

Chartered Insurance Institute of Nigeria

Chief Examiners' Report April 2021

Diploma in Insurance (DOI D19)

GENERAL RELATED ISSUES TO WATCH OUT FOR IN FUTURE SITTINGS

DO'S	DON'TS
Start studying for the next diet early (from November/December for April diets and May for October diets)	Concentrate all your time and effort on Part 1 @ the detriments of Parts B & C (Diploma & Advanced)
Start each question on a fresh page	Write after invigilators have declared "time-up"
Read and follow instructions clearly (ensure you download and read the "students' instructions" from the website)	Write your name on any part of the answer scripts
Master the tricks of answering questions intelligently by following tips learnt before the exams and concentrating on questions that would fetch you more marks.	Nurture fear on any subject. There is no subject that distinction cannot be obtained.
Attend the Annual Students' Forum	Avoid the Annual Students' Forum
ETC ON THE FOLLOWING SITES naicom.com (NAICOM),	ENTS, REGULATIONS AND GUIDELINES/MARKET AGREEMENTS nigeriainsurers.org (NIA); ncrib.nef (NCRIB); nigeriailan.com igeria.com (CIIN)
ANY CANDIDATE CAUGHT AND/OR FOUND TO BE CEHE IN ANY OF THE INSTITUTE'S EXAMINATION ACTIVITY FOR	DULD LEAD TO STIFF SANCTIONS. DO NOT BE A CULPIT. ATING/HAVE CHEATED, WILL BE BARRED FROM PARICIAPTING TWO (2) YEARS AND THE EMPLOYER WILL BE DULY INFORMED CH INCIDENCE(S).
	RKING EFFORTLESSLY TO PASS OUTSTANDINGLY!!!

LOGO	

CHARTERED INSURANCE INSTITUTE OF NIGERIA DIPLOMA

APRIL 2021 DIET EXAMINATION PAPER

SUBJECT D01 INSURANCE PRACTICE AND REGULATION

All answers are to be written on the answer booklet(s) supplied in accordance with the following instructions:

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Handle the answer booklet with care.
- Do not write on the question paper.
- The answer booklet should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the cover and flap of the answer booklet.
- Ensure that you write the full and correct candidate's number.
- No name should be written on any leaf of the book, or on any supplementary leaves that may be issued to the candidates.
- The answer to each question must be commenced on a separate page. Where however, a question consists of two of more parts, this instruction do not apply to the separate parts.
- Write in the ruled margin the number and question attempted.
- Leave no blank pages among your answers.
- Where supplementary leaves are used, the candidate's number should be written in the space provided on them and fastened at the end of the book inside the cover.

FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2021 DIET CANDIDATES' INSTRUCTIONS.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D01 – INSURANCE PRACTICE AND REGULATION

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

You should answer all questions in Part I and two (2) out of the four (4) questions in Part II.

The paper carries a total of 200 marks distributed as follows: Part I - 140 marks.

Part II - 60 marks.

You are advised to spend not more than two (2) hours on Part I. You are strongly advised to attempt ALL the required questions to score maximum possible marks.

Where a question is split into parts (a), (b), etc, marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

In attempting the questions, you may find it helpful in some places to make rough notes in the answer booklet. If you do this, you must 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.

Answer each question on a new page. If a question has more than one part leave several lines blank after each part.

Chief Examiner's Summarised Statistics

Highest Score:	80%
Lowest Score:	18%
Average Score:	52%

Breakdown Updates

Question 1

The question was well attempted by all the candidates and attempt was good. Overall performance was okay.

Question 2

This question was well attempted by almost all the candidates. However, there are few candidates that did not get the full meaning of the abbreviations.

Question 3

Attempts by the candidates were very good. The question intended to test candidates' understanding of NAICOM regulation. However, few candidates did not understand the term risk based.

Question 4

Most of the candidates understand the principle/practice to which the question is intended to test and they gave correct explanation of the term indemnity. Overall performance here is okay.

Question 5

Attempts by the candidates were good. However, majority of the candidates did not understand the principles/practice to which the question is intended to test which relates to regulatory terms.

Question 6

Most of the candidates that attempted the question got the answer correctly and this indicates their understanding of the use of database in claims handling. Overall performance is very good.

Question 7

Majority of the candidates that attempted this question scored below average. Attempt was high but good performance was low.

Question 8

Attempts by candidates is poor. The candidates lack the understanding of the terms and the mode of presentation was also poor. The overall performance here was poor and the candidates need to read very well in order to improve on their understanding of the technical terms.

Question 9

This question was intended to test the candidates' understanding of money laundering and its application to insurance contracts. Majority of the candidates could not explain the term and its application to insurance. Overall performance was very poor.

Question 10

Overall good performance here was less than 40%. Majority of the candidates did not understand the role played by the experts on claims administration particularly the forensic experts and others. Candidates are advised to read widely for better understanding of the course.

Question 11

The overall performance here was just fair. Majority of the candidates understood the roles played by underwriters although few of them got it wrong.

Question 12

Attempts and performance by the candidates were good. Majority of the candidates understood the terms though some still got the answer wrong.

Question 13

The overall attempts by the candidates were good. Majority of the candidates understood the term "outsourcing" as it relates to insurance operations.

Question 14

The overall performance was very poor. Majority of the candidates did not understand the question notwithstanding the fact that it is an industry question. Candidates are advised to seek knowledge in industry matters – going forward.

Question 15

The question was well attempted by the candidates although majority of them could not define pure risk. In addition, the insurance principle and practice which the question was meant to test was not touched by most of the candidates. Overall performance was poor.

Question 16

The candidates' performances were not so good. Very few candidates attempted the question. Overall performance was very poor.

Question 17

The candidates' performances were simply average. They got the listing of types of reinsurance but were not able to properly explain the types of reinsurance arrangements under each. Overall performance was very poor.

Question 18

Attempts by the candidates were very good. Almost all the candidates attempted the question and also got the answer correctly. The question was intended to test the candidates' understanding of objectives of proposal forms in an insurance contract. Overall performance was good.

Chief Examiner's Comments on Overall Performance

The overall performance is fairly good. Candidates attempted section one of the paper very well while part two was fairly attempted.

Chief Examiner's Suggestion on Improvement

Candidates are advised to read widely and also take interest in industry practice and/or events and/or journals.

Part I Answer ALL questions in Part I. Each question carries 10 marks.

1. List five (5) classes of general insurance business as classified in Insurance Act 2003

Solution

The classes of general insurance business are-

- Fire Insurance business
- General accident insurance business
- Motor Vehicle insurance business
- Marine and aviation insurance business
- Oil and Gas insurance business
- Engineering insurance business
- Bonds, credit guarantee and suretyship insurance business
- Miscellaneous insurance business

(2 marks for each correctly stated class. Maximum of 5 to be graded. Total: 10 marks)

2. Write in full the meaning of the following abbreviations:

 	i i din dite intediting of	the rono mil	5 accieviation	
(a) ABI	(b) AIRMIC	(c)IUA	(d) FSA	(e) IRM
Solution				
(a) ABI:	Association of H	British Insure	rs	
(b) AIRMIC:	Association of I	nsurance and	l Risk Manag	ers
(c) IUA:	International U	nderwriting .	Association o	f London
(d) FSA:	Financial Servic	es Authority		
(e) IRM:	Institute of Risk	Managemer	nt	
	(2 marks for each correc	tly stated full m	eaning. Total: 10	marks)

3) (a) What is the purpose of a minimum capital requirement for insurers? (6 marks)(b) What does it mean when an insurance regulator refers to a "risk based" system of supervision? (4 marks)

Solution

(a) The purpose of a minimum capital requirement for insurers is to **eradicate** the **risk of significant market instability and policyholder loss as a result of insurance company failures**.

(2 marks for each coloured phrase above. Sub-Total: 6 marks)

(b) When an insurance regulator refers to a "risk based" system of supervision, it means the regulator seeks to identify the key risks to its statutory objectives posed by individual firms, markets and market mechanisms, new developments and occurrences; and then allocates its supervisory resources according to the degree of risk assessed.

(2 marks for each coloured phrase above. Sub-Total: 4 marks) (Grand Total: 10 marks)

4.(a) Simply explain the term "indemnity" as it relates to an insurance contract.

(2 marks) (b) List the four (4) options available to an insurer at providing indemnity. (8 marks) Introduction/P13

Solution

(a) Indemnity is a very important insurance principle that makes sure that the correct value is paid to the person who suffered the loss i.e. under this principle, the insurer will try to place the person back into the position (s)he was in before the loss. This prevents the person from making a profit out of insurance. (2 marks)
(b) The four options available to an insurer at providing indemnity are:
* cash payment * repair * replacement * reinstatement.

ash payment * repair * replacement * reinstatement. (2 marks for each correctly stated option. Sub-Total: 8 marks) Grand Total: 10 marks.

5. Under the Data Protection Act, enumerate any five (5) principles that must be observed to make sure that personal information is handled properly.

Solution

Under the Data Protection Act, the following principles must be observed to make sure that personal information is handled properly. The data must be:

- fairly and lawfully obtained and processed
- processed for the limited purposes specified at the time of collection and for which the data has been authorized
- adequate, relevant and not excessive for its intended purposes
- accurate
- not kept longer than is necessary
- processed in line with the individual's rights
- secure
- not transferred to other countries without adequate protection.

(2 marks for each explicit and correctly stated principle. Maximum of 5 to be graded. Total: 10 marks)

6. Insurers have been able to harness technology in the fight against insurance fraud by use of pooled claims databases where information can be shared, among other reasons. List the four (4) databases currently in use for this fight.

Solution

The databases that insurers have been able to harness technology in the fight against insurance fraud by use of pooled claims databases where information can be shared are:

- Motor Insurance Anti-Fraud and Theft Register (MIAFTR)
- Claims and Underwriting Exchange (CUE)
- A Personal Injury Database
- Art Loss Register

$(2\frac{1}{2})$ marks for each correctly stated database. Total: 10 marks)

7. It is now acceptable global best practice that, as far as possible, it is of benefit to the insurer to take control of claims as early as possible and to seek to manage the solution using preferred suppliers/solutions, if possible.

(a) List any two (2) of the preferred suppliers/solutions. (4 marks)

(b) Explain any two (2) issues that the use of these preferred suppliers/solutions addresses.

Solution

- a) The preferred suppliers/solutions are:
 - approved repairer networks (garages, builders, e.t.c.)
 - retained loss adjusters
 - replacement goods suppliers for household and personal effects, e.t.c. (2 marks for each correctly stated area of risk. Sub-Total: 4 marks)
- b) The use of these preferred suppliers/solutions addresses the following:
 - allows volume discounts to be obtained by the insurer which would not have been available to teach policyholder if they were to individually access the service
 - allows control of the quality of work performed or service delivered
 - allows greater certainty that the policyholder is not receiving betterment i.e. not being put into a position that is better than the existing position immediately prior to the claim event.

