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Insurance: Final Examination (Summer 1966)

William & Mary Law School

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INSTRUCTIONS: Time - Three hours. First state issue; then discuss. State assumptions of fact when you rely on such assumptions. Use bluebooks.

I.

V and P made a contract on May 1, the terms of which provided that P will pay V \$10,000 for a store building on May 20, on which date V is to deliver to P a full warranty deed providing: "to P for life, and upon the death of P to R in fee." The building had a fair market value of \$10,000 on May 11 when P took over the building and began cleaning it in preparation for renting. On May 13, while helping P clean the building, P's friend, F, carelessly threw a match into a pile of trash, starting a fire which damages the building to the extent of \$6,000.

At the time of the fire V had a standard fire policy in the amount of \$4,000 from the V Company; and P had a standard fire policy with the P Company in the amount of \$6,000. Both policies contained the usual clauses.

On May 20, V and P decided to go ahead with the sale, the purchase price was paid in full, and the deed was delivered and recorded.

Discuss the rights of the parties.

II.

A and B are equal partners in a stock brokerage firm, A-B Funds. The business rents a building owned by O. The partnership owns \$5,000 of furniture in the building. As attorney for A and B what would you advise them on the following?

1. If the partners buy a standard fire policy on the leased building (which has a fair market value of \$30,000) and the policy has a face value of \$40,000, could anyone collect anything if the entire building is destroyed by fire? Discuss fully.

2. A-B Funds purchased a liability policy which provided in part:

"Subject to exclusions, conditions and other terms of this policy, the Company shall pay on behalf of the assured all sums which the assured shall become obligated to pay by reason of the liability imposed upon him by law for damages because of bodily injury sustained by any person caused by accident, arising out of the care, maintenance or operation of the premises herein insured. It is further provided that assault and battery shall be deemed an accident unless committed by or at the direction of the assured. The assured under this policy shall mean the individual partners, A and B and A-B Funds."

While A was ill at home, B struck a client in the office. The client obtained a judgment in a tort action against B and A-B Funds. What are the rights of the parties under the policy?

3. If A-B Funds is indebted to the Bigg Bank \$9,000, and if Bigg Bank has purchased life insurance on A in the amount of \$10,000 and named itself as beneficiary, and if Bigg Bank also purchased a \$10,000 fire policy on the furniture could anyone collect anything under the policies if A dies when the wall of the burning building next door collapses and destroys the rented building and the furniture?

III.

1. Discuss briefly the good health and the incontestable clauses in a typical life insurance policy.

2. If during the term of a standard fire policy there is a temporary increase of hazard, what must the insured do? What effect if he does not? Does a temporary increase of hazard affect the rights of a mortgagee named in a standard mortgage clause? Discuss briefly.

3. What is the "vacancy clause" in the standard fire policy, and how can its effect be avoided by the insured?

IV.

Sid Slick traded used cars and also sold insurance for Autocar Insurance Company. In April 1965, Slick sold to True a second-hand 1965 Ford and gave to True a new car warranty. At True's request, Slick also procured from Autocar Insurance Company a Family Automobile and Comprehensive Liability Policy containing all the coverage afforded by the Nationwide Policy. Policy limits were supposed to be as follows:

- (A) Comprehensive (actual cash value)
- (B) Collision (\$100.00 deductible)
- (C) Towing and Labor Costs (\$25.00 per dismemberment)
- (D) Property Liability (\$100,000 limit)
- (E) Bodily Injury Liability \$5,000/person; \$10,000/occurrence)
- (F) Liability, (non-auto \$2,000 per occurrence)
- (G) Auto Medical Payments (\$1,000 per person)
- (H) Medical Payments - non-auto (\$1,000 per person)
- (I) Physical Damage to Property (\$500.00 each occurrence)

When the policy arrived, the Declarations Sheet showed exactly what True had asked for, except that it provided for no Collision. True did not notice this variation and sent the agent a check for the stated premium which included no coverage for Collision. The Company sent a Form FS-1 to Raleigh certifying that True had insurance.

About three weeks after True purchased the car, his friend F asked him if F could borrow the car to take F's son to the Colliseum to a Senior Scout Rally. True told F, "Here are the keys. The car is at Reynolda Manor Shopping Center. Get it back there by 11:00 a.m., and don't let anyone else use it." F and his son, S, took the car and arrived at the Colliseum about 10:00 a.m. As F got from the car, he sprained his ankle and fell, breaking a vase valued at \$1,000, which had been loaned to S by Mrs. M to display at the Rally. F suggested to S that S drive the car and that they go to the emergency room at Forsyth Memorial Hospital. At 11:05 a.m., as they pulled into the Hospital grounds, S damaged True's car and the car of one, X, when S struck the rear of X's car. Neither F nor S owns any automobile insurance.

In settlement negotiations between X and an adjuster for the Autocar Insurance Co., X agreed to take \$600 in satisfaction of the damage to the car and \$3,000 for his personal injuries. The adjuster recommended such settlement to the Company, but the Company refused to settle. However, the Company did agree to defend the tort suit of X against F and S. At the trial of this suit, F and S refused to cooperate with the lawyer for the Insurance Company, and the jury returned a verdict of \$1,000 for property damage and \$7,000 for personal injuries to S. The judgment was affirmed on appeal, but F and S are financially unable to satisfy the judgment.

Both F and S were injured in the accident, and each incurred \$600.00 medical expense, but \$100 of F's expense was attributable to his twisted ankle. The damage to True's car was \$400.

1. If the parties notified the Company of the accident immediately after its occurrence, within what time should they have filed proofs of loss if the Company supplied them with forms upon which to file the proof of loss?

2. List the possible law suits that might arise out of the facts, and briefly outline the arguments that should be advanced by the various parties. (Autocar Insurance Company may be designated A/C).

3. If at the time of the accident, the Company had never issued a policy to True (all other facts the same) would True have any rights against the Company? Outline arguments for Company and True.

SIGN PLEDGE