline the four (4) indemnity options available to an insurer when settling a claim.
 10. Explain the tort of Trespass. Outline the forms it may take making reference to case law where applicable.
 11. What does a claimant/plaintiff need to prove in order to succeed in an action for 'Breach of Statutory Duty'?
 12. Briefly outline the structure of a proposal form.
 13. In the context of construction and interpretation of insurance policies, list the seven (7) rules of interpretation of insurance policies.
 14. Outline the three (3) benefits that Insurance provides to the Economy in general.
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Part II: Answer two (2) questions from 15-18 (30 marks each)

15. Form Insurance Ltd is a general insurance company transacting non-life insurance business in the UK. About 60% of the business is transacted directly with clients via the company's website whilst the rest is transacted through agents.

- a) The company's agents co-ordinator has expressed concern that the agency agreement which the company is using does not refer to the Agent's rights and duties. He asked you to draft a memo to him highlighting these points so that they may eventually be integrated in the agreement. Present this memo. (15 Marks)
- b) A statement made on a local website on the subject of Agency clearly concluded that the only way an Agency may be terminated is by mutual correspondence between the agent and the principal. Your manager has asked you to reply on this blog explaining other ways which may lead an agency to be terminated. (10 Marks)
- c) One of the company's agents, Tri Risk Agency Ltd, has had its licence revoked by the company and should not transact business with effect from 01st January 2012. One of your policyholders is claiming that his house was hit by a storm and there is considerable damage. You noticed that this policy inceptioned in February 2012 and that it has been placed through Tri Risk Agency Ltd. Discuss the legal implications for the company. (5 Marks)

16. The product development team of the Insurance Company for which you are employed has recently been discussing to introduce a 'Defamation' clause under the Professional Indemnity policy. They have addressed the enquiries to you as a legal advisor and they are expecting you to explain this Tort including the corresponding defences.

17. Marketing plays a vital role in today's business world and success of insurance companies. Discuss the various marketing tools a company may use to promote its products successfully.

18. The loss adjusting firm for which you work carries out weekly internal training sessions on various insurance matters. This week you have been requested to carry out a training session to newly recruited employees on 'Causation and Proximate Cause'. Detail your presentation.



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MODULE 1: The Legal and Business Environment

27 FEBRUARY 2012

PLEASE READ THE FOLLOWING NOTES:

1. Three hours are allowed for this paper, which is in two parts : PART I and PART II.
 2. Answer ALL questions numbered 1-14 in PART I. You are advised to spend no more than 120 minutes on this part of the paper.
 3. In PART II you should answer two (2) questions each carrying 30 marks each from the remaining questions 15-18. The whole paper carries 200 marks.
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Part I: Answer ALL questions 1-14 in this part. Each question carries 10 marks.

1. Define Insurable Interest and outline the three (3) methods by which it is created.
2. Define Negligence and outline what needs to be proven by the claimant in order to succeed in a case under this tort.
3. List five (5) equitable remedies available for breach of contract.
4. Outline the Doctrine of 'Estoppel' citing the relevant case law.
5. List five (5) facts which the underwriter need NOT necessarily know when forming his opinion of the risk.
6. Outline three (3) rules available to judges for interpretation of Statutes under the English legal system.
7. Describe the ways by which a company may be formed in the United Kingdom.

8. Explain the following in respect of Legislation in the English legal system:
- a) Retroactive/Retropective Legislation
 - b) Delegated Legislation
9. Define Contribution and explain the requirements necessary for contribution to arise.
10. Outline the effect of the Single European Act of 1987 on the EU member states.
11. Briefly describe five (5) characteristics of the English legal system which distinguishes it from International law.
12. Outline the scope of the Preamble (also known as Recital Clause), Operative Clause and the Schedule commonly found in a policy.
13. Distinguish between physical and moral hazard, providing examples of each.
14. Outline the factors which influence demand in a free economy.
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Part II: Answer two (2) questions from 15-18 (30 marks each)

15. 'Contracts are generally stable agreements intended to have legal implications'. However, certain situations may impair its validity - In detail, discuss the situations which may render a contract defective.

16. International Holdings Ltd is a market leader in the manufacturing of plastic moulds used in household plumbing systems. The company has decided to branch its network of factories in Malta and have started operations.

a) After about seven years of operation, the environmental authority was receiving various complaints relating to escape of smoke, sound and vibrations from the factory owned by the International Holdings Ltd and have decided to approach the company. Discuss the tort/s which is/are relevant in this instance citing any appropriate defences. (15 marks)

b) On one particular day, one of the machines owned by the company developed a fault and exploded causing an injury to a person who happened to be walking on a nearby pavement and two employees which were on the premises. Discuss the implications and legal consequences of this scenario. (15 marks)

17. You are the Marketing manager of a local reputable insurance company and have been asked to be the guest speaker of a business breakfast on insurance matters. The audience will consist of senior management personnel from various sectors of the economy and you are expected to discuss the 'General Structure and Setup of Insurance Market'. Detail your presentation.

