| Centre No. | | | | | Pape | r Refer | ence | | | Surname | Initial(s) |
|------------------|--|--|---|---|------|---------|------|---|---|-----------|------------|
| Candidate No. | | | 4 | 3 | 4 | 0 | / | 0 | 3 | Signature | |

Paper Reference(s)

4340/03

London Examinations IGCSE

| Exam | iner's use | e only |
|--------|------------|----------|
| | | |
| Team L | eader's u | ise only |
| | | |

Question Number

1

2

3

4

Commerce

Paper 3

Common to both tiers

Thursday 14 May 2009 - Morning

Time: 1 hour, plus reading time of 10 minutes

| Materials required for examination | Items included with question papers |
|------------------------------------|-------------------------------------|
| Nil | Nil |

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature.

Check that you have the correct question paper.

Answer ALL the questions. Write your answers in the spaces provided in this question paper.

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2). There are 4 questions in this question paper. The total mark for this paper is 40. There are 12 pages in this question paper. Any blank pages are indicated.

Advice to Candidates

You are reminded of the importance of clear English and careful presentation in your answers.

This publication may be reproduced only in accordance with Edexcel Limited copyright policy.

©2009 Edexcel Limited.

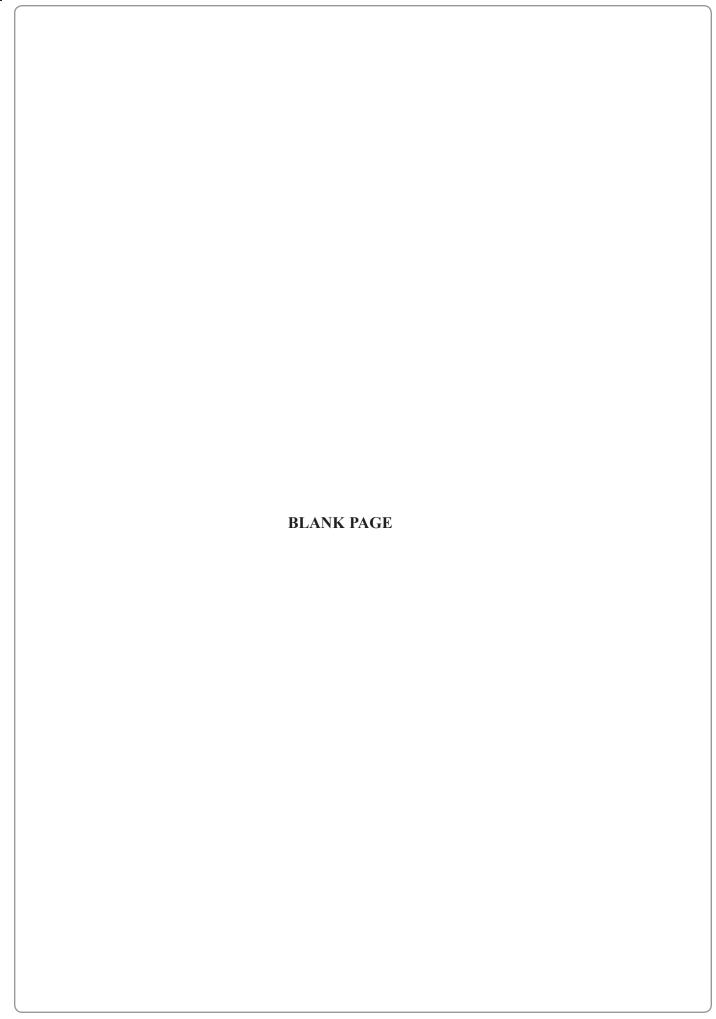
H33987A
W850/U4340/57570 5/5/4/4/



Turn over

Total





Leave blank

Answer ALL questions

Your insurance company has obtained a new client. You will need to assess the risks involved and set premiums for insurance policies taken out by this client. The profile of this client is given below:

Business name XYZ Ltd Business established 2005

Location Rural, near river Production Farm producing wheat

Number of employees 4

Site size 200 acres

Company vehicles 1 new lorry, 3 new tractors

Annual Mileage 25 000 miles (lorry)

Company turnover £800 000

Sources of Information

At the end of this question paper, there are various sources of information on insurance. You should study them and use the information, together with your own knowledge and understanding of commerce, to answer the questions that follow. You should use commercial concepts and terms you have learnt during the course, not just information in the sources you have studied.

| My task as an insurer is to | |
|-----------------------------|--|
| | |
| | |
| | |
| | |

