



THE CHARTERED INSURANCE INSTITUTE

DIPLOMA

APRIL 2010 EXAMINATION PAPER

**UNIT P01
INSURANCE PRACTICE AND REGULATION**

INSTRUCTIONS

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- You are allowed to write on the inside pages of this question paper but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- **The answer booklet and this question paper must be handed in personally by you to the invigilator before you leave the examination. Failure to do this may result in your paper not being marked and you may be prevented from entering this examination in future.**

READ THE INSTRUCTIONS OVERLEAF CAREFULLY BEFORE ANSWERING ANY QUESTIONS.

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P01 – Insurance practice and regulation

CANDIDATE INSTRUCTIONS

READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS.

Three hours are allowed for this paper which contains 20 compulsory questions and carries a total of 200 marks.

Answer each question on a new page. If a question has more than one part, leave several lines blank after each part.

It is important to show each step in any calculation, even if you have used a calculator.

You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.

Each question is worth 10 marks.

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

1. (a) Define the role of The Council of Lloyd's. (4)
(b) Describe its membership and how the members are appointed. (6)

2. (a) Identify the main purpose of business interruption insurance. (2)
(b) Outline the types of loss that this policy is designed to cover. (8)

3. Outline the main components of a scheduled policy. (10)

4. (a) Describe the purpose of fidelity guarantee insurance. (4)
(b) Explain briefly three types of fidelity guarantee insurance. (6)

5. (a) Identify three things that insurers can do more effectively if they take control of claims as early as possible. (6)
(b) Outline the two types of claim under a life assurance policy. (4)

6. (a) Describe how mutual insurance companies are formed and state the advantages to policyholders of a mutual insurance company. (5)
(b) Explain what a captive insurance company is and state two advantages to a company which establishes a captive. (5)

- 7.** (a) Why do insurers offer policy extras on personal insurances? (4)
(b) Illustrate your answer by outlining three policy extras. (6)
- 8.** (a) State two advantages to an insurer of using an intermediary. (4)
(b) State three disadvantages to an insurer of using an intermediary. (6)
- 9.** Explain the legal rights individuals have under the Data Protection Act 1998. (10)
- 10.** Explain the following terms, giving an example of each term.
(a) Conditions precedent to the contract. (4)
(b) Conditions subsequent to the contract. (3)
(c) Conditions precedent to liability. (3)
- 11.** Outline four reasons why certain forms of insurance are compulsory. (10)
- 12.** In respect of the Financial Services Authority's requirements for internal complaints handling procedures, outline:
(a) the key points regarding the person actually handling the complaint; (5)
(b) the key points regarding redress, where it is deemed appropriate. (5)

- 13.** Explain briefly five reasons why insurers buy reinsurance. **(10)**
- 14. (a)** Give a definition of moral hazard. **(4)**
- (b)** List three types of moral hazard with an example of each type. **(6)**
- 15.** Explain how the use of call centres to receive claims notifications can have a significant fraud detection and prevention role. **(10)**
- 16.** Outline the three main levels of policy cover available in the motor insurance market. **(10)**
- 17.** Describe how the two following methods of Alternative Dispute Resolution work.
- (a)** Mini-trials of structured settlement. **(7)**
- (b)** Expert appraisal. **(3)**
- 18.** Outline five of the eleven general Principles for Business (PRIN) which underpin all of the Financial Services Authority's regulatory thinking. **(10)**
- 19.** List the information required on a private car insurance proposal form. **(10)**

- 20.** In calculating an insurance premium, an underwriter must ensure that the amount charged is sufficient to cover a number of elements. Outline the three main elements. **(10)**