18. 'Insurance contracts are contracts of indemnity and of indemnity only and if ever a proposition is brought forward which is at variance to this principle, then this proposition must be certainly wrong' Discuss this statement.



Malta International Training Centre

Applied Insurance Studies Diploma
Examination

MODULE 1: The Legal and Business Environment

23 MARCH 2013

PLEASE READ THE FOLLOWING NOTES:

1. Three hours are allowed for this paper, which is in two parts : PART I and PART II.
 2. Answer ALL questions numbered 1-14 in PART I. You are advised to spend no more than 120 minutes on this part of the paper.
 3. In PART II you should answer two (2) questions each carrying 30 marks each from the remaining questions 15-18. The whole paper carries 200 marks.
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Part I: Answer ALL questions 1-14 in this part. Each question carries 10 marks.

1. State five (5) duties that an agent owes towards his Principal.
2. In the context of Utmost Good Faith, outline (five) 5 facts which need NOT be disclosed by the proposer to the underwriter (support your answer with examples).
3. Identify and explain five (5) requirements which need to be present for Contribution to arise.
4. Briefly outline (five) 5 characteristics of the English Legal System.
5. What rights, if any, does a victim of an accident have if he/she suffers nervous shock? Support your answer by citing case law.
6. How is 'Negligence' defined in landmark case law? What must a claimant prove in order to succeed in a claim based under this tort?
7. In relation to interpretation of statutes, briefly describe three (3) rules which are predominantly used by the UK courts.
8. Mention and explain five (5) benefits that insurance provides to the community in general.
9. Briefly outline five (5) ways how a contract may be discharged.
10. Compare and contrast the UK criminal courts to the civil courts.

11. Write brief notes on the following:

- a) Remoteness of Damage (3 marks)
- b) *Ratio Decidendi* (3 marks)
- c) The Law of Restitution (4 marks)

12. a) Address the factors required for Insurable Interest to exist under a contract of insurance. (5 marks)

b) When should Insurable Interest exist in contracts of insurance? (3 marks)

c) What are the reasons why insurance contracts are subject to the doctrine of Insurable Interest? (2 marks)

13. Briefly outline the factors which influence demand in a free economy.

14. Identify the advantages and disadvantages of an organization applying economies of scale.

Part II: Answer two (2) questions from 15-18 (30 marks each)

15. Mr. Smith regularly leaves his motor vehicle parked in his driveway with the keys in the ignition and the windows half open. His 15-year old son, Thomas, decided one night to drive the vehicle whilst his parents were away for an occasion and crashed into a facade of a building owned by a 76-year old pensioner named Mr Howard.

Once out of the vehicle, Thomas panics and jumps over Mr Howard's fence to escape. However, due to the fence being weak, Thomas falls and breaks both his arms.

Immediately after the crash, Mr Howard, who was clearly under a state of shock, suffers a heart attack.

- a) Discuss the Liability/ies in this case. (22 marks)
- b) Discuss the 'Limitation Periods' for each case identified. (8 marks)

16. 'Freedom to Contract' is a principle enshrined in the English legal system. Nonetheless, certain categories of individuals have a diminished capacity to contract.

Furthermore, progressive Acts of Parliament have tried to correct the imbalance between contracting parties wherein one party is negotiating from a weaker position.

- a) Identify these categories of individuals and discuss to what extent their contractual capacity is limited. (20 marks)
- b) Identify legislation which attempts to redress the imbalance between contracting parties and explain how. (10 marks)

17. As a senior officer employed in the Legal Unit of the regulator in your

country, you have been asked to deliver a seminar to existing brokers and tied insurance intermediaries regarding the Law of Agency.

Draft your notes on the subject which should highlight creation of agency, rights and duties as well as termination and its effects.

18. Liability under Contract is said to be strict wherein each party must perform exactly what he/she promised to do. However, there are a number of factors which may impair the validity of a valid contract and absolve contracting parties from their duties.

Discuss the situations and/or factors that may make a contract defective and explain the effects on the contracting parties. Support your arguments by citing relevant case law.



Malta International Training Centre

Applied Insurance Studies Diploma
Examination

MODULE 1: The Legal and Business Environment

3 MAY 2014

PLEASE READ THE FOLLOWING NOTES:

1. Three hours are allowed for this paper, which is in two parts : PART I and PART II.
 2. Answer ALL questions numbered 1-14 in PART I. You are advised to spend no more than 120 minutes on this part of the paper.
 3. In PART II you should answer two (2) questions each carrying 30 marks each from the remaining questions 15-18.
 4. The whole paper carries 200 marks.
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Part I: Answer ALL questions 1-14 in this part. Each question carries 10 marks.

