

P81

Diploma in Insurance

Unit P81 – Insurance broking practice

April 2013 examination

Instructions

- Two hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and 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 book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit P81 – Insurance broking practice

Instructions to candidates

Read the instructions below before answering any questions

- **Two hours** are allowed for this paper, which contains 15 short answer questions and carries a total of 130 marks.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- 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.
- It is important to show each step in any calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

Answer ALL questions**Note form is acceptable where this conveys all the necessary information**

1. Identify **four** potential issues a client may face in contemplating a switch of insurer mid-term following the downgrading of the credit risk rating of the original insurer. (4)

2. Explain briefly what a broker should do in order to comply with the Financial Services Authority's guidance document Responsibilities of Providers and Distributors for the Fair Treatment of Customers in the area of post-sale responsibilities. (8)

3. Outline the **seven** contract certainty principles. (14)

4. (a) Explain briefly how group policies are defined by the Financial Services Authority and the rules for providing contract information. (4)
(b) Explain briefly the Financial Services Authority rules and guidance relating to the provision of policy summaries. (2)

5. Outline **four** actions a broker should take to protect their firm when they complete any of the questions on a proposal form for a client. (8)

6. Explain briefly, with reference to difference in conditions and difference in limits clauses:
(a) the main aim of the clauses and provide an example of how they work in practice; (4)
(b) the actions needed where there is no underlying local policy. (4)

7. Explain briefly, in reference to the Contracts (Rights of Third Parties) Act 1999:
(a) the Act's importance when there is a chain of brokers involved in a given transaction; (4)
(b) the circumstances surrounding the case of *Crowson v HSBC Insurance Brokers Ltd* (2011) and what is generally the illustrated outcome for brokers. (6)

8. (a) Describe briefly the common measures of exposure for the following classes.
(i) Employers' liability. (2)
(ii) Public liability. (3)
(iii) Motor. (2)
(b) Explain briefly how this exposure data can assist in the analysis of claims experience. (3)

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9. (a) State **six** benefits a client would gain from setting up a captive insurance company. (6)
- (b) Where a client opts for a captive:
- (i) list the **four** main planning considerations for its establishment on which a broker may offer advice; (4)
- (ii) identify the **two** key ongoing related services that a broker may provide the client. (2)
10. Outline **four** ways brokers typically monitor the financial well-being of the insurers it deals with. (8)
11. Explain briefly the differing aims and purposes of underwriting surveys compared to risk management surveys. (6)
12. List **eight** topics that may be included in a broker/client terms of business agreement. *Your answer should exclude: the broker's own information and regulatory status; and matters related to data protection, confidentiality and money laundering.* (8)
13. Explain briefly **six** actions a broker may take to ensure the most positive review by insurers of a large client's insured losses at renewal. (12)
14. (a) The Financial Services Authority (FSA) rules state that a broker must provide information on their 'scope of service' to the customer prior to the conclusion of a first policy.
- Explain briefly the **three** types of 'scope of service' that are defined by the FSA. (6)
- (b) One way a firm may give advice is by using an insurer panel.
- Explain briefly the **two** key continuing compliance requirements for the use of an insurer panel. (4)
15. A broking firm, when deciding what records it should keep, should consider the evidence it would need to produce in order to comply with requests from the Financial Services Authority or when dealing with queries and complaints from customers.
- State the **three** examples of such evidence that are given in the Insurance: Conduct of Business Sourcebook (ICOBS) as guidance. (6)

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