

P21

Diploma in Insurance

Unit P21– Commercial insurance contract wording

October 2014 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 P21 – Commercial insurance contract wording

Instructions to candidates

Read the instructions below before answering any questions

- **Two hours** are allowed for this paper which carries a total of 140 marks, as follows:

Part I	8 compulsory questions	80 marks
Part II	2 questions selected from 4	60 marks

- You should answer **all** questions in Part I and two out of the four questions in Part II.
- You are advised to spend no more than one hour on Part I.
- 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 several lines blank after each part.

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. Describe the role and key priorities of **one** of the following trade associations:

London and International Insurance Brokers' Association (LIIBA).

OR

International Underwriting Association of London (IUA). **(10)**

2. (a) Outline **four** drafting guidelines that ensure the Market Reform Contract (Open Market) is used consistently with the principles of contract certainty. **(4)**

(b) List the **six** sections of the Market Reform Contract (Open Market). **(6)**

3. Explain what is meant by the insuring clause and distinguish it from the recital clause. **(10)**

4. (a) State **three** categories of costs and expenses that may be included in the policy limit. **(6)**

(b) Explain briefly the reason why an insurance policy may be 'costs inclusive' giving **one** example. **(4)**

5. Outline **five** duties of the insured not specifically related to claims handling. **(10)**

6. (a) Explain briefly why most policy wordings contain a cancellation provision. (4)
- (b) Outline **four** details that may be addressed by the wording of a cancellation clause. (4)
- (c) State what is meant by a 'tacit renewal clause'. (2)
7. List **ten** key features of a quota share facultative reinsurance contract wording. (10)
8. Explain briefly the provisions of the following clauses in a reinsurance contract, identifying which party to the contract, benefits from **each** clause:
- (a) Underwriting policy clause. (5)
- (b) US intermediary clause. (5)

QUESTIONS CONTINUE OVER THE PAGE

PART II

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

9. (a) Describe the different problems that uncertainty of insurance contract wordings in the London market caused for:
- (i) Insureds. (4)
 - (ii) Insurers. (4)
 - (iii) Brokers. (4)
- (b) Outline **four** key factors that led to the development of contract certainty in the London market. (12)
- (c) Identify **six** questions that may form part of a checklist used by a party to achieve contract certainty, in accordance with the Contract Certainty Code of Practice guidelines. (6)
10. (a) Explain the marine General Underwriters Agreement (GUA) stamp system and describe in detail the **three** different levels of agreement for post placement alterations. (18)
- (b) Outline the relationship between the lead and following underwriters as decided in the case of *Barlee Marine Corporation v T R Mountain* (1987). (8)
- (c) Explain briefly the meaning of the term 'several liability' of underwriters. (4)
11. (a) Describe, with regard to an insurance contract, the different effects of a breach of a:
- (i) Condition precedent to liability. (6)
 - (ii) Collateral condition. (6)
 - (iii) Warranty. (8)
- (b) Outline the provisions of the Consumer Insurance (Disclosure and Representations) Act 2012. (10)

- 12. (a)** Identify the **three** types of proportional treaty, and explain how they work. **(12)**
- (b)** Explain the provisions of the following clauses which are applicable to proportional treaties.
- (i)** Record of cessions clause. **(6)**
 - (ii)** Outstanding loss reserve deposit clause. **(6)**
 - (iii)** Loss participation clause. **(6)**

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