



THE CHARTERED INSURANCE INSTITUTE

DIPLOMA

OCTOBER 2009 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. Outline five conditions that might be found in a non-life policy of insurance. (10)

2. Outline five important commercial considerations an underwriter needs to consider when calculating a premium in addition to the costs associated with claims, operational expenses and profit. (10)

3. Explain what surrender values are in life assurance, and state the reason why some policies do not have a surrender value. (10)

4. (a) Give six examples of circumstances in insurance where the intermediary is deemed to be the agent of the insurer. (6)
(b) Give four examples of circumstances in insurance where the intermediary is deemed to be the agent of the insured. (4)

5. Describe briefly the cover normally provided by a money insurance policy. (10)

6. The insurance market is comprised of three main groups. Identify two of these and give four examples for each group you have identified. (10)

7. (a) Explain briefly the cover provided by a professional indemnity insurance policy. (5)
(b) Explain to whom this cover is available and give an example of how it operates. (5)

- 8.** Describe the components that are important in determining life assurance premiums. **(10)**
- 9.** (a) During the currency of a non-life insurance policy, amendments to the cover provided may be required. Give an example of such an amendment for five different types of insurance policy. **(5)**
- (b) Explain briefly how this procedure is generally effected. **(5)**
- 10.** A company owns a machine which they purchased for £50,000 five years ago. The machine has been completely destroyed by fire. If the replacement cost at today's prices is £90,000 and the standard life of the machine is 10 years, explain briefly how the claim can be settled on:
- (a) an indemnity basis; **(6)**
- (b) a reinstatement/replacement basis. **(4)**
- 11.** Outline the responsibilities an insured has when making a claim under an insurance policy. **(10)**
- 12.** (a) Outline the role of the Lloyd's Franchise Board. **(4)**
- (b) State its three main objectives. **(6)**
- 13.** Outline five main components of a property risk survey report. **(10)**

- 14.** State four groups of buyers of reinsurance and explain briefly the reason they seek reinsurance. **(10)**
- 15.** State the five principal circumstances in which the Financial Services Authority can exercise its powers of control and intervention. **(10)**
- 16.** Describe briefly the procedure for placing business at Lloyd's. **(10)**
- 17.** List ten headings that might be contained in a loss adjuster's preliminary report for a commercial fire loss claim. **(10)**
- 18.** Following a claim under an insurance policy, list five types of expert, other than a loss adjuster, that an insurance company may consult. **(10)**
- Give an example of the advice each expert may provide.
- 19.** (a) Define the terms 'personal information' and 'processing', under the Data Protection Act (DPA) 1998. **(6)**
- (b) Outline two of the eight principles established by the DPA that pose challenges to insurers. **(4)**
- 20.** Describe five key facts relating to how the Financial Ombudsman Service handles complaints. **(10)**

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