(3 marks for each complete and correctly stated point. Maximum of 2 to be graded. Sub-Total: 6 marks)

Grand Total: 10 marks.

8. What do you understand by any two (2) of the following terms in life assurance contracts:

- (a) Surrender Values
- (b) Paid-Up Policies
- (c) Premium Payments
- (d) Participation in Profits.

Solution

(a) **Surrender Values:** when a person no longer wants their policy, or for some reason cannot continue the premium payment, they can ask for the surrender value. They cease payment and receive, not a proportion of the sum assured, but a proportion of the premiums paid. It should be noted that not all policies have a surrender value and surrendering within the first few years of the policy inception will not usually produce any amount for the policyholder.

(b) **Paid-Up Policies:** some policies provide for the policy to acquire another type of value rather than for a surrender value to be available. In this case, the premiums cease and the policy continues, but on maturity, a smaller sum than would originally have been paid will be due to the policyholder. Depending on the company, these policies may or may not continue to participate in profits. This value is called the paid-up value.

(c) **Premium Payments:** life assurance premiums are usually payable by level amounts throughout the period of the policy. This means that each person pays the same (i.e. level) amount throughout, that amount is being determined by their age at the time of arranging the policy. These premiums can be paid annually, half yearly quarterly or monthly. These are called the premium payments frequency.

(c) **Participation in Profits:** life assurance companies value their assets and liabilities at regular intervals. This valuation exercise allows them to determine if any surplus exists after calculating all future liabilities and other contingencies. Should such a surplus exist, it is distributed among those policy holders who have with-profits or participating policies. Such policies allow the policyholder to participate in any profits the company makes. It does not guarantee a bonus to each policyholder, as the company may not have a surplus, but it does mean that any available surplus will be distributed. The policyholder pays an additional amount for the priviledge of participating in profits and the bonuses are added to the sum assured and are payable

(2½ marks for any correctly stated point. Maximum of 2 points to be graded per term. Maximum of 2 terms to be graded. Sub-Total per term: 5 marks. Grand Total: 10 marks)

9. What is money laundering? How is this term applicable to insurance contracts?

Solution

Money laundering is the process whereby criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities, thereby avoiding prosecution, conviction and confiscation of the criminal funds. (5 marks)

It is applicable to insurance contracts in the following ways:

- money launderers now use increasingly sophisticated techniques, through a variety of transactions and firms, to launder funds to insurance businesses
 (2¹/₂ marks)
- this is usually done by purchasing some insurance contracts and then terminating the contracts midway in order to be paid the cash benefits/premium refund by the insurance company, thus "washing the funds" since it will then be legitimately received from an insurance company. (2½ marks)

Sub-Total: 5 marks Grand Total: 10 marks

10. In some instances, neither the loss adjuster nor the insurer's own claims staff have the expert knowledge to deal with some aspects of a claim. In such instances, they turn to a range of experts. State on each listed expert below, the typical problem they might be called to deal with as it relates to insurance claims:

(a) forensic scientists

(b) medical practitioners(d) structural engineers

(c) accident reconstruction experts

(e) valuers.

Solution

5014110	11	
S/No	Expert	Problems
а	Forensic Scientists	To establish the cause of a fire
В	Medical Practitioners	To determine the seriousness of a claimed medical
		condition and whether or not it is genuine
С	Accident Reconstruction	To establish the speed and path of vehicles involved
	Experts	in a road accident
d	Structural Engineers	To determine whether a building should be
		demolished rather than repaired
e	Valuers	To determine if the value of an artwork or jewellery
		being claimed is a reasonable one.

(2 points for each correctly stated problem. Grand Total: 10 marks)

11. List any four (4) roles of an insurance underwriter as it relates to managing the pool of risk effectively and profitably.

Solution

The roles of an insurance underwriter as it relates to managing the pool of risk effectively and profitably are:

- to assess each risk offered to the pool;
- decide whether or not to accept the risk;
- decide how much of the risk to accept;
- determine the terms, conditions and scope of cover to be offered;
- calculate a suitable premium for the particular risk.
 (2¹/₂ points for each correctly stated point. Maximum of 4 points to be graded. Total: 10 marks)

12. Enumerate any four (4) carriers of reinsurance risks.

Solution

The carriers of reinsurance risks are:

- reinsurance companies
- primary insurers
- captive insurance companies
- pools
- Lloyd's syndicates.

(2½ marks for each correctly stated carrier. Maximum of 4 to be graded. Grand Total: 10 marks)

13. Explain the term outsourcing as it relates to insurance operations. Give three (3) examples of insurance operations that can be outsourced.

Solution

Outsourcing in insurance is the act whereby an insurance company, while seeking to focus on its 'core business' and reduce costs, engages external partners/specialist providers to assist with managing a range of its none core insurance who should be able to do them more efficiently. (4 marks)

Some examples of insurance operations that can be outsourced are:

- Information Technology
- Accounts
- Management Services
- Helplines
- Elements of Claims Handling Process e.g. loss adjusting, inspection, e.t.c. (2 marks for each correctly stated example. Maximum of 3 to be graded. Sub-Total: 6 marks) Grand Total: 10 marks.

- 14. In line with the Course Contents of D01 Insurance Practice and Regulation,
- (a) Life assurance contracts comprise of three main groupings/headings. List these three (3) groups. (6 marks)
- (b) Non-Life Insurance contracts also comprise of three main headings. List any two (2) of these three groups. (4 marks)

Solution

a) The three (3) groups of life assurance contracts are:

- ordinary life assurance
- industrial life assurance
- permanent health insurance.

(2 marks for each correctly stated group. Sub-Total: 6 marks)

b) The three (3) groups of non-life contracts are:

- property
- casualty
- marine and aviation.

(2 marks for each correctly stated group. Maximum of 2 to be graded. Sub-Total: 4 marks) Grand Total: 10 marks.

Part II

Answer TWO (2) out of the following FOUR (4) questions. Each question carries 30 marks.

15. In theory, almost anything is insurable at a price, but in practice there are certain common characteristics among those risks that are acceptable to the market. Enumerate and explain any five (5) of these characteristics.

Solution

The characteristics of those risks that are acceptable to the market are:

- **pure risks:** the risks should be such that the results can only be in a loss to the insured and not either a loss or a gain; such as fire, flood, collision, illness, e.t..c. Those risks that could result in either a loss or a gain (i.e. speculative risks) are not usually insurable.
- **determinable:** the loss must be possible to quantify in financial terms, otherwise the insurer will not be able to calculate a premium and would not know how much to pay as a claim.
- **fortuitous:** the risk must be random rather than inevitable. For example, wear and tear is inevitable and would not usually be covered. The main exception to this is life assurance contracts, which assurers take the view

that though death is inevitable, the timing is usually fortuitous hence the ability to have insurance covers on death.

- **insurable interest:** there must be a recognised relationship between the insured and the loss i.e. ownership of the property, which is the fundamental difference between insurance and gambling. Any contract without insurable interest is unenforceable at law.
- **homogeneity:** preferably, there should be a large number of units exposed to similar risk if the insurer is to be able to create a common pool. One-off risks such as parts of a film star's anatomy can be insured but they are extremely difficult to price.
- **independence:** the risks should be independent of each other, so that a single event does not affect a large number at the same time and so give rise to a catastrophe loss e.g. war risks, terrorism, earthquakes, e.t.c. although in practice, the primary insurers can transfer part of their risk to other insurers so that the losses are shared.
- **public policy:** it is against public polity that anyone should insure the benefits of a crime; therefore, if such happens, such a contract will be declared illegal.

(2 marks for correctly stated characteristic. 2 marks for each explicit and correctly stated point. Maximum of 2 points to be graded under each characteristic. Sub-Total per characteristic: 6 marks. Maximum of 5 characteristics to be graded. Grand Total: 30 marks)

16(a) What is a complaint?

(6 marks)

(b) Enumerate three (3) reasons why complaints are important to firms. (9 marks) (c) In line with the contents of this course, D01 – Insurance Practice and Regulation; enumerate five (5) requirements for internal complaints handling procedures for an insurance organisation. (15 marks)

Solution

a) 'A complaint is any expression of dissatisfaction, whether written or oral, whether justified or not.

(2 marks for each coloured phrase above; Sub-Total: 6 marks)

b) Complaints are important to firms for the following reasons:

- they may be the most valuable form of feedback to a company;
- they are a source of information about where its customers want it to improve its service and product offering
- they represent an opportunity for direct contact with the customer

- they represent a chance to save the business from collapse
- they provide important information to help a company improve its products and service
- they enable the firm to comply with regulation (3 marks for each correctly stated point. Maximum of 3 to be graded. Sub-Total: 9 marks)

(c) In line with the contents of this course, D01 – Insurance Practice and Regulation; the requirements for internal complaints handling procedures for an insurance organization are:

- a firm must have a written down appropriate and effective complaint handling procedures
- the procedures should enable customers to make a complaint by any reasonable means (e.g. letter, telephone, email or in person)
- consumers must be referred in writing to the availability of the procedures at, or immediately after, the point of sale
- the procedures must make provision for complaints to be investigated by an employee of sufficient competence who, where appropriate, was not directly involved in the subject matter of the complaint; and who also have the authority to settle the complaint
- where a firm decides that redress is appropriate, it must provide the complainant with fair compensation for any acts or omissions for which it was responsible. This may not always involve financial redress e.g. it may be a simple apology that is the required redress
- a firm must take reasonable steps to ensure that all relevant employees are aware of the procedures
- a firm must provide written acknowledgement within five business days
- within four weeks of receiving a complaint, a firm must send the complainant either a final response or a holding response that explains why it is not yet in a position to resolve the complaint and also indicate when next the firm will be reverting with update. If the firm is unable to meet the stated timeline, they must contact the complainant with reasons for further delay and indicate when it expects to be able to provide a final response, while also informing the complainant that they may refer the complaint to the Ombudsman if they are dissatisfied with the delay
- a firm must keep record of complaints for a minimum period of three years. (3 marks for each correctly stated requirement. Maximum of 5 to be graded. Sub-Total: 15

17. Irrespective of the form of reinsurance effected by an insurance company, there are usually, two basic types of reinsurance treaty. Fully discuss these two (2) types of treaties in existence.

Solution

The two basic types of reinsurance treaties are:

- Proportional Treaties and
- Non-Proportional Treaties.

