

P81

Diploma in Insurance

Unit P81 – Insurance broking practice

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 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. Describe briefly **five** steps in the process of risk evaluation. (10)

2. (a) Explain briefly the **three** key matters a broker must take into account in assessing the suitability of an insurance policy for a client. (6)
- (b) State the **three** main areas a suitability statement needs to record where a recommendation is made. (3)

3. (a) Describe briefly **two** key internal actions a broker should take when considering the use of an unclassified insurer. (4)
- (b) Identify **four** types of restriction that a broking firm may apply to the use of a classified but restricted insurer. (4)
- (c) State **two** key actions a broker should take when a client gives instructions to use a given insurer when advised otherwise. (2)

4. Describe the Financial Conduct Authority's definition of a complaint. (6)

5. (a) Identify **five** factors that a broker should consider in complying with the requirement of the Financial Conduct Authority (FCA) to give 'appropriate information' on a policy to the customer. (5)
- (b) State the FCA's aim in requiring brokers to provide appropriate information on a policy to a customer in good time and in a comprehensible form. (3)

6. (a) State the key regulatory action a broking firm must take when considering whether to accept business leads introduced by another organisation. (2)
- (b) Explain briefly with an example, the action introducers who are not authorised firms are permitted to undertake within the intermediation process. (4)

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7. Describe briefly **five** potential disadvantages of using a cross-class retention. (10)
8. (a) State the Financial Conduct Authority's (FCA) definition of a durable medium. (2)
- (b) State **four** section headings in the FCA Handbook that are relevant to brokers, providing a brief explanation of **each** section. (8)
9. List **eight** attributes a broker should look for when selecting an insurer specifically to satisfy a typical global client's demands and needs related to its geographical spread. (8)
10. (a) Describe briefly the key characteristics of **each** of the **two** main types of broker network. (6)
- (b) Outline the **four** main features of a typical consolidator's business model. (4)
11. (a) State and define the **two** classifications of qualifying misrepresentation within the Consumer Insurance (Disclosure and Representations) Act 2012. (4)
- (b) Describe briefly **four** of the examples set out in the Consumer Insurance (Disclosure and Representations) Act 2012 that may be taken into account in determining whether a consumer has taken reasonable care not to make a misrepresentation. (8)
12. (a) Outline the **three** main considerations for a broker when balancing between corporate and local deductibles in designing a programme. (6)
- (b) Identify **three** possible solutions a broker may recommend to a client where a local operation's values/turnover is below the level of the group's deductible. (3)

QUESTIONS CONTINUE OVER THE PAGE

13. (a) Explain briefly the licensing requirements for a UK only insurer wishing to operate outside the UK:
- (i) within the EU only; (2)
 - (ii) worldwide. (2)
- (b) State the **two** main advantages for an insurance company when setting-up in an EU member state as compared to a non-EU member state. (2)
14. (a) Outline **four** ways that individuals in a broking firm can be guilty of a criminal offence under the Proceeds of Crime Act (POCA) 2002. (8)
- (b) Define criminal property in relation to the offence of money laundering. (2)
15. Describe briefly a broking firm's differing legal and contractual duties dependent on whether it is remunerated by commission or fee for servicing a claim notified after the client has moved its business to another firm. (6)

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