1. (a) State three (3) ways of how Insurable Interest may be created, and give an appropriate example for each. (6 marks)
(b) Identify four (4) classes of persons (other than owners) who have insurable interest. (4 marks)
2. What are the provisions under the Limitation Act 1980?
3. (a) What is the 'Aftermath' test? (5 marks)
(b) Briefly explain the defence of 'Necessity' in an action at law. (5 marks)
4. What does the term '*res ipsa loquitur*' mean and explain how it affects the claimant/defendant in a court case?
5. In the context of the tort of Negligence, explain the 'egg-shell/thin skull' rule. Give a case law example.
6. What is the purpose of 'subrogation' and distinguish this principle from 'abandonment'.
7. Explain the case and the principle stemming from one of the following case laws:
 - Felthouse v Bindley (1863)
 - Watteau v Fenwick (1893)
8. Explain the term '*volenti non fit injuria*' in relation to a defence to actions in tort. Give two (2) examples where this defence would **not** apply.

9. Under the doctrine of binding precedent, what is meant by the following terms?

(a) *Ratio decidendi* (5 marks)

(b) *Obiter dicta* (5 marks)

10. What is a contract 'in restraint of trade'? Support your explanation with example/s from case law and comment on the legal status of such a contract.

11. Bernard finds a diamond ring in the street and hands it in at the police station. Afterwards, he learns that the owner, Dorothy, has offered a reward of £50 for recovery of the ring. He contacts Dorothy and claims the reward but she says that she can no longer afford to pay. Advise whether Bernard can successfully sue for the £50 reward, giving reasons for your advice.

12.(a) What is a 'Misrepresentation' and what are the effects on an insurance contract? (3 marks)

(b) Name three (3) requirements for a misrepresentation to have a damaging effect on an insurance contract. (3 marks)

(c) What are the remedies available to the insurer (taking into account the ICOB rules) in the following circumstances:-

- fraudulent misrepresentation

- innocent misrepresentation (4 marks)

13.(a) List five (5) sources of finance available to organisations.

(5 marks)

(b) Name five (5) factors that influence demand in an economy.

(5 marks)

14. Explain the 'Marketing Mix' as applicable to a service organisation.

Part II: Answer two (2) questions from 15-18 (30 marks each)

15. A member of your team in the claims department is unsure what the term 'private nuisance' means and whether it is possible to defend such an action.

(a) Describe the term 'private nuisance', giving examples of how it can arise. You should include case law examples. (18 marks)

(b) Explain the defences available under the tort of nuisance. (12 marks)

16. The council of Linz has recently opened a new swimming pool complex next to an old established housing estate. The company they contracted to build the reservoir has a proven track record. Over the last weeks, several residents who live adjacent to the new complex have complained to the council that their cellars are starting to fill up with water as a result of leakage from the complex. The council have responded by stating that it is nothing to do with them and global warming is to blame.

(a) Discuss any legal precedents which the local residents might consider when bringing an action against the council. Use examples of case law to support your answer. (21 marks)

(b) Discuss any defences open to the council, offering an opinion on whether they are likely to escape liability. (9 marks)

17. "The Law limits an individual's duty of care to actions or omissions which are foreseeable and proximate".

Argue this statement citing relevant case law.

- 18.(a) Outline the main provisions of the Occupiers Liability Act 1957. Discuss, citing case law, how the 1984 Act modified duty of care established in the original Act. (20 marks)
- (b) Comment on how the Consumer Protection Act 1987 modified common law rights for victims making claims as a result of defective products. (10 marks)
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Malta International Training Centre

Applied Insurance Studies Diploma
Examination

MODULE 1: The Legal and Business Environment

12 April 2015

PLEASE READ THE FOLLOWING NOTES:

1. Three hours are allowed for this paper, which is in two parts : PART I and PART II.
 2. Answer ALL questions numbered 1-14 in PART I. You are advised to spend no more than 120 minutes on this part of the paper.
 3. In PART II you should answer two (2) questions each carrying 30 marks from the remaining questions 15-17.
 4. The whole paper carries 200 marks.
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Part I: Answer ALL questions 1-14 in this part. Each question carries 10 marks.

1. (a) Distinguish between private and public law. (3 marks)
(b) Distinguish between contract law and the law of tort. (7 marks)
2. In relation to the Law of Agency, contrast 'agency by ratification' to 'apparent authority'.
3. (a) What do you understand by the term 'corporation sole'? (2 marks)
(b) Name three (3) ways how a company may be formed. (3 marks)
(c) What does the 'Memorandum of Association' include? (5 marks)
4. (a) Name and briefly outline three (3) remedies for breach of contract (other than damages). (6 marks)
(b) What is the purpose of the 'Contracts (Rights of Third Parties') Act 1999 and which doctrine does it modify? (4 marks)
5. (a) State two (2) reasons why insurable interest is required under insurance contracts. (2 marks)

- (b) Name the parties who have insurable interest under Life assurance and, for each party identified, comment on the extent of Insurable interest. (5 marks)
- (c) When should insurable interest, for different classes of insurance, exist? (3 marks)
6. Name and outline five (5) defences available in an action under Tort.
7. (a) Define 'Consideration'. (2 marks)
(b) Name and explain four (4) rules of Consideration under a contract. (8 marks)
8. (a) Define 'Subrogation'. (5 marks)
(b) Explain how insurers modify the Subrogation condition, as implied under common law, under their insurance policies. (5 marks)
9. Describe the circumstances of and the principle(s) of law illustrated by ONE of the following cases:
Hedley Byrne v Heller & Partners (1963)
Or
Hyde v Wrench (1840)
10. (a) State five (5) reasons which could result in a contract being defective. (5 marks)
(b) State five (5) ways how an offer can be terminated.