Proportional Treaties: under this method of reinsurance, the primary insurer decides what proportion of the risk it wants to retain, and then agrees to cede the balance to the reinsurers under the treaty. (2 marks) Premiums and losses are then shared in these same proportions. (2 marks) There are two types of proportional treaty; these are: (Sub-total: 4 marks)

- Quota Share Treaty: here, a fixed proportion of every risk defined in the treaty is reinsured e.g. a primary insurer may agree to reinsure 70% of all risks of a certain type, then if the sum insured is ¥100,000.00, the primary reinsurer retains ¥30,000.00 and reinsures ¥70,000.00
 (2 marks for stating the sub-type; 2 marks for any correct explanation or correct example. Sub-Total: 4 marks)
- **Surplus Treaty:** here, the primary insurer decides how much of each risk it wants to retain for its account. This amount is termed retention and it is calculated on the expected financial loss. Thereafter. The primary insurer arranges a reinsurance facility that will be measured in terms of lines. A line is equal to the primary insurer's retention.

(2 marks for stating the sub-type; 2 marks for any correct explanation or correct example. Sub-Total: 4 marks)

Non-Proportional Treaties: are based on the losses rather than on the sums insured. (2 marks) Here, the reinsurer agrees to pay an amount over and above, or in excess of, an amount which the primary insurer agrees to pay or retain.(2 marks) There are two types of non-proportional treaty; these are: (Sub-Total: 4 marks)

• Excess of Loss: here, the agreement would be that the ceding insurer pays the first Nx of all losses arising from an event and the reinsurer pays the Ny excess of the Nx.

(2 marks for stating the sub-type; 2 marks for any correct explanation or correct example. Sub-Total: 4 marks)

(3 marks) (3 marks) Stop Loss: here, the agreement would be that the reinsurance type provides protection for an entire portfolio of risk, rather than for individual losses. When the loss ratio for a type of business exceeds a particular figure, the reinsurers agree to pay. The loss ratio is expressed as a percentage of premiums so when the loss ratio exceeds the figure specified in the reinsurance contract, the reinsurers start to pay out. (2 marks for stating the sub-type; 2 marks for any correct explanation or correct example. Sub-Total: 4 marks)

18(a) What is the purpose of a proposal form?(3 marks)

(b) As a prudent and astute underwriter,

(i) list any four (4) of the main components that you will not omit when producing any insurance policy document. (8 marks)

(ii) enumerate four (4) common questions you would peruse and must see in any proposal before underwriting the policy.d (4 marks)

(c) Conditions can be expressed in the policy or implied. These conditions are important, otherwise they would not be there and a breach of any of these conditions will be serios. State the three (3) groups that these conditions fall into and briefly explain the stated groups. (15 marks)

Solution

(a) The purpose of a proposal form is to gather together all the material facts which are necessary for deciding on the acceptance and terms of the risk.

(1 mark for each bolded phrase. Sub-Total: 3 marks)

(b) (i) The main components of an insurance policy document are the:

* heading	* preamble	* company signature
* operative clause	* exceptions	* conditions
* mali an ada dada		

* policy schedule

(2 marks for each correctly stated component. Sub-Total: 8 marks)

(ii) The common questions one would peruse and must see in any proposal before underwriting the policy are questions regarding:

* name	* address	* occupation
* age	* past claims	* period of insurance.
	(1 mark for each correctly stated question. Sub	o-Total: 4 marks)

(c) The groups of the policy conditions fall into are:

(i) **conditions precedent to the contract:** these are conditions which must be fulfilled prior to the formation of the contract itself e.g. the implied conditions fall into this category. If they are not complied with, then there is doubt as to the validity of the entire contract.

(ii) **conditions subsequent to the contract:** these are conditions which have to be complied with once the contract is in force e.g. any condition relating to the adjustment of premiums, or notification of alterations to the risk, e.t.c.

(iii) **conditions precedent to liability:** these conditions relate to claims, and must and complied with if there is to be a valid claim e.g. prompt notification of claims in the proper manner.

(2 marks for correctly stated group; 2 marks for correct explanation of the stated group; 1 mark for correctly stated example. Sub-Total per group: 5 marks. Sub-Total: 15 marks) Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA DIPLOMA

APRIL 2021 DIET EXAMINATION PAPER

SUBJECT D04 BUSINESS PRACTICE

All answers are to be written on the answer booklet(s) supplied in accordance with the following instructions:

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Handle the answer booklet with care.
- Do not write on the question paper.

١

- The answer booklet should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the cover and flap of the answer booklet.
- Ensure that you write the full and correct candidate's number.
- No name should be written on any leaf of the book, or on any supplementary leaves that may be issued to the candidates.
- The answer to each question must be commenced on a separate page. Where however, a question consists of two of more parts, this instruction do not apply to the separate parts.
- Write in the ruled margin the number and question attempted.
- Leave no blank pages among your answers.
- Where supplementary leaves are used, the candidate's number should be written in the space provided on them and fastened at the end of the book inside the cover.

FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2021 DIET CANDIDATES' INSTRUCTIONS.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D04 – BUSINESS PRACTICE

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

You should answer all the 20 compulsory questions, which carries 10 marks each, the paper carries a total of 200 marks.

You are strongly advised to attempt ALL the questions to score maximum possible marks.

Where a question is split into parts (a), (b), etc, marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

In attempting the questions, you may find it helpful in some places to make rough notes in the answer booklet. If you do this, you must 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.

Answer each question on a new page. If a question has more than one part, leave several lines blank after each part.

Chief Examiner's Summarised Statistics

Highest Score:	85%
Lowest Score:	0%
Average Score:	39%

Breakdown Updates

Question 1

The question was on principal officers in NAICOM, NIA, NCRIB and CIIN. Majority of the candidates got the names correctly. It is recommended that candidates keep abreast of current situations in the Industry.

Question 2

This question was well understood by majority of the candidates. The candidates' performance was well above average. Most of them scored the maximum grade.

Question 3

Majority of the candidates got the maximum points and this led to the aboveaverage performance. Candidates should pay attention to diagrams in the coursebook.

Question 4

Performance was average as some candidates gave a different interpretation to the question.

Question 5

It was designed to test candidates' knowledge of the shareholder theory in its totality. Performance was just average.

Question 6

Attempt on the question by candidates was good but performance was just above average.

Question 7

About 90% of candidates attempted the question with very good performance which was indicative of an understanding of the requirements of the answers.

Question 8

Most of the candidates did not understand the terminologies which accounted for the low pass rate.

Question 9

Attempt was good (about 90%) but the pass rate was 70%.

Question 10

The question was to examine candidates on the duties of a company secretary and it was well attempted. Pass rate was about 80% which indicated that it was well understood.

Question 11

95% of candidates attempted this question with a pass rate of about 60%. It was clear that some candidates did not understand the concept of criminal properties as it relates to money laundering.

Question 12

Few candidates could not address the task of PR. About 85% of the candidates performed above average.

Question 13

Some candidates listed the process of decision making instead of the type of information involved due to lack of understanding. Pass rate was average.

Question 14

Pass rate in this question was quite impressive. However, few candidates had no idea of what a quorum was all about.

Question 15

This was a direct question and it was understood by the candidates. Few candidates mistook succession planning for planning. Pass rate was just average.

Question 16

The question was clearly understood by most of the candidates. About 96% of them passed very well.

Question 17

The definition part was well answered while the methods of budgets were misconstrued by few candidates. Pass rate was average.

Question 18

Many candidates were able to explain the "depreciation". About 50% of the candidates could not list general terms of how insurance company's expenditure can be expressed.

Question 19

The (a) part was well understood and well answered while the (b) part was not clearly answered. The overall performance was just below average.

Question 20

The question was simple. However, the word "main" in (a) misled candidates to write only one purpose. Those who did were allotted the full marks attainable here. The (b) part was not well answered by many of the candidates, which is quite worrisome as the question is on internal challenges of an organisation.

Chief Examiner's Comments on Overall Performance

The overall performance was not impressive.

Chief Examiner's Suggestion on Improvement

Candidates are advised to read wide and cover the contents of the coursebook with full and clear understanding. They should also consult journals, magazines writeups for in-depth understanding.

1. In Nigeria, what is the name of the current	
(a) Commissioner for Insurance?	(2 marks)
(b) President of the Nigerian Council of Registered Insurance	Brokers?
	(2 marks)
(c) President of the Institute of Loss Adjusters of Nigeria?	(2 marks)
(d) Chairman of the Nigerian Insurers Association?	(2 marks)
(e) President of the Chartered Insurance Institute of Nigeria?	(2 marks)
Solution	
a) Mr. Sunday O. Thomas	(2 marks)
b) Dr. (Mrs.) Bola Onigbogi	(2 marks)
c) Mr. Reginald Egbuniwe	(2 marks)
d) Mr. Ganiyu Musa	(2 marks)
e) Sir Muftau Oyegunle	(2 marks)
(Grand Total: 10 marks)	

2. Enumerate any five (5) of the characteristics of effective internal communication.

Solution

The characteristics of effective internal communication are:

* accuracy	* clarity	* relevance
* reliability	* credibility	* timeliness

(2 marks for each correctly stated characteristic. Maximum of 5 to be graded. Total: 10 marks)



3. Outline the business/economic continuum in/with a diagram.

4. List the four (4) factors that can be used to structure businesses in different ways.

Solution

The four (4) factors that can be used to structure businesses in different ways are:

- the size of the business
- the desired level of liability for its owners in the event of its failure
- the relationship between the partners (if any) in the business
- the ultimate aims of the owners of the business.
 (2¹/₂ marks for each correctly stated factor. Total: 4 marks)
- 5. a) What does "stakeholder theory" relate to? (2 marks)
- (b) Enumerate any four (4) actions that will be needed under the "stakeholder theory", to gain a clear appreciation of the stakeholders who have an interest in the business. (8 marks)

Solution

b) Stakeholder theory relates to the fact that as stakeholders exist and can apply considerable influences on a company, management will have a key task of having to balance the requirements of the various stakeholder groups. (2 marks)

b) The following are actions that will be needed under the "stakeholder theory" to gain a clear appreciation of the stakeholders who have an interest in the business:

- identify the business' stakeholders, and who they are;
- find out their expectations, and the minimum return each stakeholder will accept;
- identify the strength of each stakeholder's influence on the way the company acts;
- establish who the key people are in each stakeholder group and develop good relations with them;
- identify the views and attitudes of the various stakeholders to the company's mission, strategies, activities and where necessary, invoke any change;
- establish the stakeholders who support the management's business policies and approach, and find out those who do not agree;
- find out how antagonistic stakeholders can be won over, use supporters to exert their influence on antagonists.

(2 marks for each complete and correctly stated action. Maximum of 4 to be graded. Sub-Total: 8 marks)

Grand Total: 10 marks.

6. a) What is the meaning of the acronym "CRM"?	(3 marks)
(b) What is "CRM" largely about?	(4 marks)
(c) Why is "CRM" important today?	(3 marks)
Solution	

(a) CRM means Customer Relationship Management.