Q1

(Total 2 marks)



| (a) | What is an insurable risk? | 1 |
|-----|---|---|
| | | |
| | | |
| | | |
| | | |
| | (2) | |
| (b) | Using an example of a non-insurable risk, explain why an insurance company would not insure that risk. | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | (3) | |
| (c) | Apart from 'utmost good faith', explain one other principle of insurance. | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | (3) | Q |
| | (3) | Q |
| | | Q |
| | (3) | Q |
| | (3) | Q |



| a) | a business requesting third party motor insurance for lorry driving |
|-----|---|
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| (b) | employer's liability for employees |
| (b) | |
| (b) | |
| (b) | employer's liability for employees |

| (6) (Total 18 marks) | (6) | (6) | (6) | |
|----------------------|------------------|------------------|------------------|-------|
| (6) | (6) | (6) | (6) | |
| (6) | (6) | (6) | (6) | |
| (6) | (6) | (6) | (6) | |
| (6) | (6) | (6) | (6) | |
| (6) | (6) | (6) | (6) | |
| (6) | (6) | (6) | (6) | |
| (6) | (6) | (6) | (6) | ••••• |
| (6) | (6) | (6) | (6) | ••••• |
| (6) | (6) | (6) | (6) | |
| | | | | |
| (Total 18 marks) | (Total 18 marks) | (Total 18 marks) | (Total 18 marks) | (6) |
| | | | | rks) |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| | scuss, for each policy, which business will pay the lowest premium for: |
|-----|---|
| (a) | third party motor insurance |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | (4) |
| (b) | employer's liability |
| (b) | |
| (b) | |
| (b) | |
| (b) | employer's liability |

| (c) fire and theft. | (c) | | b. |
|---|-----|------------------|----|
| (4) (Total 12 marks) TOTAL FOR PAPER: 40 MARKS | (•) | fire and theft. | |
| (4) (Total 12 marks) TOTAL FOR PAPER: 40 MARKS | | | |
| (4) (Total 12 marks) TOTAL FOR PAPER: 40 MARKS | | | |
| (4) (Total 12 marks) TOTAL FOR PAPER: 40 MARKS | | | |
| (4) (Total 12 marks) TOTAL FOR PAPER: 40 MARKS | | | |
| (4) (Total 12 marks) TOTAL FOR PAPER: 40 MARKS | | | |
| (4) (Total 12 marks) TOTAL FOR PAPER: 40 MARKS | | | |
| (4) (Total 12 marks) TOTAL FOR PAPER: 40 MARKS | | | |
| (4) (Total 12 marks) TOTAL FOR PAPER: 40 MARKS | | | |
| (Total 12 marks) TOTAL FOR PAPER: 40 MARKS | | | |
| (Total 12 marks) TOTAL FOR PAPER: 40 MARKS | | | |
| (Total 12 marks) TOTAL FOR PAPER: 40 MARKS | | | |
| (Total 12 marks) TOTAL FOR PAPER: 40 MARKS | | | |
| TOTAL FOR PAPER: 40 MARKS | | (4) | |
| TOTAL FOR PAPER: 40 MARKS | | (Total 12 marks) | |
| | | | |
| END | | | |
| | | END | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Sources of Information

Source A - Reform of old insurance law would make claims easier.

The Law Commission has proposed updating the 1906 Marine Insurance Act. Under this law, at present, consumers can lose out when innocent errors on proposal forms are deemed "non-disclosure" of something that affects the insurer's risk assessment.

Many policyholders do not realise they have a duty to disclose information they are not asked for but that could influence the underwriter's judgement of risk. Insurers can refuse to pay out even if the policyholder acted honestly and reasonably, and their errors or omissions had no effect on the policy premium.

Every year insurers reject about 20% of life and critical illness claims because policyholders leave medical information off their proposal forms, making the policy invalid.

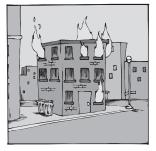
Source B – Insurable and Non-Insurable Risks

Although almost any risk can be insured against (provided a high enough premium is paid and a special policy arranged individually by the insurance company), in practice only certain areas are normally covered. These are called Insurable Risks.

Other causes of loss or disaster which insurance companies will not generally deal with are called Non-Insurable Risks.

Source C – Examples of Insurable Risks













Leave blank

Source D – The Principles of Insurance

One of the main principles of insurance is 'utmost good faith'. This means that the policy holder should disclose all relevant information and not tell lies when completing the proposal form. Also when a policy has been agreed and taken out, any significant changes must be reported to the insurance company. For example, a company taking out fire insurance must tell the insurer if it later decides to store petrol on the premises.

The other important principles of insurance are insurable interest, indemnity, contribution and subrogation.

Source E – A Client Profile

Business name ABC Partners

Business established 1946 Location Urban

Production Factory making fertiliser

Number of employees 50 Site size ½ acre

Company vehicles 1 second-hand lorry

Annual mileage 10 000 miles

Company turnover £5 million (mainly cash sales)



