

M05: Insurance law

Mixed assessment coursework – assignment

Coursework submission rules and important notes

Before you start your assignment, it is essential that you familiarise yourself with the *Coursework assessment guidelines and instructions* available on RevisionMate.

This includes the following information:

- These questions must not be provided to, or discussed with, any other person regardless of whether they are another candidate or not. If you are found to have breached this rule, disciplinary action may be taken against you.
- Important rules relating to referencing all sources including the study text, regulations and citing statute and case law.
- Penalties for contravention of the rules relating to plagiarism and collaboration.
- Coursework marking criteria applied by markers to submitted answers.
- Deadlines for submission of coursework answers.
- The total marks available are 200. You need to obtain 120 marks to pass this assignment.
- Your answer must be submitted on the correct answer template in Arial font, size 11.
- Answers to a coursework assignment should be between 6,000 and 12,000 words in total depending on your writing style.
- Do not include your name or CII PIN anywhere in your answers.

Top tips for answering coursework assignments

- Read the *Specimen coursework assignment and answer* for this unit, available on RevisionMate.
- Read the Learning Outcome(s) and related study text chapter for each question before answering it.
- Ensure your answer reflects the context of the question. Your answer must be based on the figures and/or information used in the question.
- Ensure you answer all questions.
- Address all the issues raised in each question.
- Do not group question parts together in your answer. If there are parts (a) and (b), answer them separately.
- Where a question requires you to address several items, the marks available for each item are equally weighted. For example, if 4 items are required and the question is worth 12 marks, each item is worth 3 marks.
- Ensure that the length and breadth of each answer matches the maximum marks available. For example, a 30-mark question requires more breadth than a 10 or 20 mark question.

M05 coursework assignment questions

Question 1 – Learning Outcome 2 (10 marks)

Moira works from her house as a bereavement counsellor. She has a dedicated room at the back of the house, from which she provides counselling to her clients. This room was specifically chosen for its peaceful position, which is essential for her work.

New residents have moved into a house next to Moira's house. These residents run a business from an outbuilding in their back garden that involves the use of noisy machinery. This machinery is used every day, including at weekends and during anti-social hours. Moira's bereavement counselling business is being adversely affected as a result.

- (a) Identify, with justification, the tort relevant to this situation. (4)
- (b) Explain briefly the **two** most appropriate legal remedies available to Moira. (6)

Question 2 – Learning Outcome 3 (10 marks)

Paul has an annual motor insurance policy for his motor vehicle with ABC plc, an insurer. The agreement is for the policy premium to be paid on a monthly basis, directly from Paul's bank account.

Paul telephones ABC plc to make a minor amendment to his motor policy. During this conversation, Paul is informed that his insurance policy has been cancelled due to a lack of funds in his bank account.

- (a) Explain, with justification, Paul's obligation to make payment at the time of the contract formation. (6)
- (b) Explain, with justification, Paul's obligation to make payment for the duration of the contract. (4)

Question 3 – Learning Outcome 4 (10 marks)

You are an underwriter for AV plc, an insurer. Underwriting authority has been delegated to a number of insurance brokers, under contracts that are renewable every 12 months. One such insurance broker is JT Ltd, a small brokerage, whose Managing Director has recently died.

After a mid-term review, AV plc decide to cease all delegated underwriting authorities with brokers.

- (a) Identify, with justification, **three** ways in which AV plc can end the delegated underwriting authority contracts. (6)
- (b) Explain briefly the consequences of the Managing Director's death upon JT Ltd 's delegated underwriting authority. (4)

Question 4 – Learning Outcome 5 (30 marks)

Sheetal owns a business and wishes to arrange separate life insurance policies for the following:

- Her brother who is a junior partner in her business.
- Her father who is an essential employee of her business.
- Her friend who owes money to her business.
- Her husband who has no interest in her business.

When Sheetal applies to an insurer for the life insurance, she deliberately states a younger age for her father, in an attempt to reduce the premium for her father's policy. In addition, Sheetal inadvertently notifies the insurer of an incorrect date of birth for her friend.

- (a) Explain, with justification, the various options on which the life insurance policies can be written for **each** of the following:
 - (i) Her brother. (4)
 - (ii) Her father. (4)
 - (iii) Her friend. (4)
 - (iv) Her husband. (4)
- (b) Explain any implications for Sheetal of **each** of the two incorrect statements that she has made. Refer to **one** statute in support of your explanation. (14)

Question 5 – Learning Outcome 6 (20 marks)

You are a claims handler for a motor insurer. One of the motor insurer's policyholders notifies you of a claim. On investigation, the following facts are identified:

- The policyholder's vehicle has tyre tread that is below the minimum legal requirement.
 - Stolen property has been found in the policyholder's vehicle.
- (a) Explain, with justification, the effect of the tyre tread being below the legal limit has on both the policy and the claim. (12)
- (b) Explain, with justification, the effect of the stolen property found in the vehicle has on both the policy and the claim. (8)

Question 6 – Learning Outcome 7 (20 marks)

You are an insurance broker. One of your clients is a distributor that owns a large warehouse, which is insured under a commercial property insurance policy for buildings and stock.