(3 marks) (b) CRM is largely about getting closer to the customer and moving into a proactive environment. It is also about trying to build relationships with customers by understanding their needs and offering products and services that meet those needs.

(2 marks for each correctly stated point. Maximum of 2 points to be graded. Sub-Total: 4 marks)

(c) CRM is important today because when it is successfully deplored, it makes the customer purchase several products from the company (2 marks), thereby increasing the company's revenue and profit (2 mark).

(Sub-Total: 3 marks) Total: 10 marks.

7. Company directors have definite principal legal responsibilities. What are the four (4) principal legal responsibilities?

Solution

The four (4) principal legal responsibilities are to:

- act in good faith
- act with care, diligence and skill
- ensure the production and distribution of the company's accounts
- ensure the company complies with the law.
 (2¹/₂ marks for each correctly stated responsibility. Total: 10 marks.)

8. (a) What is communication strategy?

(b) The basis of any successful communications programme is a clear understanding of the communication process seen from the customer's viewpoint. Illustrate this view point with the aid of a diagram.

Solution

(a) Communication strategy is a controlled, integrated program of communication methods and materials designed to present an organisation and its products in a consistent and clear way to prospective customers.

(1 mark for each bolded phrase above. Sub-Total: 3 marks)

(b)

Unawareness	(½ mark)
Awareness	(½ mark)
Comprehension	(½ mark)
Conviction	(½ mark)
Action (Sub-Total: 3 marks) (Grand Total: 6 marks)	(1 mark)

9. Enumerate any five (5) signs of a poorly motivated workforce.

Solution

The signs of a poorly motivate workforce are:

- abnormally high turnover of personnel
- low productivity
- absenteeism
- poor quality of work
- persistent lateness
- "couldn't care less" attitude to work
- fixed ideas and excessive resistance to change
- a plethora of petty complaints and grievances with little or no foundation
- lack of acceptance of responsibility.
 (2 marks for each correctly stated sign. Maximum of 5 to be graded. Total: 10 marks)
- 10. One of the duties of a company secretary is maintaining the statutory registers of the company. Enumerate any four (4) of such statutory registers.

Solution

The statutory registers required to be maintained by a company secretary are:

- register of members
- registers of directors and secretaries
- register pf directors' interest
- register of charges
- register of interest in shares (for public companies).
 (2¹/₂ marks for each correctly stated register. Maximum of 4 to be graded. Total: 10 marks)

11. (a) When is the term "money laundering" used?(2 marks)(b) Enumerate any four (4) groupings classified as criminal property under
money laundering.(8 marks)

Solution

(a) "Money Laundering" is the term used for a number of offences involving the proceeds of crime or terrorist funds.

(b) Criminal property under money laundering includes:

- the proceeds of tax evasion
- a benefit obtained through bribery
- a benefit obtained through corruption
- benefits obtained through the operation of a criminal cartel
- income obtained through the operation of a criminal cartel
- benefits arising from a failure to comply with regulatory requirement, where the failure is a criminal offence.

(2 marks for each correctly stated grouping. Maximum of 4 to be graded. Sub-Total: 8 marks) Grand Total: 10 marks 12. List any four (4) most normally addressed tasks of public relations. **Solution**

The most normally addressed tasks of public relations are:

- motivating the organisation's workforce by fostering pride in its public face
- handling a specific problem or issue
- building or maintaining the corporate image
- influencing particular audiences or market segments
- supporting other communication activities
- assisting in the launch of a new product or service.
 (2¹/₂ marks for each correctly stated task. Maximum of 4 to be graded. Total: 10 marks.)

13Which four (4) areas do managers need to consider when pinpointing what
type of information is essential for decision making?(C3/P20)Solution

The four areas that managers need to consider when pinpointing what type of information is essential for decision making are:

- what information does a manager need?
- how is that information structured today and how should it be structured in the future?
- how should the information be collected and collated?
- what are the best ways of presenting the information to make it easily understandable?

($2^{1/2}$ marks for each correctly stated area. Total: 10 marks.)

14. Define the following terms:

(a) a quorum	(b) agenda	(c) minutes
(d) management	(e) financial resources.	

Solution

(a) A quorum is the number of a company's members that must be present if the proceedings at its meetings are to be regarded as valid.

(b) Agenda for a meeting is a list showing the order in which each item of business will be discussed at that meeting.

(c) Minutes are notes which record accurately the proceedings at meetings where lasting decisions are made.

(d) Management is the process of planning, organising, leading and controlling the material, financial and human resources of an organisation.

(e) Financial resources constitute the funds that are available to the managers of the business to allow it to carry out its day-to-day operations.

(2 marks for each correctly stated definition. Total: 10 marks)

15. Succession planning is concerned with providing an organisation with a supply of people to replace existing job holders with new ones able to perform the same job. List the key steps in succession planning.

Solution

The key steps in succession planning are:

- identify the key jobs necessary to achieve strategic goals
- identify the extent to which these jobs will change (or represent new jobs)
- identify the performance factors critical to success in these jobs
- establish current key players
- prepare an inventory of skills, abilities, e.t.c. of current key players
- identify a timescale before current key players will leave the organisation
- establish a means of identifying current skills of potential successors and their potential to develop new skills.
 (2 marks for each correctly stated step. Maximum of 5 to be graded. Total: 10 marks)

(2 marks for each correctly stated step. Maximum of 5 to be graded. Total: 10 marks)

16. Enumerate any four (4) reasons why organisations particularly rely on market research.

Solution

Organisations particularly rely on market research in order to:

- develop marketing plans
- identify target markets
- formulate marketing strategy
- control marketing operations
- monitor the success of products or services.
 (2¹/₂ marks for each correctly stated reason. Maximum of 4 to be graded. Sub-Total: 10 marks)

17. (a) Define the term "a budget".(2 marks)(b) State any four (4) methods of budgeting.(8 marks)

Solution

a) A budget is a financial or quantitative statement prepared in advance of a specified accounting period. (2 marks)

(b) The following are the types of budgeting:

- top-down budgeting
- bottom-up budgeting
- fixed and flexible budgeting
- zero-based budgeting
- rolling budgets.
 (2 marks for each correctly stated type. Maximum of 4 to be graded. Sub-Total: 8 marks) (Grand Total: 10 marks)

18. (a) What is meant by "depreciation"?(4 marks)(b) List any three (3) general terms of how an insurance company's expenditure
can be expressed.(8 marks)C5/P20&19

Solution

a) Depreciation is the "writing-down" of the value of an asset over a period of time in the organisation's balance sheet, to reflect the cost of its use.

(2 marks for each bolded coloured phrase. Sub-Total: 4 marks)

b) An insurance company's expenditure be expressed in terms of:

- net claims
- reserves and related expenses
- reinsurance premiums
- acquisition costs
- operating costs.

 (2 marks for each correctly stated term. Maximum of 3 to be graded. Sub-Total: 6 marks) Grand Total: 10 marks.
- 19. "Business ethics" is a crucial success factor in any business organisation. Briefly state, by way of definition, the meaning of the term "business ethics".
- (b) Enumerate any three (3) reasons why ethical issues are important in managing an insurance company in any country. (6 marks)

(4 marks)

Solution

a) Business ethics means the standards and conduct that a company or business sets for itself in its dealings within the organisation and outside - within the business and social environment. It concerns the application of moral principles and how individual conduct themselves in social affairs.

(2 marks for each correctly stated explanation. Maximum of 2 to be graded. Sub-Total: 4 marks)

b) Some reasons why ethical issues are important in managing an insurance company in any country are:

- large organisations have revenue which is often more than small ones, therefore, how these companies use their wealth can have implications for the wellbeing of the countries in which they operate
- consumers and consumers groups now increasingly judge organizations by the way they handle ethical and environmental issues
- as strategic business decisions are partly determined by the culture influences of societies, cultural factors can affect the moral thinking of managers
- responsibility and power are closely interlinked. Senior managers in large companies may take a decision which may affect the community positively or otherwise.

(2 marks for each correctly stated reason. Maximum of 3 to be graded. Sub-Total: 6 marks) (Grand Total: 10 marks)

20(a) What is the main purpose of preparing budgets to an organisation? 4 marks

(b) Give three (3) examples of changes facing an organisation for which managers have to plan. (4 marks)

Solution

a) The main purpose of preparing budget to an organisation is **to enable managers to plan** and **control the activities** of the organisation.

(2 marks for each bolded coloured phrase. Sub-Total: 4 marks)

b) The examples of changes facing an organisation for which managers have to plan are:

- changes in the size of the organisation's market
- changes in the size of the organisation's share of that market
- the possibility that new legislation will affect the organisation
- trends in environmental and demographic factors that are likely to affect its activities.

(2 marks for each correctly stated example. Maximum of 3 to be graded. Sub-Total: 6 marks) (Grand Total: 10 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA

DIPLOMA

APRIL 2021 DIET EXAMINATION PAPER

SUBJECT D05 INSURANCE LAW

All answers are to be written on the answer booklet(s) supplied in accordance with the following instructions:

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Handle the answer booklet with care.
- Do not write on the question paper.
- The answer booklet should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the cover and flap of the answer booklet.
- Ensure that you write the full and correct candidate's number.
- No name should be written on any leaf of the book, or on any supplementary leaves that may be issued to the candidates.
- The answer to each question must be commenced on a separate page. Where however, a question consists of two of more parts, this instruction do not apply to the separate parts.
- Write in the ruled margin the number and question attempted.
- Leave no blank pages among your answers.
- Where supplementary leaves are used, the candidate's number should be written in the space provided on them and fastened at the end of the book inside the cover.

FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2021 DIET CANDIDATES' INSTRUCTIONS.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D05 – INSURANCE LAW

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

You should answer all questions in Part I and two (2) out of the four (4) questions in Part II.

The paper carries a total of 200 marks distributed as follows:

Part I - 140 marks.

Part II - 60 marks.

You are advised to spend not more than two (2) hours on Part I. You are strongly advised to attempt ALL the required questions to score maximum possible marks.

Where a question is split into parts (a), (b), etc, marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

In attempting the questions, you may find it helpful in some places to make rough notes in the answer booklet. If you do this, you must 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.

Answer each question on a new page. If a question has more than one part leave several lines blank after each part.

Chief Examiner's Summarised Statistics

Highest Score:	72%
Lowest Score:	10%
Average Score:	45%

Breakdown Updates

Question 1

Question was intended to examine how familiar the candidates were with the statutory functions of NAICOM as the apex regulatory organ of the Insurance industry. Attempt was about 90% with a poor pass rate. The simple reason for this poor pass rate might be that candidates did not get acquainted with regulatory matters in the Industry. Candidates are advised to pay attention to issues of regulation in the industry.

Question 2

This was a coursebook question that was meant to test candidates' knowledge of the branches of law. It was well attempted (100%). Pass rate was good – almost 100%. Prospective candidates are encouraged to be studying the coursebook and understand it in preparing for future examination.

