

P81

Diploma in Insurance

Unit P81 – Insurance broking practice

April 2015 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. Explain briefly the key aspects of a broker's claims advocacy role and the information that a broker requires from the insurer when this applies. (6)

2. (a) Define the **three** options for the 'scope of service' that a broker must disclose to a new client as the basis for its mediation services. (6)
- (b) List **six** topics, in addition to 'scope of service', that a broking firm should include in an initial disclosure document, where it chooses this method to consolidate the regulatory communication requirements to new clients. (6)

3. (a) Describe briefly a 'rent-a-captive'. (2)
- (b) Explain briefly **three** tax considerations when contemplating the establishment of an offshore domiciled captive company. (6)

4. State briefly **five** provisions of the EU Insurance Mediation Directive (2002/92/EC). (5)

5. (a) Outline **four** of the Financial Conduct Authority's (FCA) outcomes that firms should focus on in the delivery of Treating Customers Fairly. (8)
- (b) Explain briefly **two** of the actions a broking firm should take when providing information at or before the point of sale, in order to comply with the FCA's guidance document Responsibilities of Providers and Distributors for the Fair Treatment of Customers. (4)

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6. (a) Define the following Principles for Businesses as set out by the Financial Conduct Authority:
- (i) Conflicts of interest. (2)
 - (ii) Customers: relationships of trust. (2)
- (b) Describe the characteristics of:
- (i) Simple complaints. (4)
 - (ii) Complex complaints. (4)
7. Describe briefly **three** circumstances where a general insurance contract issued to a consumer is not subject to the cancellation rights set out in the rules of the Financial Conduct Authority. (6)
8. State the topics that should be included in the executive summary of a broker's submission to an insurer for a major client covering:
- (a) the cover being requested; (4)
 - (b) the risk itself. (8)
9. (a) Explain briefly the advantages and disadvantages of 'peer review' as a protection against errors appearing in documentation and correspondence issued by a broker to a client. (6)
- (b) Describe briefly the type of working environment where 'peer review' is most effective. (2)
10. (a) Explain briefly the underlying principles on negotiating and placing cover in the market's Principles & Guidance on Contract Certainty as updated in October 2012. (4)
- (b) State the **two** different timescales that contract documentation must be issued to the insured after entering into the contract according to the Contract Certainty Code of Practice. (2)

QUESTIONS CONTINUE OVER THE PAGE

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11. (a) State the **two** guidelines to be followed by a broker in allocating programme premiums across a client's various regions and subsidiaries in order to comply with the Organisation for Economic Co-operation and Development Risk Transfer Pricing. (4)
- (b) Explain briefly the **two** other key factors that can make the task of allocation problematic and time-consuming. (4)
12. Describe briefly the insurer's remedies as specified in the Consumer Insurance (Disclosure and Representations) Act (2012) when dealing with a claim where:
- (a) a qualifying misrepresentation by a consumer is deemed deliberate or reckless; (2)
- (b) a qualifying misrepresentation by a consumer is deemed careless; (9)
- (c) a misrepresentation by a consumer is deemed not to be qualifying. (2)
13. Outline the features and benefits of an 'evergreen' policy. (8)
14. (a) (i) State how the term 'self-insured retention' applies respectively in the insurance markets in the UK and the USA. (2)
- (ii) Describe briefly why it is important to be aware of the difference when arranging global programmes. (2)
- (b) Identify the main financial measures that are assessed by sensitivity models used by brokers to compare the impact on a client's finances from different levels of retention. (4)
15. (a) List the **four** principal crimes covered by the Bribery Act 2010. (4)
- (b) Identify the **two** key penalties for committing a crime under the Bribery Act 2010. (2)