The warehouse is located next to a river. On occasions the river has burst its banks. The insurer has therefore stipulated that flood defence measures are implemented and your client complies with this stipulation. The policy wording also requires these defences to be maintained 'so far as it is reasonably practicable'.

A major storm occurs and as a result the river floods the warehouse, causing damage to some of the stock. Your client has failed to adequately maintain the flood defences. However, your client takes immediate remedial action to limit the damage by hiring a digger to construct a trench.

Claims are made by your client for the damaged stock and the cost of hiring the digger.

The insurer repudiates both claims.

- (a) Explain, with justification, the basis on which the insurer has repudiated the stock claim. Refer to **one** relevant case in support of your explanation. (8)
- (b) Explain, with justification, the insurer's liability for the cost of the immediate remedial action undertaken by your client. (6)
- (c) Explain the impact of the *contra proferentem* rule on the claim for the damaged stock and the claim for the cost of hiring the digger. Refer to **one** relevant case in support of your explanation. (6)

Question 7 – Learning Outcome 8 (20 marks)

You are a motor insurance underwriter. One of the insurer's policyholders arranges separate comprehensive motor insurance policies for each of the following cars:

- A classic car insured on an agreed value policy.
- A new sports car insured on a standard policy wording.
- A family car insured on a standard policy wording.

All of these cars are kept at the policyholder's registered home address and are parked in the garage there, overnight.

A fire breaks out in the garage. As a result, the classic car sustains severe damage but is repairable, the sports car is a total loss and the family car sustains minor damage.

The policyholder submits a claim under each of the policies for damage to the cars.

- (a) Explain, with justification, the extent of your liability for **each** of the above claims. (10)
- (b) Describe the effect **each** claim would have on the continuation of the respective motor insurance policy. (10)

Question 8 – Learning Outcome 9 (20 marks)

You are a claims handler. A policyholder owns and operates a commercial pleasure cruiser, which travels up and down a river.

The cruiser is involved in a collision with another boat and sustains serious damage. The policyholder submits a claim for the damage to the cruiser.

The policyholder submits a further claim for the loss of revenue incurred whilst the cruiser was undergoing extensive repairs.

Both claims are covered but are subject to a policy excess.

Whilst investigating the claim, the insurer discovers that the policyholder has received a £25,000 cash gift from an uncle, which was intended to assist the policyholder financially. The insurer would like to deduct this amount from the final settlement value.

- (a) Explain, with justification, whether the marine insurer can deduct the payment made by the policyholder's uncle from the claim settlement. Refer to **one** case in support of your explanation. (8)
- (b) Discuss the extent to which the marine insurer can exercise its rights of recovery from the third party. (12)

Question 9 – Across more than one Learning Outcome (30 marks)

You are the Managing Director of SH Ltd, a chemical manufacturer. Following expansion of SH Ltd's business, you have signed a five-year lease for additional premises.

During the negotiations for the lease of the additional premises, the lessor promised that SH Ltd could also use a number of outbuildings which are on the same site. This was a verbal agreement and was not part of the five-year lease.

A term of the five-year lease states that the leaseholder must insure the additional premises however, SH Ltd has not complied with this term.

SH Ltd uses the outbuildings to mix chemicals. Whilst mixing the chemicals in the outbuildings, an explosion occurred that resulted in an injury to an employee of SH Ltd, as well as a leakage of toxic fumes.

On investigation it was discovered that the explosion occurred as a result of the wrong ingredients being used in the chemical mixing process.

- (a) Explain, with justification, whether the five-year lease for the additional premises is legally valid. (4)
- (b) Explain, with justification, whether SH Ltd has a right to use the outbuildings. Refer to **one** relevant case in support of your explanation. (10)
- (c) Identify, with justification, **two** possible torts SH Ltd may have committed in relation to the explosion. Refer to **one** relevant case in support of your identification. (10)
- (d) Outline how SH Ltd's duty to the injured employee arises. (6)

Question 10 – Across more than one Learning Outcome (30 marks)

You are an insurance broker. One of your clients is a pizza delivery company who has a commercial combined policy. The following events occur:

- A 17 year old employed as a pizza delivery moped rider, takes a company moped home. This is forbidden by company policy, as detailed in all their pizza delivery riders' contracts of employment. However, it is common practice for this company's pizza delivery riders to take the mopeds home.
 - On the way home the pizza delivery rider is involved in an accident with another vehicle. This accident causes damage to the moped, the other vehicle and injury to the pizza delivery rider.
 - The pizza delivery rider suffers head injuries but refuses medical treatment at the scene of the accident.
 - The subsequent police investigation states that the accident was caused by the pizza delivery rider.
 - The pizza delivery rider was not wearing a helmet at the time of the accident.
 - A week later, whilst playing football, the pizza delivery rider collapses and is rushed to hospital with a head injury and dies.
- (a) Explain to what extent the pizza delivery company is potentially liable for the actions of its employees. (8)
- (b) Explain what effect the age of the pizza delivery rider has on their contract of employment. (4)
- (c) Discuss whether the pizza delivery company is liable for the death of the rider. (12)
- (d) Explain, with justification, **two** defences the pizza delivery company may be able to rely on regarding the death of the pizza delivery rider. (6)