Question 3

This was a coursebook question intended to examine if candidates understood the differences between a one-man business and a limited liability company. Attempt was 100% and performance was almost 100%. The brilliant performance could be attributed to the fact that the question was direct and straight forward from the coursebook. Prospective candidates are encouraged to get used to studying the coursebook well.

Question 4

Question was about the tort of defamation. It was straight from the coursebook. Attempt was 90% with a pass rate of 45%. Many candidates wasted time in writing irrelevances. The topic looked attractive, but candidates did not have a good understanding of the requirements of the question. Adequate reading and understanding of the course are key for good performance. Candidates are encouraged to prepare adequately for the examination in future. They should refrain from questions whose requirements they do not understand well.
Question related to two aspects of law f contract – invigilation to treat and acceptance. It was to know how these elements could make for a valid contract. Attempt was good (80%) while performance was 70%. There is still room for improvement. Tutorial aids should be sought for proper preparation.

Question 6

Question was on the formation of an agency relationship. Attempt was average and performance was average. Many candidates struggled with the question, perhaps because of the diagram. The candidates needed not to be confused by a question on diagram because it is in the coursebook and could aid their understanding of the topic. It is suggested that candidates should seek tutorial guides for future examination.

Question 7

Question was to examine if the candidates' understood principles relating to "return of premium" in an insurance transaction. Attempt was above average but the pass rate was below average. The poor performance is accounted for by the fact that candidates confused the (a) part with the (b) part i.e. there was a lack of understanding of the requirements of the question. Candidates also rushed up the question as seen in the attempts where they did not know what was asked of the, which resulted in a below average pass rate of 30%. Candidates should seek tutorial assistance for future examination.

Question 8

It was on testing candidates' knowledge on what would constitute a breach on the part of an insured in his contract with an insurer. Attempt and pass rate were both good (80%). The table drawn also assisted the candidates. Room for improvement exists though.

Question 9

It was on testing candidates' knowledge on terms of a typical insurance contract. 80% of the candidates attempted this question but only 30% of them passed it. The question was popular with the candidates, but many did not have what was required of them. Adequate preparation is advised for future examination.

Question 10

The question was about transfer of interest in contract and the types of insurance contracts in which transfer of rights were either transferable or not transferable. Attempt was good (79% - 80%). Pass rate was average. He depth of understanding of the requirement was not deep. Candidates are advised to understand questions before opting to answer them.

The question was about the principle of causation and legislative intervention in the operation of privity of contract at common law. Attempt was above 85% and pass rate was above 65%. Better performance could be enhanced by adequate preparation in future examinations.

Question 12

It was on testing candidates' knowledge of some technical terms in insurance. Attempt was good and pass rate was average. Tutorial aid should be sought guidance in future examinations.

Question 13

It was on testing candidates' knowledge on doctrine of contribution and was a popular question with the candidates. Attempt was almost 100% with an above average pass rate. The calculation of contribution was tough for the candidates as only three (3) candidates got it. On the conditions to be fulfilled, candidates performed very well here. There is room for improvement with better preparation for the examination.

Question 14

It was on testing candidates' knowledge of how the courts and parties can interpret the wordings of a typical insurance contract document. Attempt was good and pass rate was also good. The requirements for the conditions were not onerous. The responses were encouraging.

Question 15

The question was on the definition of subrogation, its purpose and origin in relation to an insurance contract. Attempt was more than 60% with a less than 30% pass rate. Lack of adequate preparation could be adduced as the reason for the poor performance. Candidates are enjoined to prepare adequately for future examinations.

Question 16

The question was to examine candidates' understanding of the concept of delegated legislation, its advantages and control. Less than 60% of the candidates attempted the question which is suggestive that the topic was not popular with the candidates. Pass rate was less than 20%. There is need for every aspect and topic of the coursebook to be well studied by the candidates.

The question set out to examine candidates' understanding of the principle of indemnity and its operation. It was popular with the candidates (80%) and about (60%) of them passed. Very few misunderstood the "b" part of the question. It is recommended that candidates prepare adequately for future examination.

Question 18

It was on testing candidates' understanding on local customs as a source of law and the conditions required to be upheld for their acceptance. This is an elementary coursebook question. Attempt was about 41% and pass rate was above 35%. This obviously show that candidates did not take time to study before the examination. Adequate preparation notwithstanding its cost, is needed for good performance. It is therefore recommended.

Chief Examiner's Comments on Overall Performance

Overall performance is unimpressive. There is ample room for improvement if only the candidates would heed the counsels being dished out diet by diet for future use in their examination.

Chief Examiner's Suggestion on Improvement

As stated under each question above.

Part I

Answer ALL questions in Part I.

Each question carries 10 marks.

1. The NAICOM Act 1997 has some statutory functions for the National Insurance Commission when it was established. List any five (5) of these functions.

Solution

The statutory functions of the National Insurance Commission as established by NAICOM Act 1997 are:

- establish standards for the conduct of insurance business in Nigeria
- approve rates of premium to be paid in respect of all classes of insurance business
- approve rates of commission to be paid in respect of all classes of insurance business
- ensure adequate protection of strategic government assets and other properties
- regulate transactions between insurers and reinsurers in Nigeria and those outside Nigeria
- act as adviser to the Federal Government on all insurance related matters
- approve standards, conditions and warranties applicable to all classes of insurance business
- protect insurance policyholders, beneficiaries and third parties to insurance contracts
- publish, for sale and distribution to the public, annual reports and statistics of insurance industry
- liaise with and advice Federal Ministries, parastatals, statutory bodies and other government agencies on all matters relating to insurance contained in any technical agreements to which the country is a signatory to
- contribute to educational programmes of the Chartered Institute of Nigeria and the West African Insurance Institute
- carry out other activities connected or included to its other functions. (2 marks for each correctly stated function. Maximum of 5 to be graded. Total: 10 marks)
- 2. List any four (4) main branches of private law.

Solution

The main branches of private law are:

* law of contract
* law of torts
* law of trusts
* law of property

* family law
* law of succession.
(2¹/₂ marks for each correctly stated branch. Maximum of 4 to be graded. Total: 10 marks)

3 Enumerate any five (5) differences between partnerships and limited companies.

S/No	Partnerships	Limited Companies
1	No corporate existence	Separate legal status from that of
		the members
2	Scope of activities may be	Activities defined in memorandum
	changed by mutual agreement	of association – can only be
		changed by Special Resolution
3	Partners (other than limited	Liability of members is limited to
	partners) have unlimited liability	the value of shares or guarantee
4	All partners normally play an	Management is in the hands of the
	active role in management	Board of Directors
5	Membership generally limited to	No legal restrictions on number of
	20	members
6	Details of accounts and affairs	Details of accounts and other
	may be kept private	matters must be made public
7	Partnership must be in business	Company may or may not trade for
	with a view to profit	profit
8	All partners must agree to the	Shares (and therefore membership)
	appointment of a new partner	of public limited companies may
		be freely acquired.

Solution

(1 mark for each correctly stated difference. Maximum of 5 comparative to be graded. Total: 10 marks)

4. (a) What is the meaning of the term "defamation"? (2 marks)
(b) What are the four (4) essential elements that must be present for an action in defamation to succeed in the tort of defamation? (8 marks)
Solution

(a) Defamation is a false statement about a person which causes injury to that person's reputation. (2 marks)

(b) The four (4) essential elements of the tort of defamation are:

- a defamatory statement
- reference of the statement to the claimant
- publication of the defamatory statement
- damage (in cases of slander not actionable per se).

(2 marks for each correctly stated element. Sub-Total: 8 marks) (Grand Total: 10 marks) 5. (a) What if an "invitation to treat"? (2 marks)
(b) Acceptance must generally be communicated to the offeror. How can this be done? (4 marks)
(c) A person goes to a supermarket, picks up a bar of chocolate from its

numerous advertised products and pays at the cash point. State the point, with reason, when was the contract of sale concluded. (4 marks) Solution

(a) An invitation to treat is a statement made when negotiations are still in progress, and not an offer. It is, effectively, an invitation to make an offer.

```
(2 marks).
```

(b) An acceptance generally can be in any form e.g. in writing, orally or by conduct. (2 marks) However, if the offeror states that acceptance must take a particular form, the method stipulated must generally be used. (2 marks). (Sub-Total: 4 marks)

(c) The contract of sale was concluded at the cash point. (2 marks) Putting the policy in a purchase basket is probably an offer to buy; (1 mark) deducting and accepting the money from the debit card is probably the acceptance. (1 mark). (Sub-Total: 4 marks).

(Grand Total: 10 marks)

6. Show by way of a diagram/chart, a summary of the ways in which an agency relationship may be given.

Solution



7. (a) What rule was laid down in *Tyrie v. Fletcher* (1777)? Explain. (6 marks)
(b) What are the two (2) main reasons why the law requires insurable interest in an insurance contract? (4 marks)

Solution

(a) The rule laid down in *Tyrie v. Fletcher* (1777) is that once the risk has started to run, the insured is not entitled to any return of premium if the contract is ended prematurely. (3 marks) However, if the insurers have never been on risk at all, the insured is entitled to recover their premium. (2 marks) The rule can be modified by the terms of the contract which may allow a return of premium in some cases. (1 mark) (Sub-Total: 6 marks)

(b) The two (2) main reasons why the law requires insurable interest in an insurance contract are to:

- reduce moral hazard (2 marks)
- discourage wagering. (2 marks).

(Sub-Total: 4 marks) (Grand Total: 10 marks)

8. (a) A breach of good faith may occur on the part of the insured or, more rarely, on the part of the insurer. State the two (2) forms that a breach by the insured might take. (2 marks)

(b) When any of such breaches in (a) above occurs, the insurer has some rights. Complete the table below with either a "yes" or a "no" as it relates to either an innocent or fraudulent breach by the insured.

S/No	Action	Innocent Breach by the Insured	Fraudulent Breach by the Insured
1	Right to avoid the policy as a		
	whole?		
2	Right to keep the premium as		
	well?		
3	Right to ignore the breach		
	and allow the policy to stand?		
4	Right to refuse a particular		
	claim but allow the policy to		
	stand?		
	·	•	(8 marks)

Solution

(a) The two (2) forms that a breach by the insured might take are:

* misrepresentation * non-disclosure.