(5 marks)

11. (a) Identify the Act which was enacted in 2012 that reformed the law governing disclosure and representations in consumer insurance contracts. (1 mark)
- (b) Identify the common law duty of disclosure which was modified by the Act identified in part (a) and state what standard of disclosure is now required. (9 marks)
12. '*A minor's contractual capacity is limited*'.
What do you understand by this statement?
13. (a) State what a balance sheet is and how it is made up. (5 marks)
- (b) State what a profit & loss account is and how it is made up. (5 marks)
14. (a) State & reproduce one profitability ratio used by insurers. (2 marks)
- (b) Identify and comment on four financial ratios used by insurers (other than profitability). (8 marks)

Part II: Answer two (2) questions from 15-17 (30 marks each)

15. In February Maurice, a skilled painter, agrees to renovate and redecorate Chris's large country house for a sum of £25,000. The work is to be done in June and July when the weather will be better and Chris will be away on holiday. In April, Chris discovers that Maurice himself has booked a holiday for the whole of June and July and will not be able to do the job. All other comparable firms are now quoting at least £35,000 to do the work. When Chris threatens to sue, Maurice says that he cannot do so because the time to do the work has not yet come and, in any event, nothing was been put in writing. However, Maurice says that his son, Maurice Junior, will do the job in June and July, although he has never done any decorating or interior design work before.

Advise Chris as to his legal rights against Maurice.

16. Gordon arranges a 'traders combined' policy with Gourmet Insurance to cover the risks associated with his restaurant. The 'money' section of the policy contains a warranty stating that no money pertaining to the business must be left on the premises overnight unless it is contained in a locked safe. One night, when the premises are closed and empty, thieves break into the restaurant. They steal food and wine to the value of £15,000 (insured under the theft section) and, in an unsuccessful attempt to break into the safe, start a fire

which causes £25,000 of damage to the premises (insured under the material damage section). They also steal a box in which customers put tips intended for the waiters and the kitchen staff. This box contained about £20.

Gourmet Insurance believe that there has been a breach of warranty and seek your advice as to whether they are entitled to avoid the policy as a whole. Advise them as to the correct legal position, quoting appropriate case law.

17. Rodger insures his house with the Careful Insurance but omits to tell them that he has recently been accused of shoplifting and is to appear in court later in the year to answer the charge. He answered 'No' to a question on the proposal form that asked if he had ever been convicted of a criminal offence, but there was no question relating to pending prosecutions. A month later, his house is struck by lightning and badly damaged. When investigating the claim, Careful Insurance discover that Rodger is to appear in court on the shoplifting charge the same week. For this reason, Careful Insurance refuse to pay the claim saying that Rodger failed to disclose a material fact. However, they say that as a concession, they will not cancel the policy.

A week later, Rodger writes back to Careful Insurance insisting that they should pay the claim. He says that he has just been acquitted of the shoplifting charge and did not disclose it originally because he knew all along that he was innocent. He argues, furthermore, that he answered all the questions on the proposal form truthfully and that, in any event, the shoplifting charge could have no relevance

whatsoever to the claim for lightning damage.

Explain the correct legal position, commenting specifically on the points raised by Careful Insurance and Rodger.



Malta International Training Centre

Applied Insurance Studies Diploma
Examination

MODULE 1: The Legal and Business Environment

13 MARCH 2016

PLEASE READ THE FOLLOWING NOTES:

1. Three hours are allowed for this paper, which is in two parts : PART I and PART II.
 2. Answer ALL questions numbered 1-14 in PART I. You are advised to spend no more than 120 minutes on this part of the paper.
 3. In PART II you should answer two (2) questions each carrying 30 marks from the remaining questions 15-17.
 4. The whole paper carries 200 marks.
-

Part I: Answer ALL questions 1-14 in this part. Each question carries 10 marks.

1. (a) Different parties may each interpret the various terms and conditions of the same insurance contract in a different way. List six (6) rules of interpretation the courts have established to minimize such misinterpretations. (6 marks)
(b) What do you understand by the term '*contra proferentem*'? Support your answer by citing case law. (4 marks)
2. (a) Name three (3) ways how Insurable Interest can be created, giving an example of each. (6 marks)
(b) How does the Consumer Insurance (Disclosure and Representations) Act 2012 modify the principle of Utmost Good Faith? (4 marks)
3. (a) Differentiate between an 'implied' and 'express' condition and give two (2) examples of each typically found in an insurance contract. (8 marks)
(b) Specify the legal effect on an insurance contract in the event of a total loss claim explaining why? (2 marks)

4. Describe the principle(s) of law established and the facts of ONE of the following cases:

Leigh v Gladstone (1909)

OR

Forster and Sons v Suggett (1918)

5. Norman and his fiancée purchase a flat in the outskirts of town. When they move in, they notice a foul smell and discover that the smell emanates from a farm 100 metres from their property. A petition from the community is presented to the local council asking for the eviction of the farm but the farm owner responds that he will accept no responsibility since he has been established there for over 25 years.

