



**THE CHARTERED INSURANCE INSTITUTE**

**DIPLOMA**

**OCTOBER 2009 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. The prime function of a broker is to bring proposers and insurers together. State five other services a broker can offer clients. **(10)**
  
2. List five principal questions likely to be asked on a proposal form for professional indemnity insurance. **(10)**
  
3. Identify five of the specific fire and special perils exclusions under a commercial all risks insurance policy. **(10)**
  
4.
  - (a) Identify two of the business interruption specific perils covered under a revenue protection insurance policy. **(4)**
  - (b) Outline the cover provided under a revenue protection insurance policy. **(6)**
  
5. State the categories of employers exempt from the compulsory employers' liability insurance requirements. **(10)**
  
6.
  - (a) Explain briefly how commercial vehicle insurers deal with requests for cover at hazardous locations. **(6)**
  - (b) Give four examples of such locations. **(4)**

7. Give five exclusions specific to contract works covers. (10)
8. Summarise the cover provided under an engineering insurance machinery movement policy. (10)
9. List five rating factors common to most bloodstock risks. (10)
10. When considering treaty reinsurance, outline briefly what an underwriting strategy report should contain. (10)
11. (a) Outline briefly two broad groups that policy exclusions under a public liability insurance policy would fall into. (4)  
(b) Give three examples of each group. (6)
12. Describe briefly the two requirements for authorisation applicable to commercial vehicle insurers. (10)
13. Identify five factors that would be considered by a business interruption underwriter in arriving at an estimated maximum loss (EML) for this class of business. (10)
14. List the five factors that need to be considered by an underwriter in an annual review of the net retention under a reinsurance contract. (10)

## PART II

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

- 15.** A client has sought your advice, as a broker, on the following forms of business interruption cover:
- advance covers;
  - book debts;
  - farmers;
  - fines and damages;
  - research and development.
- Draft a report describing the provision of cover for each. **(30)**
- 16.** (a) Identify the principal inspected classes of plant insured under an engineering insurance policy. **(6)**
- (b) Outline why the inspection is carried out and who is responsible for it. **(9)**
- (c) Explain briefly how these classes are underwritten. **(15)**
- 17.** Explain briefly:
- (a) the purpose of legal expenses insurance; **(6)**
- (b) what legal expenses insurance cover is available. **(24)**
- 18.** (a) Describe briefly a bond and explain when it is likely to be activated. **(8)**
- (b) Outline five examples of bonds. **(15)**
- (c) Summarise how claims under bonds are settled and state the documentation that is required. **(7)**

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