(1 mark for each correctly stated form of breach. Sub-Total: 2 marks)

(b)			
S/No	Action	Innocent Breach by the Insured	Fraudulent Breach by the Insured
1	Right to avoid the policy as a whole?	Yes	Yes
2	Right to keep the premium as well?	No	Yes
3	Right to ignore the breach and allow the policy to stand?	Yes	Yes
4	Right to refuse a particular claim but allow the policy to stand?	No	No

(1 mark for each correctly stated response. Sub-Total: 8 marks) (Grand Total: 10 marks)

9. (a) What is a warranty in an insurance contract and how does it differ from a warranty in a non-insurance contract? (7 marks)
(b) In what three (3) ways may warranties arise in insurance contracts? (3 marks)

Solution

(a) A warranty in insurance contract is a major term which, if broken, terminates cover automatically and, for all practical purposes, ends the contract. (3 marks) It is essentially a promise made by the insured relating to facts or to something which he agrees to do; (2 marks) while a warranty in a non-insurance contract is a minor term which, if broken, allows an action for damages only. (2 marks). (Sub-Total: 7 marks)

(b) The three (3) ways that warranties may arise in insurance contracts are:

•	as express warranties	(1 mark)
٠	as implied warranties	(1 mark)
•	from a "basis of the contract" clause.	(1 mark)
	(Sub-Total: 3 marks)	
	(Grand Total: 10 marks)	

10(a) What is the term "assignment" concerned with in contracts? (2 marks)(b) Why are:

(i) motor insurance policies not freely assignable?	(3 marks)
(ii) life insurance policies freely assignable?	(3 marks)

(c) What other common class of insurance policy is freely assignable? (2 marks) Solution

(a) Assignment is concerned with the transfer to another person of the rights that exist under a contract, and in some cases, the transfer of duties. (2 marks)

(b) (i) Motor insurance policies are not freely assignable because they are "personal" contracts. (2 marks). The insurer's willingness to provide cover will depend not only on the vehicle to be insured but also on the age, occupation, experience and driving record of the insured and of the other people whom the insured may allow to drive. (1 mark) (Sub-Total: 3 marks)

(ii) Life insurance policies are freely assignable because, provided the identity of the life of the life insured does not change on assignment (1 mark), there is no change in risk. (2 marks) In this sense, life policies are not personal contracts. (Sub-Total: 3 marks)

(c) Marine insurance.

11. (a) What is a remote cause?

Grand Total: (10 marks)

(2 marks)

(2 marks)

(b) There are four (4) statutory exceptions to the doctrine of privity of contract, which affect various lines of insurance. Enumerate these statutory exceptions. (8 marks)

Solution

(a) A remote cause is a cause which plays only a small part in bringing about the loss. It is more or less the opposite of the proximate cause. (2 marks)
(b) The statutory exceptions to the doctrine of privity of contract, which affect various lines of insurance are:

- The Road Traffic Act 1988
- Third Parties (Rights Against Insurers) Act 1930
- Law of Property Act 1925
- Fire Prevention (Metropolis) Act 1774 (2 marks for each correctly stated Act. Sub-Total: 8 marks)

(Grand Total: 10 marks)

12. (a) What does an "average clause" provide in an insurance policy? (4 marks)(b) State in explicitly clear terms the class of insurance policy where the term "average" is applicable as a definite:

(i) yes; (ii) possibly; and (iii) probably not. (3 marks) (c) Enumerate any three (3) circumstances where a person insured under a property policy may receive less than a full indemnity in the event of a valid loss. (3 marks)

Solution

(a) Average clause, in an insurance policy, provides that where the sum insured is less than full value, the insured will be considered their own insurer for the uninsured part of the risk (2 marks) and the claim payment for any loss will be scaled down proportionately. (2 marks) (Sub-Total: 4 marks)

(b) The class of insurance policy where the term "average" is applicable as a definite:

(i) yes:	is marine insurance	(1 mark)
(ii) possible:	is in commercial property insurance	(1 mark)
(iii) probably not:	is in household insurance.	(1 mark)
	(Sub-Total: 3 marks)	

(c) The circumstances where a person insured under a property policy may receive less than a full indemnity in the event of a valid loss are when there is:

- inadequate sum insured or limit of indemnity (1 mark)
- operation of another policy limit (1 mark)
- operation of an average clause. (1 mark)
- operation of excess/deductible
- operation of franchise.

(1 mark for each correctly stated circumstance. Maximum of 3 to be graded. Sub-Total: 3 marks) (Grand Total: 10 marks)

13(a) What is the popular case law which establishes the method for the calculation of contribution in the case of liability insurances? (3 marks) (a) What method for calculating the ratio of contribution is employed in the case of liability insurance? (2 marks)

(c) What conditions must be satisfied for contribution to arise at common law? (5 marks)

Solution

(a) The popular case law that establishes the method for the calculation of contribution in the case of liability insurances is the case of *Commercial Union v. Hayden* (1977). (3 marks)

(b) The method employed for calculating the ratio of contribution is the independent liability method. (2 marks)

(c) The conditions that must be satisfied for contribution to arise at common law are that:

- there must exist two or more policies of indemnity exist (1 mark)
- each of the policy insure the subject matter of the loss (1 mark)
- each of the policy insure the peril which bring about the loss (1 mark)
- each of the policy insure the same interest in the subject matter (1 mark)

• each of the policy is liable for the loss.

(1 mark)

(Sub-Total: 5 marks) (Grand Total: 10 marks)

14. List the four (4) common law rules for interpreting insurance policies. **Solution**

The common law principles for interpreting insurance policies are:

- Ordinary Meaning
- Technical or Legal Meaning (Golden Rule)
- Contextual Meaning
- Contra Proferentem Rule

 (2¹/₂ marks for each correctly stated rule. Total: 10 marks)

Part II

Answer TWO (2) out of the following FOUR (4) questions. Each question carries 30 marks.

· · ·	ne the term "subrogation" as an insurance concept. The the main purpose that the concept of "subrogation" s	(2 marks) seeks to
	a valid insurance claim.	(2 marks)
(c) What is	the case law that recently settled this concept with respe	ct to any form
of ambiguit	ty of its origin?	(1 mark)
(d) What is	its origin?	(2 marks)
(e) In what	four (4) ways has common law impacted the doctrine?	(8 marks)
(f) Explain t	he operation of the concept:	
i.	where recovery is less than the loss	(5 marks)
ii.	where recovery is equal to the loss	(5 marks)
iii.	where recovery is greater than the loss	(5 marks)

Solution

(a) Subrogation, as an insurance concept is the right of one person, having indemnified another under a legal obligation to do so, to stand in the place of that other and avail himself of all the rights and remedies of that other, whether already enforced or not; **OR** subrogation refers to the right of an insurer who has indemnified an insured in respect of a particular loss to recover all or part of the claim payment by taking over any alternative right to indemnify which the insured possesses.

(2 marks for any correct definition)

(b) The main purpose of the concept of the term "subrogation" is simply to prevent unjust enrichment of the injured – to prevent the insured from unfairly profiting from the loss and so preserve the principle of indemnity. (2 marks) (c) The case law that recently settled this concept with respect to a form of ambiguity of its origin *Napier v. Hunter* (1993).
(d) The origin of the doctrine is equity
(2 marks)

(e) Common law has impacted the doctrine of subrogation in the following ways:

- a duty on the part of the insured to start proceedings against a third party in order to reduce his loss.
- a promise by the insured to account to the insurer for moneys received from the third party.
- a promise by the insured to permit the insurer to exercise his right of action against the third party should the insured fail to do so himself
- a promise by the insured to act in good faith when proceeding against the third party.

(2 marks for each complete and correctly stated way. Sub-Total: 8 marks)

e. Subrogation is explained

i. Where Recovery is Less than the Loss:

- if the insurer has fully paid the claim, the insurer will keep whatever is recovered.
- if the insurer has not fully paid the claim, by the decision in *Napier v. Hunter* (1993), the insurer would be able to keep the whole money recovered notwithstanding that the insurer, has not fully paid. The position is the same in the case of under-insurance.

(2½ marks for each complete and correctly stated point. Maximum of 2 to be graded. Sub-Total: 5 marks)

ii. Where Recovery is Equal to Loss

• Where the insurer has fully paid the claim and the amount recovered from the third party is the same the amount paid, the insurer keeps the money recovered. However, where the amount paid by the insurer is lesser than the amount recovered because, for example, the amount is subject to excess, the insurer will pass the balance to the insured.

(2¹/₂ marks for each complete and correctly stated point. Maximum of 2 to be graded. Sub-Total: 5 marks)

iii. Where Recovery is Greater than Loss

- The insured will keep the excess in case of any surplus as the insurer is not entitled to get more than he has paid out.
- In *Yorkshire Insurance Co. Ltd. V. Nisbet Shipping Company Limited,* the case established that insurer cannot by way of subrogation recover a greater sum than they have paid out. The only exception is if the insurer relies on another clause in the policy that makes the insured to assign to them any right of recovery against a third party.

(2½ marks for each complete and correctly stated point. Maximum of 2 to be graded. Sub-Total: 5 marks) (Grand Total: 30 marks) 16. (a) Briefly explain the phrase "delegated legislation"? (2 marks)

(b) List any two (2) broad classes (important forms) of delegated legislation. (2 marks)

(c) List and briefly explain the three (3) advantages of delegated legislation. (18 marks)

(d) Explain how the two (2) levels of control over delegated legislation are achieved. (8 marks)

Solution

(a) Delegated legislation is specie of legislation made by other agencies apart from the legislature. Modern day complexities involved in law making, inadequacy of legislative time amongst other things necessitate that this be done. Therefore, the modern legislatures sometime only make law with general framework leaving the other details to other arms of government. The law so made by such other bodies are called delegated legislation. The name of the Acts that confers such powers are called Enabling (or Parents) Acts. (2 marks)

(b) The broad classes (important forms) of delegated legislation are:

- Statutory Instruments
- Orders in Council
- Bye-Laws
 - (1 mark for each correctly stated class. Maximum of 2 to be graded. Sub-Total: 2 marks)

(c) The three (3) advantages of delegated legislation are:

- expertise
- saving parliamentary time
- speed and flexibility

(Candidates are required to also briefly explain these listed advantages. 2 marks for each correctly listed advantage, 2 marks for each complete and correct explanation. Maximum of 2 explanations per advantage. Sub-Total per advantage: 6 marks. Sub-Total: 18 marks)

(d) The two (2) levels of control that exist over delegated legislation are:

- Parliamentary Control
- Judicial Control

10 marks

(Candidates are required to also briefly explain these listed levels of control. 2 marks for each correctly listed control. 2 marks for each complete and correct explanation. Maximum of 1 explanation per control. Sub-Total per advantage: 4 marks. Sub-Total: 8 marks)

(Grand Total: 30 marks)

17(a) Explicitly explain how indemnity is measured in the following classes of insurance?

(i) Pecuniary Insurances	(ii) Liability Insurances	
(iii) Marine Insurances	(iv) Property.	(20 marks).

