

# THE CHARTERED INSURANCE INSTITUTE

## P86

### Diploma in Insurance

#### Unit P86 – Personal insurances

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 P86 – Personal insurances

### 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.

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**Answer ALL questions**

**Note form is acceptable where this conveys all the necessary information**

1. List **six** optional covers that may be added to a typical household contents policy. (6)
  
2. (a) Identify any **four** conditions that must be fulfilled for contribution to arise between two or more policies of insurance. (4)  
  
(b) Describe the operation of the Association of British Insurers personal effects contribution agreement as applied to personal insurances. (6)
  
3. Explain the major differences between 'after the event' and 'before the event' legal expenses products. (8)
  
4. (a) List **three** methods of settling a claim other than by replacement under a typical new for old household buildings and contents policy. (3)  
  
(b) Outline why an insurer may choose to replace damaged items in preference to other methods of claims settlement. (4)
  
5. Explain the principles and operation of Takaful insurance in the UK insurance market. (7)
  
6. With reference to the cancellation or curtailment section of a typical personal travel insurance policy:  
  
(a) describe the cover provided; (6)  
  
(b) outline **six** possible causes of loss that could lead to a valid claim under this section. (6)

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7. (a) State the purpose of the change in circumstances clause found in a household insurance policy. (4)
- (b) Identify **five** changes required to be notified under this clause. (5)
8. Explain the differences in the operation of a franchise and a policy excess in personal insurances, giving an example of how **each** can be used. (10)
9. (a) Define the term 'buildings' as used in a typical household policy. (7)
- (b) List **seven** perils covered under a buildings policy. (7)
10. Explain briefly the benefits of electronic document storage in the insurance industry. (7)
11. Explain briefly how new for old cover differs from indemnity and why it is commonly offered in home insurance policies. (6)
12. (a) Outline **three** risk assessment factors used in caravan insurance. (6)
- (b) State **five** specific exclusions found under a caravan policy. (5)
13. Describe the issues faced by the personal insurances market in the UK regarding the provision of flood insurance cover. (10)
14. Explain the cover for business risks provided under a typical household contents policy. (7)
15. Identify **eight** risk assessment factors relating to a personal accident and sickness policy. (8)

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