

Paper Reference(s)

4340/03

London Examinations IGCSE

Commerce

Paper 3 – Sources Booklet

Common to both tiers

**For distribution to candidates from
Thursday 2 April 2009,
six weeks before the examination on
Thursday 14 May 2009 – Morning**

Materials required for examination

Nil

Items included with question papers

Nil

Instructions to Candidates

The sources in this booklet will be printed at the end of the examination paper.

You will have 10 minutes at the start of the examination to read the questions and think about how to use the sources to answer them. You will not be allowed to take your own copy of the sources or any notes you have made into the examination.

Information for Candidates

There are 4 pages in this booklet. Any blank pages are indicated.

Advice to Candidates

The following advice will also be printed in the examination paper.

You should use diagrams, graphs or tables if appropriate.

You should refer to the sources in your answers, but do not spend time copying large amounts from the sources.

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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.

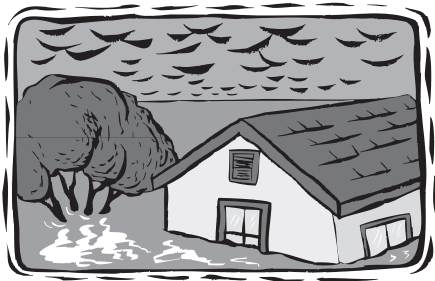
Every year insurers reject about 20% of life and critical illness claims because policyholders leave medical information off their proposal forms, making the policy invalid.

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



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)

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