Discuss the legal principle(s) involved including possible defences, citing case law in support of your answer.

6. (a) What three (3) characteristics must an action in trespass satisfy? (3 marks)
(b) List three (3) different forms of trespass. (3 marks)
(c) Identify and outline two (2) defences available under the tort of trespass. (4 marks)

7. (a) How do Insurers apply the rules of 'Proximate cause' when two concurrent causes operate at the same time causing a loss?
(6 marks)
- (b) Assuming an insured claims for damage to a machine, name two (2) factors that limit an insured from being fully indemnified and two (2) extensions that would allow the insured to obtain more than an exact indemnity. (4 marks)
8. In the context of the law of contract, briefly outline the defence of 'Promissory Estoppel'. Support your answer making reference to the landmark court case which established this precedent.
9. (a) What do you understand by the term 'undue influence'?
(4 marks)
- (b) Which five (5) relationships, when forming a contractual relationship, may give rise to undue influence? (5 marks)
- (c) What is the effect of improper pressure on a contract?
(1 mark)
10. Outline how an offer in contract may be terminated?
11. (a) List five (5) equitable remedies available under the law of contract.
(5 marks)
- (b) Most contracts require no formal documentation and are nonetheless legally binding. What are the exceptions to this rule in relation to insurance contracts?
(5 marks)

12. (a) In the context of the law of agency, what do you understand by the term 'lien'? (3 marks)
- (b) How may an agency relationship be terminated? Give seven (7) examples. (7 marks)
13. Data protection legislation is enacted to enhance consumer protection. Briefly outline five (5) issues that such legislation addresses.
14. (a) What do you understand by a 'mixed economic system'? (5 marks)
- (b) List five (5) pieces of legislation the UK Government enacted to protect employees' rights. (5 marks)

Part II: Answer two (2) questions from 15-17 (30 marks each)

15. Philip puts an advertisement in a local newspaper offering his laptop for sale at Eur400. Jeffrey, having seen the advertisement, calls to see Philip and after examining the laptop, explains to him that he would like to buy it but that at the moment, he does not have sufficient money. He offers to give Philip Eur50 immediately and to pay the balance within 4 weeks, the laptop to be handed over when the balance is paid. Philip agrees to this arrangement and accepts the deposit.

Five weeks later, Philip, having heard nothing from Jeffrey, sells the laptop to another person for Eur400. The following day, Jeffrey calls on Philip and discovers that the laptop has been sold. He threatens to sue Philip for having sold the laptop when he had secured the sale by paying the deposit.

- (a) Outline the requirements for the formation of a valid legal contract. (11 marks)
- (b) Explain how a contract becomes discharged by performance, also highlighting how non-performance may be pardoned. (7 marks)
- (c) Discuss, giving reasons, the legal position of both Philip and Jeffrey in the case above. (12 marks)

16. (a) Comment on the UK legal system of 'binding precedent'.
(22 marks)
- (b) Briefly distinguish common law from equity, citing a remedy available under each.
(8 marks)
17. (a) In relation to the methods by which insurers can provide indemnity, distinguish the Reinstatement Memorandum from Statutory Reinstatement.
(11 marks)
- (b) Compare and contrast Indemnity to 'Reinstatement as New' as a basis of settlement.
(19 marks)
-



Malta International Training Centre

Award in Insurance Principles and Legal Aspects

18th March 2017

PLEASE READ THE FOLLOWING NOTES:

1. Three hours are allowed for this paper, which is in two parts : PART I and PART II.
 2. Answer ALL questions numbered 1-14 in PART I. You are advised to spend no more than 120 minutes on this part of the paper.
 3. In PART II you should answer two (2) questions, each carrying 30 marks, from the remaining questions 15-17.
 4. The whole paper carries 200 marks.
-

Part I: Answer ALL questions 1-14 in this part. Each question carries 10 marks.

1. Differentiate between a Particular and a Fundamental risk. (10 marks)
2. What are the characteristics of an Insurance Broker? (10 marks)
3. What are cover notes and when are these issued? (10 marks)
4. Outline the role of a Loss Adjuster. (10 marks)
5. How may Insurable Interest be created? (10 marks)
6. What is the effect of a breach of Utmost Good Faith on the validity of an insurance contract? (10 marks)
7. Explain 2 factors that will restrict the attainment of Indemnity. (10 marks)
8. By means of an example, explain the principle of Subrogation. (10 marks)
9. Briefly explain Tortious liability. (10 marks)
10. Outline four defences under the rule of Rylands v. Fletcher. (10 marks)

11. What do you understand by Defamation? Explain the 2 main forms. (10 marks)

12. List 5 elements that make up a valid contract. (10 marks)

13. In the context of an insurance contract, explain Consideration. (10 marks)

14. In certain instances, judges provide an equitable remedy. An example of such a remedy is injunction. Explain injunction. (10 marks)

Part II: Answer two (2) questions from 15-17 (30 marks each)

15. David sold his car to Simon for €5 euro, verbally agreeing that the sale includes insurance cover. On one occasion, Simon runs over a pedestrian who crossed the road off a pedestrian crossing.

