THE CHARTERED INSURANCE INSTITUTE

P93

Diploma in Insurance

Unit P93 – Commercial property and business interruption insurances

October 2014 examination

Instructions

- Three 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 P93 – Commercial property and business interruption insurances

Instructions to candidates

Read the instructions below before answering any questions

Three hours are allowed for this paper which carries a total of 200 marks, as follows:

Part I	14 compulsory questions	140 marks
Part II	2 questions selected from 3	60 marks

- You should answer **all** questions in Part I and two out of the three questions in Part II.

- You are advised to spend no more than two hours 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 six lines blank after each part.

PART I

Answer ALL questions in Part I

Note form is acceptable where this conveys all the necessary information

1. State **five** advantages and **five** disadvantages of composite panels when used in the construction of a building. **(10)**

2. Describe how police forces classify their responses to intruder alarms. **(10)**

3. Describe briefly the following exceptions and state why they are included in a property damage policy.

    (a) Pollution. **(5)**

    (b) Marine. **(5)**

4. (a) Describe how the property damage proviso operates in a business interruption policy. **(6)**

    (b) Explain why the property damage proviso is included in a business interruption policy. **(4)**

5. Explain the terms:

    (a) Probable maximum loss. **(7)**

    (b) Normal loss expectancy. **(3)**

6. State the questions that will appear on a property damage claim form, in addition to the insured's name and address. **(10)**

7. Identify **four** types of sprinkler system, providing an example where **each** could be used, and state why they would be suitable. **(12)**

8. Explain the cover provided by the temporary removal clause in a property damage policy. **(8)**

9. Describe the operation of a day one (non-adjustable) clause and how it provides for the effects of inflation. **(10)**

10. Describe the terrorism risk control measures an insured may take to protect an office building. **(10)**

11. Describe the cover provided under a property damage policy in respect of:

(a) a contract sale price clause; **(6)**

(b) customers' goods held in trust. **(4)**

12. Identify **five** types of fidelity policy and for **each** state whose dishonesty is insured. **(10)**

13. Explain briefly how a quota share treaty operates and why an insurer may use this method as opposed to other types of reinsurance. **(10)**

14. Outline the underwriting information required for advanced loss of profits insurance when a policyholder plans to install new machinery at their premises. **(10)**

QUESTIONS CONTINUE OVER THE PAGE

PART II

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

15.   The training team at XYZ Insurance Ltd have been asked to design a training day to help surveyors and underwriters assess the property damage risks associated with chemical sites.

Discuss the risk features which should be included within the training material, identifying specifically their relevance to chemical risks.   **(30)**

16.   Liverton Aluminium Ltd (LAL) occupies premises, built 150 years ago, in the north of England producing parts for the aviation industry.

The buildings are insured on a reinstatement basis and following a valuation, LAL advise their broker that the sum insured needs to be doubled. At a review meeting, the broker establishes that, in the event of major damage to the premises, LAL would not reinstate in the existing form but would re-build in modern materials.

(a)   Describe how the property damage insurance could be amended to reflect the above circumstances and why this would be of benefit to the insured.   **(15)**

LAL do not insure their stock against theft. Following an increase in the number of metal losses within the industry, LAL approach their broker to arrange theft insurance.

(b)   Explain what information, in addition to details about the intruder alarm, the underwriter will require to assess the risk to ensure that it is acceptable.   **(15)**

17.   Liverton Cakes Ltd (LCL) do not currently have any business interruption insurance and they have asked you, as their broker, to advise on suitable coverage.

Explain how you would assess LCL's business interruption exposures and give reasons as to why they would influence the cover you would recommend, including business interruption extensions.   **(30)**

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