(b) Highlight the four (4) circumstances by which an insured can recover more than a strict indemnity. (10 marks)

Solution

(a) (i) **Pecuniary Insurance:** this relates to various types of financial loss including business interruption insurances which cover loss of profit as a result of physical damage and credit insurances which cover bad debts arising from insolvency. As for measure of indemnity in business interruption, loss is paid in accordance with a standard formula which is set out in the policy wording; however, with respect to credit insurance, it will be the amount of the debt less any recourse.

(2¹/₂ marks for each complete and correctly stated point. Maximum of 2 to be graded. Sub-Total: 5 marks)

(ii) **Liability Insurance:** here, the measure of indemnity is the amount of any court award or negotiated 'out of court' settlement plus costs and expenses connected, with the claim e.g. solicitors fee, court fees, payment for medical reports or the services of expert witnesses plus and other expenses which have been incurred with the agreement of the insurers.

(2¹/₂ marks for each complete and correctly stated point. Maximum of 2 to be graded. Sub-Total: 5 marks)

(iii) **Marine Insurance:** here, the measure of indemnity is based in whether the policies are valued or unvalued. This is in accordance with the *Marine Insurance Act 1906.* As for unvalued policy, the amount recoverable in case of total loss is the insurable valve i.e. valve of the subject matter at the time of commencement of the risk. For partial loss, measure will depend on what is insured. If a ship measure is the cost of repair. Where not fully repaired, measure is the depreciation in its value. If goods are delivered in damaged state, the insured is entitled to a proportion of the insured value based on the difference between the full and damaged values at the place of arrival.

(2¹/₂ marks for each complete and correctly stated point. Maximum of 2 to be graded. Sub-Total: 5 marks) (iv) **Property Insurance:** the principle used here is that the measure of indemnity is determined not by its cost but by its value at the time of loss and at the place of loss. If value has increased during the currency of the policy the insured is entitled to indemnity on the basis of the increased value. The insured is entitled only to the amount of value of the property and not to claim for loss of prospective profits or consequential losses unless these are specifically insured.

(2½ marks for each complete and correctly stated point. Maximum of 2 to be graded. Sub-Total: 5 marks)

(b) An insured can recover more than a strict indemnity in the following circumstances:

- cover on a reinstatement basis
- new for old cover
- agreed valve cover (valued policies)

- partial losses under valued policies.
 - (2½ marks for each correctly stated circumstance. Sub-Total: 10 marks) (Grand Total: 30 marks)
- 18. Local custom is a recognised source of law in any society. Define local custom and concisely explain the conditions that are required to be fulfilled before it can be upheld as a legally binding source of law.

Solution

Local custom is a minor source of law. It is the long-established custom of a people in a particular area which gives the people rights which the law will support. (5 marks)

For the law to affirm such customs as a binding source of law, the custom must fulfill the following conditions:

- **immemorial existence:** the custom must have been with the people from the beginning of 'legal' memory fixed as year 1189
- **continuity**: the custom must have been observed continuously meaning that the right to observe it must have existed continuously.
- **Reasonableness:** the custom must not be unreasonable. Reasonableness or otherwise of a custom will be decided by the court
- **Certainty:** custom must be certain and clear as to the activity or right it seeks to establish
- **peaceful user:** the custom must have been observed and exercised peacefully, openly and as of right with force or threat
- **compulsion:** the people affected by the custom must recognize it as binding upon all of them and the custom must not be inconsistent with another custom
- **not contrary to statute**: statutory law will prevail over local custom that is inconsistent with it.

(3 marks for each correctly stated condition. 2 marks for correct explanation. Sub-Total for each condition: 5 marks. Maximum of 5 to be graded. Sub-Total: 25 marks) (Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA DIPLOMA

APRIL 2021 DIET EXAMINATION PAPER

SUBJECT D10 COMMERCIAL INSURANCE PRACTICE

All answers are to be written on the answer booklet(s) supplied in accordance with the following instructions:

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Handle the answer booklet with care.
- Do not write on the question paper.
- The answer booklet should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the cover and flap of the answer booklet.
- Ensure that you write the full and correct candidate's number.
- No name should be written on any leaf of the book, or on any supplementary leaves that may be issued to the candidates.
- The answer to each question must be commenced on a separate page. Where however, a question consists of two of more parts, this instruction do not apply to the separate parts.
- Write in the ruled margin the number and question attempted.
- Leave no blank pages among your answers.
- Where supplementary leaves are used, the candidate's number should be written in the space provided on them and fastened at the end of the book inside the cover.

FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2021 DIET CANDIDATES' INSTRUCTIONS.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D10 – COMMERCIAL INSURANCE PRACTICE

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

You should answer all questions in Part I and two (2) out of the four (4) questions in Part II.

The paper carries a total of 200 marks distributed as follows: Part I - 140 marks.

Part II - 60 marks.

You are advised to spend not more than two (2) hours on Part I. You are strongly advised to attempt ALL the required questions to score maximum possible marks.

Where a question is split into parts (a), (b), etc, marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

In attempting the questions, you may find it helpful in some places to make rough notes in the answer booklet. If you do this, you must 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.

Answer each question on a new page. If a question has more than one part leave several lines blank after each part.

Chief Examiner's Summarised Statistics

Highest Score:	77%
Lowest Score:	54%
Average Score:	62%

Breakdown Updates

Question 1

This tested candidates on the number of reinsurers in Nigeria. Attempt was good (90%) but performance was slightly above average (50%). Candidates could not successfully list the reinsurers.

Question 2

Candidates were tested on types of commercial insurance clients. Attempt and performance were 100%.

Question 3

An excellent performance was recorded in this question as the test was on why getting correct information of the proposer is important. Attempt was good (98%).

Question 4

This question centred on knowledge about scheme policies and benefits of a combined policy. Attempt and performance were 100%, implying a thorough understanding of the question.

Question 5

This tested candidates' knowledge on the asset protection section of the proposal form. Attempt was good (100%) and performance was also good (90%).

Question 6

This is a straight forward question as the test was on appropriate recommendation for some types of businesses that will need business interruption cover. Attempt was 100% while good performance was 90%.

Question 7

Candidates were tested on knowledge of common source of legal liability and type of classification of common law. Attempt was good (90%) but performance was woeful (10%). There was a general lack of knowledge on the subject.

Candidates were tested on causation and occurrence triggers as well as exposure measures for rating liability. Attempt was good (90%) but performance was woeful (10%).

Question 9

The test on the question was on knowledge of engineering insurance surveyor undertaking risk assessment. Attempt was good (90%) but performance was woeful (0%). Clearly there is no true knowledge of the topic.

Question 10

Candidates were tested on knowledge regarding the amount of information to assess intellectual property risk. Attempt was good (90%) and performance was equally good (89%).

Question 11

The test was on treaty renewal in commercial insurance practice. Attempt was good (90%) and performance was equally good (95%). Overall, there was a good understanding of the topic.

Question 12

The test on this question centred on knowledge of a catastrophe event under reinsurance. Attempt was 75% and good performance was very bad (10%).

Question 13

Candidates were tested on the knowledge of exclusion in commercial insurance policies. Performance was average (50%) although attempt was good (90%).

Question 14

Candidates were tested on knowledge of legal definition of private hire car together with the different categories of hire cars. Attempt was good (100%) but performance was poor (45%). Overall, there was a lack of knowledge of the question.

Question 15

This question tested candidates' knowledge on policy definition and section definition together with exclusions and car insurance arrangement. Attempt was good (80%) while performance was very good (70%).

Candidates were tested on "estimated maximum loss" EML and other ways of loss treatment including excess of loss. Attempt was poor (20%) while performance was 50% based on the number of people that attempted the question. Invariably, there was lack of knowledge on the subject.

Question 17

This question attempted to test students on some specialist risks under different categories/classes. No candidate attempted this question which can be deduced to be as a result of the lack of understanding and knowledge.

Question 18

Candidates were tested on stock declaration. 90% of them attempted it with a good performance rate of 90%.

Chief Examiner's Comments on Overall Performance

We recorded 100% performance as all the candidates who presented themselves to be examined in the course passed the examination.

Chief Examiner's Suggestion on Improvement

Continuous encouragement of candidates is required so that they can with joy enroll for the examination. In-depth study of the coursebook remain a must.

Part I

Answer ALL questions in Part I.

Each question carries 10 marks.

1. List the five (5) Reinsurance Companies in Nigeria with their full names as recognised by the Regulator.

Solution

The Reinsurance Companies in Nigeria with their full names as recognised by the Regulator are:

- * African Reinsurance Corporation
- * Continental Reinsurance Plc

* FBS Reinsurance Limited

* Nigerian Reinsurance Plc

* WAICA Reinsurance Corporation Plc.

(2 marks for each correctly stated company. Total: 10 marks)

2. There are four (4) main types of commercial insurance clients. List these four. C1/P2-5;9

Solution

The four (4) main types of commercial insurance clients are:

- sole trader
- small and medium enterprise (SME)
- national business
- multi-national and global business.

(2¹/₂ marks for each correctly stated type. Total: 10 marks)

3. Getting the full name/title of the proposer correctly at the outset is very crucial in a commercial proposal form. Fully enumerate any two (2) reasons why getting this information correctly is required. C2/P2

Solution

The full name/title of the proposer correctly at the outset is very crucial in a commercial proposal form for the following reasons:

- helps to identify whom the proposer for the insurance contract is and avoids disputes at a later date;
- can provide the underwriter with some clues about the risk before evn considering the rest of the proposal form
- often indicates the nature of the proposer's trade. (5 marks for any correctly stated reason. Maximum of 2 to be graded. Total: 10 marks)
- 4. (a) What are "scheme" policies?(1 mark)(b) Enumerate any three (3) benefits of a combined policy.(9 marks) C1/P9

Solution

(a) Scheme policies are policies used by insurers to offer preferential insurance cover and terms to members of particular trade associations and federations.

(b) The benefits of a combined policy are:

• there is only one insurance policy, so one premium, one renewal date and one document;

(1 mark)

- a number of individual covers can be combined as required;
- the actual levels of cover and terms are tailored to meet the needs of the individual business
- they are more flexible than the standard package type cover.
 (3 marks for each correctly stated benefit. Maximum of 3 to be graded. Sub-Total: 9 marks)
 (Grand Total: 10 marks)

5. List any five (5) types of assets that the asset protection section of the proposal form will likely make reference to. C3/P4

Solution

The following are types of assets that the asset protection section of the proposal form will likely make reference to:

- * buildings * tenant's improvements * glass * money
- * machinery/plant and all other contents * stock * computers
- * property (excluding stock) temporarily away from the insured's own

premises * machinery/plant breakdown * stick (goods) in transit * frozen foods.

(2 marks for each correctly stated benefit. Maximum of 5 to be graded. Grand Total: 10 marks)

- 6. Recommend the most appropriate type of business interruption cover for the following businesses:
 - (a) solicitor (c) cardboard box manufacturer
 - (b) leisure club with retail facilities (d)commercial property owner. (C4/31)

Solution

The most appropriate type of business interruption cover for the following businesses:

(a) **solicitor:** gross fees

- (b) cardboard box manufacturer: gross profit
- (c) leisure club with retail facilities: gross revenue
- (d) **commercial property owner:** gross rental.