Simon is being sued for the accident however he is denying that he ever bought the vehicle saying there was no written contract and that €5 is not a real value for the sale.

David insists that he had sold the vehicle with insurance and that the insurers should honour any ensuing claims.

The pedestrian is claiming for injuries suffered, nervous shock and the damage to an expensive mobile phone.

Discuss the legal and contractual implications of this case.

16. You have been asked by the Dean of the Insurance Department at the University of Malta, to present a talk to first year law students. The topic is "The Law of Agency in the Insurance Industry". You are to explain the relationship/s held by the Agent, duties and obligations and how an Agency agreement is created and terminated.

Outline your talk.

17. Mary and Jane are neighbours. Jane and her family are away from home on a vacation. On one occasion, Mary notices that Jane's cat is stuck up on a tree. In an attempt to rescue the cat, Mary jumps over the dividing fence into Jane's garden and climbs up the tree. In the process, a branch snaps and Mary is injured from the fall and from the loose metal wire that lay on the lawn. The cat is rescued, however, in fear, attacks Mary and scratches her badly causing her skin disease leading to her death.

Mary's dependents are suing Jane for the tragic circumstance. Discuss.



Malta International Training Centre

Award in Insurance Principles and Legal Aspects

18th March 2018

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 4. The whole paper carries 200 marks.
-

Part I: Answer ALL questions 1-14 in this part.
Each question carries 10 marks.

1. List and briefly describe four (4) sellers of insurance policies. (10 marks)
2. Brief explain the concepts of Physical and Moral hazards and the differences between them. (10 marks)
3. In most property policies, there are two types of basis of cover namely indemnity and reinstatement. Provide a brief explanation of each. (10 marks)
4. Outline the 4 features which are essential to establish insurable interest. (10 marks)
5. Provide a short summary of the doctrine that was referred to in the judgement of Rozanes v Bowen (1928). (10 marks)
6. 'Proximate Cause' was defined in a famous case known as Pawsey v Scottish Union and National (1907). Outline how this was defined. (10 marks)
7. Briefly explain four factors which affect the insured's entitlement to full indemnity. (10 marks)
8. Briefly explain the elements necessary to be present to enable the principle of Contribution to apply between two insurers. (10 marks)

9. List the main sources of European Community Law. (10 marks)
10. The law of torts protects peoples' rights by allowing them to sue if their interests are invaded, threatened or harmed. List and briefly describe the different torts in connection with Trespass. (10 marks)
11. Briefly describe two remedies available under the Law of Tort. (10 marks)
12. List the elements a contract needs to include to be enforceable. (10 marks)
13. What is the impact of a Breach of Warranty on an insurance contract? (10 marks)
14. What are the remedies available to the principal if the agent is in breach of duty? (10 marks)

Part II: Answer two (2) questions from 15-17 each carrying 30 marks

15. (a) The principles of subrogation and contribution are as a result of the principle of indemnity. Outline the correlation that exists between

- i) subrogation and indemnity
- ii) contribution and indemnity

Explain the objective which the law seeks to achieve in applying these principles.

(15 marks)

(b) Describe the circumstances, other than by market agreements, by which insurers may be prevented from exercising their rights of subrogation, referring to relevant case law in support of your answer.

(15 marks)

16. As part of your role as junior risk manager, you have been tasked to draw up a brief report on risk management and insurance. The report should cover i) all 3 phases of the risk management process ii) the way insurance acts as a risk transfer mechanism and iii) detail on the understanding of the causes and effect of risk including the financial impact on an organisation. Present your report.

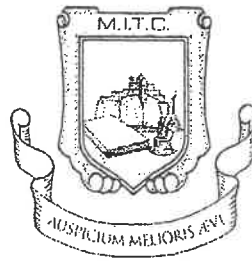
17. (a) Outline the duties owed by an agent to the principal under the law of Agency.

(10 marks)

(b) Anna, is an insurance intermediary for ABC Ltd. She helps Jane complete a proposal form for a Home Insurance policy. Anna reads out the questions and writes down the answers provided by Jane. At one point Anna is distracted and omits to write details related to previous claims by Jane, in connection with her home, even though the latter informs her about them. Jane signs the proposal form without double checking its content.

The form is then submitted to the insurance company which in turn, issues the policy on normal terms and conditions and standard rates. Discuss the implications of this case referring to the law of Contract and the law of Agency.

(20 marks)



Malta International Training Centre

Award in Insurance Principles and Legal Aspects

17th March 2019

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 2. Answer ALL questions numbered 1-14 in PART I. You are advised to spend no more than 120 minutes on this part of the paper.
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 4. The whole paper carries 200 marks.
-

Part I: Answer ALL questions 1-14 in this part.
Each question carries 10 marks.

