



THE CHARTERED INSURANCE INSTITUTE

DIPLOMA

APRIL 2010 EXAMINATION PAPER

**UNIT P10
COMMERCIAL INSURANCE PRACTICE**

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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P10 – Commercial insurance practice

CANDIDATE INSTRUCTIONS

READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS.

Three hours are allowed for this paper. You should answer all questions in Part I and two out of the four questions in Part II.

The paper carries a total of 200 marks, as follows:

Part I	14 compulsory questions	140 marks
Part II	2 questions selected from 4	60 marks

You are advised to spend no more than two hours on Part I.

Answer each question on a new page. If the 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.

PART I

**Answer ALL questions in Part I.
Each question is worth 10 marks.**

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

1. (a) Explain the main advantages of using a commercial insurance broker. (6)
(b) Identify the classes of business where using (a) above is most important. (4)

2. State the benefits derived from the initiative designed to provide contract certainty. (10)

3. List the main fire trade risk exclusions. (10)

4. Identify the circumstances in which a valid claim could arise under prevention of access terrorism cover. (10)

5. List and describe briefly five special liability covers. (10)

6. (a) Explain briefly why a commercial vehicle insurer would issue restricted Road Traffic Act cover. (2)
(b) Describe the extent of such cover. (8)

7. Give five examples of extensions of cover provided under a contract works insurance. (10)
8. (a) Explain the term 'sole trader'. (4)
(b) State the advantages of a packaged policy to a sole trader. (6)
9. State five principal risks that are covered by keyman insurance. (10)
10. Identify the information an insurer should provide to a reinsurance broker when seeking reinsurance. (10)
11. State the type of business interruption cover you would recommend as the most appropriate for the following businesses.
(a) Architect. (2)
(b) Leisure club. (2)
(c) Plastic manufacturer. (2)
(d) Department store. (2)
(e) Consulting engineer. (2)
12. Describe briefly the cross-liabilities clause in a liability policy. (10)
13. List the information that an underwriter requires in order to prepare a schedule for the asset section of a commercial policy. (10)

- 14.** Give five examples of extensions of cover for computer risks under an engineering insurance policy. **(10)**

PART II

**Answer TWO of the following FOUR questions.
Each question is worth 30 marks.**

- 15.** Define subsidence, heave and landslip as covered by an extension to an asset protection policy and indicate the causes of each. **(30)**
- 16.** XYZ Builders have approached you as their contractors' all risks brokers. They are concerned about the risk of third party claims, bodily injury and property damage claims.
- Advise XYZ Builders on the nature of the cover they require. **(30)**
- 17.** As a products liability insurer, explain what information you would typically require to provide a products liability quotation. **(30)**
- 18.** Describe the arrangements made by the UK insurance market in respect of terrorism cover, following the 9/11 terrorism incident at the World Trade Center in New York. **(30)**

