

THE CHARTERED INSURANCE INSTITUTE

P81

Diploma in Insurance

Unit P81 – Insurance broking practice

April 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. List **eight** objectives of a good risk submission to an insurer. (8)

2. (a) Describe briefly the **three** key features of the operational structure at Lloyd's. (6)
(b) Outline the **three** ways that the majority of business is transacted at Lloyd's. (6)

3. (a) State and describe briefly the **two** ways that risk retention can take place in an organisation. (4)
(b) Explain briefly the **two** monetary values an organisation should take into account in deciding how much to retain as a first step in identifying the most appropriate risk funding mechanism. (4)
(c) Outline **two** other factors an organisation should consider in deciding the level of retention. (4)

4. Describe briefly **three** statutory objectives of the Financial Conduct Authority, excluding consumer protection. (6)

5. Outline the **three** fundamental best practice rules that should apply when dealing with a complaint, a 'circumstance' or a formal errors and omissions claim. (6)

6. (a) Explain briefly the Financial Conduct Authority's (FCA) rules on the disclosure of fees as to both content and timing. (6)
(b) Explain briefly the FCA's rules on the disclosure of commission as to both content and timing. (6)

7. Explain briefly **three** examples where principles based regulation, rather than specific rule setting, has been used to address conduct of business concerns raised by the Financial Conduct Authority or its predecessor the Financial Services Authority. (6)
8. (a) Describe briefly what is meant in practice by the Data Protection Act 1998 principle that data must be fairly and lawfully processed. (6)
- (b) Identify **six** rights the data subject is given as set out in the Data Protection Act 1998. (6)
9. Describe briefly **five** important objectives for a broker when presenting and explaining a new quotation or renewal terms to a client. (10)
10. (a) State and describe briefly the **two** main types of insurance fraud identified in research carried out by the Association of British Insurers (ABI). (4)
- (b) Identify **three** of **each** of the key characteristics in the ABI research findings for those:
- (i) less likely to commit retail insurance claims fraud; (3)
- (ii) more likely to commit retail insurance claims fraud. (3)
11. (a) State the **two** current levels of UK insurance premium tax. (2)
- (b) Explain briefly the obligations of insurers for insurance tax payment in the EU where policies are issued under the Freedom of Service Provisions. (2)
- (c) Outline how the case *Kvaerner plc v Staatssecretaris van Financiën ECJ* (C191/99) extended these obligations. (2)

Questions continue over the page

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12. (a) Explain briefly why re-broking policies every year can be counterproductive for the client.
- (b) Outline **three** examples of conditions on a multi-year policy that entitle the insurer to renegotiate terms mid-term. (3)
13. Explain briefly when an 'inadvertent errors and omissions' clause is appropriate and how it applies. (6)
14. (a) List **seven** criteria related exclusively to service delivery that a broker should consider when selecting an insurer for a client, excluding their claims service. (7)
- (b) Identify **five** aspects of claims service that a broker should take into account in the insurer selection process, excluding timely payment. (5)
15. List **six** examples of actions taken by a broker that would form 'abuse of position' transgressions under the Fraud Act 2006. (6)

