

P81

Diploma in Insurance

Unit P81 – Insurance broking practice

October 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 benefits and limitations of a broker's professional indemnity (errors and omissions) insurance and why a policy must be in place. (6)

2. (a) Outline the main premium payment facilities offered to clients by insurers. (4)

(b) Describe briefly **three** additional actions that a broker must take when promoting premium finance to a client obtained from a firm other than the insurer. (6)

3. (a) Outline the **three** circumstances specified in the Consumer Insurance (Disclosure and Representations) Act (2012) when an intermediary is deemed to be acting as an agent for the insurer. (6)

(b) Explain briefly the **three** factors specified in the above Act that would suggest that the agent is acting for the consumer. (6)

4. Describe briefly **four** possible negative implications for a broking firm from receiving contingent commissions or over-rider payments from insurers and others. (8)

5. Outline briefly the main disadvantages, from a commercial client's point of view, of consolidating its insurance arrangements into one global programme. (10)

6. Describe briefly **five** procedures a broker can put in place to monitor insurer security. (10)

7. Explain briefly **four** ways brokers can familiarise themselves with a client's business in order to provide the best risk management advice. (8)

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8. Outline **four** characteristics of liability claims that make the use of triangulations a helpful means of analysis. (8)
9. Describe briefly the **four** main benefits of Lloyd's and the London Market's Electronic Claims File compared to the previous paper-based system. (8)
10. (a) Define the **four** categories of client specified in the Financial Conduct Authority's Insurance: Conduct of Business Sourcebook. (8)
- (b) State the client category a broker should apply when:
- (i) the status of a customer is unknown; (1)
- (ii) a customer is covered in both a private and commercial capacity. (1)
11. (a) Identify the key features of a lineslip. (6)
- (b) Outline the information a provider requires from the operator of a delegated authority at the anniversary date of the arrangement. (4)
12. (a) State **two** fiduciary duties a broker has toward its clients in reference to the law of agency. (2)
- (b) Outline the key judgement of *Equitas v Horace Holman* (2007). (3)
- (c) State the requirements placed on a broker by the law of agency related to the handling of a client's confidential information and how long such requirements apply. (3)
13. (a) Identify **four** key headings when preparing a summary of the comparison of terms for a large commercial client's renewal. (4)
- (b) Describe briefly the key aspects of the analysis and commentary that should accompany the information in **part (a)** above. (6)

QUESTIONS CONTINUE OVER THE PAGE

14. (a) State the **three** main items of information a broker needs to record in a suitability statement where it is making a recommendation to a client. (3)
- (b) Explain briefly the **two** main aims of a suitability statement. (4)
15. Identify **five** reasons why a broker should maintain access to a broad diversity of markets. (5)