1. Differentiate between the role of a loss adjuster and the role of a loss assessor. (10 marks)
2. What do you understand by the term "Unrevoked Offer"? (10 marks)
3. Briefly describe 5 components of the structure of a typical insurance policy. (10 marks)
4. Explain when and how co-insurance is arranged. (10 marks)
5. Why is it necessary for insurers to establish the proximate cause of a loss? (10 marks)
6. Why are certain classes of insurance compulsory by law? Give 2 examples. (10 marks)
7. How did the Consumer Insurance (Disclosure and Representations) Act 2012 change the remedy traditionally adopted by insurer for a breach of utmost good faith made innocently by the insured? (10 marks)
8. If words used in insurance contracts are ambiguous, the courts will apply the contra proferentem rule. Explain this rule. (10 marks)

9. Outline 3 ways by which a corporation may be formed in the UK. (10 marks)
10. Differentiate between a contractual breach and tortious liability. (10 marks)
11. What are the elements that must be present for an action in defamation to succeed? (10 marks)
12. Give 5 examples to show how an Agent is considered to be representing a Principal during an insurance related process. (10 marks)
13. A contract may be terminated if it is frustrated. What do you understand by this? Support your answer by means of an example. (10 marks)
14. In *Castellain v Preston* (1883) the judge commented by asking "What is it that is insured in a fire policy?" Explain the 2 elements that need to be present for insurable interest to arise. (10 marks)

Part II: Answer two (2) questions from 15-17, each carrying 30 marks

15. During a rugby match, Peter is hit by a ball struck by one of the players. Jane, another spectator, rushes to help the injured person but as she sees his face covered in blood, she faints and later sues for nervous shock. Francis who was watching the match on his TV, also claimed nervous shock after witnessing the same incident. Peter is suing the player for negligence and his lawyer is also suggesting holding the stadium proprietors responsible for failing to provide Peter a safe premises as a visitor.

Discuss the case by outlining the torts committed, the possible defences and potential remedies that a court judge would award if this case is litigated in court.

16. ABC insurance company limited puts an advert on the daily newspaper saying that the first 100 applicants will receive a full year of free Personal Accident coverage if they send an acceptance letter to their office by the 28th March 2019.

- a) Petra sends an sms (electronic message) on the 26th March 2019. The company say that they never received the message.
- b) Donald sends a letter on the 27th March 2019 and is received by the company on the 30th March 2019. The company says that they received a late response and so Donald's application is invalid.
- c) Daniela sends a letter on the 20th March 2019 and it is received a day later. The company replies to her saying their offer was a merely a unilateral contract and is not enforceable since they cannot make a contract with "anyone in the world".

In all three cases above, discuss whether the reasons provided by the company in response to the submissions by Petra, Donald and Daniela are legally correct.

17. Richard owns a warehouse in which he stocks a variety of different wines and which he sells to restaurants as his main business trade. He is insured on an All Risks basis and the total sum insured is €1,500,000.

On one occasion, a truck driver loses control of his vehicle and crashes into Richard's warehouse causing substantial damage to the stock.

When Richard approaches his insurance company, he is surprised to learn that his claim has been refused on the following basis:

- a) Richard breached a warranty requiring that all stock be raised 6 inches off the ground on pallets
- b) The loss was in excess of the sum insured and therefore the insurers are claiming a breach of a material fact
- c) Richard has already warned the insurers that he will not allow the insurers to use his legal rights to sue the truck driver
- d) The insurers have suggested that Richard makes a claim to recover his loss from another insurance company which is in contribution

Discuss the validity of the insurer's refusal in this instance.



Malta International Training Centre

Award in Insurance Principles and Legal Aspects

21st June 2020

PLEASE READ THE FOLLOWING NOTES:

1. Three hours are allowed for this paper, which is in two parts: PART I and PART II.
 2. Answer ALL questions numbered 1-14 in PART I. You are advised to spend no more than 120 minutes on this part of the paper.
 3. In PART II you should answer two (2) questions, each carrying 30 marks, from the remaining questions 15-17.
 4. The whole paper carries 200 marks.
-

Part I: Answer ALL questions 1-14 in this part.
Each question carries 10 marks.

- 1 a) Differentiate the ownership structure of a proprietary company from a mutual set up. (5 marks)
b) Differentiate between a Corporation Sole and a Corporation aggregate. (5 marks)

- 2 a) What are the criteria for the rule in Rylands v Fletcher to operate? (3 marks)
b) What are the criteria for a victim to make a successful claim under the tort of Negligence? (3 marks)
c) What interest is the tort of Nuisance trying to protect and what essential element must be present for a claim to arise? (4 marks)

- 3 a) In the context of judicial precedent, briefly explain the terms:
 - Ratio decidendi
 - Obiter dictum
 - Overruling(6 marks)
b) List 2 advantages and 2 disadvantages of precedent. (4 marks)

- 4 a) In the context of nervous shock, what does a secondary victim have to prove in order to be successful in an action for damages for psychiatric illness? (7 marks)
b) What are the 3 characteristics that an action in Trespass must show? (3 marks)

infant

- 5 Briefly outline the provisions under TWO of the following:
- Third Parties (Rights against Insurers) Act 2010
 - Occupiers Liability Act 1984
 - Fires Prevention (Metropolis) Act 1774
 - Sale of Goods Act 1979
 - Rehabilitation of Offenders Act 1974
- (5 marks each)
- 6 a) What is your understanding of:
- General damages
 - Special damages
 - Exemplary & Punitive damages
- (6 marks)
- b) Define a bankrupt person
- (4 marks)
- 7 a) Mention 2 types of contracts which must be evidenced in writing.
- (2 marks)
- b) Name 4 ways in which a contract may be discharged.
- (8 marks)
- 8 a) Name 2 reasons why insurable interest is required in insurance contracts.
- (2 marks)
- b) How do insurers adjust claims if the effects of the damage of concurrent causes cannot be distinguished?
- (4 marks)
- c) In the context of Good Faith, what do you understand by the term 'Nexus' explaining whether is it essential to invalidate an insurance contract?
- (4 marks)
- 9 a) List 6 ways in which an agency contract may be terminated.
- (6 marks)
- b) Briefly outline your understanding of 'agency by ratification'.
- (4 marks)

write

10 *"Everyone is equal under the law, so everyone is treated the same"*

In the context of the above, how would you explain that some categories of legal personality are treated differently under the law?

(10 marks)

11 a) List 4 ways in which an offer in contract terminates.

(4 marks)

b) List 3 ways in which a contract may be discharged.

(3 marks)

c) Give 3 examples of illegal contracts.

(3 marks)

12 a) List 3 sources of English Law.

(3 marks)

b) List the 3 ways in which a company may be created.

(3 marks)

c) Distinguish between the Memorandum of Association and Articles of Association of a company.

(4 marks)

13 Antonio wishes to purchase a painting at an auction. He asks his art dealer to attend the auction on his behalf and instructs him of the maximum price he is willing to pay for the painting.

At the auction, the art dealer purchases the painting but exceeds the maximum price by 20% arguing that he acted out of necessity.

a) Explain the extent of the art dealer's authority to act on Antonio's behalf.

(5 marks)

b) Explain the extent to which Antonio is legally bound to pay the full auction price.

(5 marks)

14 You are a claims handler working in the recoveries team of an insurer, ABC plc. You have responsibility for pursuing subrogation actions against third parties and allocating recovery monies between ABC plc and its policyholders. You have been asked to deal with the following two claims:

- claim A was paid at £100,000 and the recovery was £120,000.

- claim B was paid at £400,000 and the recovery was only £380,000.

Part II: Answer two (2) questions from 15-17, each carrying 30 marks

- 15 You are a claims handler for an insurer. One of the insurer's motor policyholders, Philip, has reported to you that his vehicle, was involved in a road traffic collision with a cyclist. At the scene of the collision, Philip apologises to the cyclist for his actions. The police investigated the incident and establish that Philip's vehicle had defective brakes.

Philip's motor policy wording states the following:

- *'The policyholder must not admit liability without prior written consent of the insurer. The insurer will not be liable for any losses arising out of the policyholder's failure to comply with this clause'.*
- *'Vehicles must be maintained in a roadworthy condition at all times'.*

You have received claims for the injury to the cyclist and the damage to Philip's vehicle.

- a) Explain, with justification, the likely effect of the apology given by Philip on the validity of the policy and the insurer's liability for the claim by the cyclist.
- b) Explain, with justification, the effect of the defective brakes on the validity of the policy and the insurer's liability for Philip's claim for vehicle damage.

- a) Identify in whose name the legal actions for these recoveries would have been brought. (2 marks)
- b) Explain how you will allocate the surplus recovery in claim A. (4 marks)
- c) Outline two reasons why you may not have been able to recover the full amount in claim B. (4 marks)

16 You are a loss adjuster appointed by an insurer. One of the insurer's policyholders, Jamila, has a buildings and contents policy covering her home and a marine policy covering her yacht moored in a nearby marina. The building is insured for a value of up to £500,000 and the contents are insured for £75,000. The sum insured for the yacht is £200,000. There is also a separate policy covering a painting, insured on an agreed value basis for £5,000.

A recent storm has occurred and Jamila has submitted claims to her insurer as follows:

- The yacht was extensively damaged and is considered to be beyond repair
- The roof of Jamila's home sustained structural damage causing water leakage
- The painting was damaged by water
- A clock has been destroyed

In your report, you advise that the rebuilding value for Jamila's home is inadequate and should have been insured for £650,000. You have also reported that the roof was in a poor state of repair prior to the storm.

Jamila has informed you that the destroyed clock was extremely valuable to her for sentimental reasons.

Explain the basis of indemnity and method of settlement for the:

- a) Yacht
- b) Roof
- c) Painting
- d) Clock

- 17 You are preparing a training session for trainee graduates who recently joined your company and will be posted to one of your company's branch offices. They will be selling personal line insurance products and handling claims.

Consequently, your manager has asked you to prepare a report to help trainees understand the following concepts of insurance:

- Relationship between risk & insurance
- Underwriting and risk sharing
- Claims procedures

Draft your report.