(2¹/₂ marks for each correct recommendation. Total: 10 marks)

7. (a) What other name can be used to classify the most common source of legal liability apart from "common law"? (2 marks)

(b) Enumerate any four (4) types/groupings of these classification of "common law". (8 marks) C5/P4

Solution

(a) Another name for "common law" is "law of torts". (2 marks)
(b) The types/groupings of these/classification of "common law" are:

negligence
nuisance
trespass
defamation
strict liability
statutory liability
vicarious liability.

(2 marks for each correctly stated classification. Maximum of 4 to be graded. Sub-Total: 8 marks)

(Grand Total: 10 marks)

8. (a) State concisely the difference between the causation trigger and the occurrence trigger. (4 marks) (C5/P42)

(b) Enumerate any three (3) exposure measures typically used to rate liability insurances. (6 marks) (C5/P43)

Solution

(a) The **causation trigger** means the insurance responds to an event which was caused during period insurance (2 marks); while the **occurrence trigger** means the insurance responds to an event giving rise to a legal liability to the insured that occurs during the period insurance (2 marks). (Sub-Total: 4 marks)

(b) The exposure measures typically used to rate liability insurances are:

* wage roll * turnover * per capita

* per premises * "unit" construction

(2 marks for each correctly stated measure. Maximum of 3 to be graded. Sub-Total: 6 marks). (Grand Total: 10 marks)

9. (a) Engineering insurers now have their own engineering insurance surveyors to undertake a risk assessment of the proposed plant and equipment. In undertaking this assessment, the surveyor may obtain a copy of the latest inspection report from the insured. Enumerate any three (3) focus areas that the report will centre on as it relates to the plant.

(b) List any two (2) damages that are covered under the sudden and unforeseen damage cover in engineering insurance.

Solution

(a) The four (4) focus areas that the report will centre on as it relates to the plant are:

- whether the plant is fit for purpose;
- whether the plant is safe to operate;

- whether the plant is acceptable for insurance cover;
- whether the plant is to be recommended for any risk improvements.

(2 marks for each correctly stated focus area. Maximum of 3 to be graded. Sub-Total: 6 marks) (b) The damages that are covered under the sudden and unforeseen damage cover in engineering insurance are:

* breakdown * explosion * collapse. (2 marks for each correctly stated damage type. Maximum of 2 to be graded. Sub-Total: 4 marks) (Grand Total: 10 marks)

10. Intellectual property insurers require an extensive amount of information in assessing the intellectual property risk presented by a particular business. Enumerate any five (5) of these information. (C9/P14)

Solution

The information are:

- details of the business activities
- research and development activities
- employees and researchers, and intellectual property rights in their contracts
- turnover
- competitors
- the declaration of intellectual property rights covering patents, trademarks, registered designs, copyrights, trade secrets, domain names
- the business patent attorneys and lawyers
- products and where they are sold
- intellectual property searches undertaken by the business
- any trade agreements in place
 - previous intellectual property disputes. (2 marks for each correctly stated type. Maximum of 5 to be graded. Total: 10 marks)

11. During treaty renewal in commercial insurance practice, each reinsurance arrangement is subject to a renewal review. List two (2) decisions that:

(a) an insurer may decide on during this process

(b) a reinsurer may wish to look at during this process. (C10/P25) Solution

During treaty renewal in commercial insurance practice, each reinsurance arrangement, just like the original policy, is subject to a renewal review. The decisions that

(a) an insurer may decide on during this process are:

• to change its underwriting strategy

- to increase its net retention level
- to change the layer levels.

(b) a reinsurer may wish to look at during this process are:

- the concerned insurer's performance during the last twelve months
- the concerned insurer's large claims experience
- the reinsurer's review of decision to withdraw.
 (2¹/₂ marks for each correctly stated factor. Maximum of 2 to be graded under each section. Sub-Total per Section: 5 marks. Grand Total: 10 marks)

12. Explain how an event qualifies as a catastrophe event under reinsurance.

Solution

For an event to qualify as a catastrophe, it must be **sudden**, **unexpected**, **shocking** and **external**; and the event must be the proximate cause of each and every loss and as a result of an insured peril under the original policies. In addition, the claims relating to the event must all occur within a specific timescale of say 72 consecutive hours for a windstorm or flood.

C10/P14

(C2/P14) (4 marks)

(2 marks for each correctly stated bolded and coloured point/phrase/word above. Maximum of 5 to be graded. Total: 10 marks)

13. (a) In commercial insurance practice, there are some basic forms of business organisations by which the proposer should be identifiable from its name. Name any two (2) of these forms. (C2/P13) (6 marks)
(b) Enumerate any two (2) exclusions common to all commercial policies.

Solution

(a) In commercial insurance practice, there are some basic forms of business organisations by which the proposer should be identifiable from its name. These forms are:

- limited company;
- partnership; or
- sole traders.
 (3 marks for each correctly stated form. Maximum of 2 to be graded. Sub-Total: 6 marks)

(b) The exclusions common to all commercial policies are:

- sonic bangs
- radioactive contamination
- war risks.

(2 marks for each correctly stated exclusion. Maximum of 2 to be graded. Sub-Total: 4 marks) (Grand Total: 10 marks) 14 (a) State the legal definition of a private hire car.

(b) Hire cars come in three different categories. State and explain any two (2) of these categories. (6 marks) C6/P7

(4 marks) C6/P7

Solution

(a) The legal definition of a private hire car is **one used for hire and reward** (2 marks) with not more than eight passenger seats and driver's seat (2 marks).

(Sub-Total: 4 marks)

(b) The categories of hire cars are:

(i) **private hire:** the hiring of a car with driver from the operator's premises

(ii) **hackney carriage:** the plying of car and driver on the streets for business or at recognised stands (often referred to as public hire)

(iii) **self-drive hire:** the hire of a car (or other vehicle) without driver (i.e. the hirer drives the vehicle)

(2 marks for each correctly stated category. Maximum of 2 categories to be graded. 1 mark for correctly explained category. Sub-Total per category: 3 marks. Grand Sub-Total: 6 marks) (Grand Total: 10 marks)

Part II

Answer TWO (2) out of the following FOUR (4) questions. Each question carries 30 marks.

15. (a) What is the difference between "policy definitions" and "section definitions"? (6 marks) C2/P14

(b) Exclusions are usual parts of an insurance policy. Explain any two (2) purposes of having exclusions in an insurance policy. (4 marks) C2/P14

(c) Concisely enumerate and briefly explain any four (4) roles that the lead office in a co-insurance arrangement perform. (20 marks) C10/P27
 Solution

(a) **Policy definitions** cover those words and phrases considered to have the same meaning whenever they appear in the policy, and are usually defined at the beginning of the policy (3 marks); while **section definitions** cover those words and phrases which relate only to that class of business, and are usually defined within the relevant section of the policy (3 marks). (Sub-Total: 6 marks)

(b) The purposes of having exclusions in an insurance policy are to state the risks that:

- the insurer does not wish to insure;
- are more traditionally insured under more specific covers
- the insurer may be prepared to insure following further investigation and at an additional premium.

(2 marks for each correctly stated purpose. Maximum of 2 to be graded. Sub-Total: 4 marks)

(c) The roles that the lead office in a co-insurance arrangement perform are:

- underwrites the risk;
- prepares the survey report;
- decides on the terms;
- prepares policy/specification/schedule;
- negotiates the claim settlement.

```
(3 marks for each correctly stated role. 2 marks for any correct explanation under the stated point. Sub-
Total per role: 5 marks. Maximum of 4 roles to be graded. Grand Sub-Total: 20 marks)
(Grand Total: 30 marks)
```

16 (a) Explicitly explain what you understand by the term "Estimated Maximum Loss". (8 marks) (C10/P19)

(b) Provide the full meaning of the following terms used in the reinsurance space as it relates to commercial insurance practice:

(i) MPL (ii) PML (iii) NLE (iv) EPL (4 marks) (c) (i) Who are the three (3) main parties involved in the arrangement of a reinsurance contract. (3 marks) C10/P23

(ii) Enumerate two (2) roles each that the stated parties in (i) above carry out in any reinsurance contract. (12 marks) C10/P23

(d) What are the three (3) main types of excess of loss treaties? (3 marks) C10/P28 Solution

a) Estimated Probable Loss is defined as:

- an estimation of the maximum loss which could reasonably be expected from the main insured perils (2 marks)
- as a result of a single incident (2 marks)
- which is considered to be within the realms of probability (2 marks)
- excluding coincidences and catastrophes which may be possible but unlikely. (2 marks)

(Sub-Total: 8 marks)

b) (i) MPL: Maximum Probable Loss	(1 mark)
(ii) PML: Probable Maximum Loss	(1 mark)
(iii) NLE: Normal Loss Expectancy	(1 mark)
(iv) EPL: Estimated Probable Loss	(1 mark)
(Sub-Total: 4 marks)	

c) (i) The three (3) main parties involved in the arrangement of a reinsurance contract are:

٠	the insurer;	(1 mark)
•	the reinsurance broker;	(1 mark)
٠	the reinsurer.	(1 mark)
	(Sub Total: 2 marks)	

(Sub-Total: 3 marks)

- (ii) The roles of the stated parties are:
 - the insurer:
 - o to select the best reinsurance broker to represent it
 - to prepare a detailed underwriting strategy report
 - to make sure that the report is factual and accurate.
 - the reinsurance broker:
 - o negotiate with the reinsurers on behalf of the insurer;
 - "sell" the insurer to the reinsurance underwriters;
 - work with the insurer to produce a detailed report for the reinsurers on the insurer's underwriting strategy/philosophy
 - o vet the reinsurers to ensure that they are financially sound
 - the reinsurer
 - o accept reinsurance placement from the reinsurance broker
 - o assess the proposed reinsurance program
 - proposes reinsurance placement to the reinsurance broker.
 (2 marks for each correctly stated role. Maximum of 2 roles to be graded under each term. Sub-Total: 4 marks for each term. Grand Sub-Total: 12 marks)

d) The three (3) main types of excess of loss treaties are:

•	risk or per risk excess of loss treaty;	(1 mark)
•	catastrophe excess of loss treaty;	(1 mark)
•	stop loss treaty.	(1 mark)
	(Sub-Total: 3 marks)	
	(Grand Total: 30 marks)	

17. Commercial insurance policies have some specialist risks and these risks can be categorised under different classes. Complete the table below with any five (5) of these specialised risk. (C9)

S/No	Specialised Risk	Cover	Rating and
		Sections	Underwriting Factors
1	?	?	?
2	?	?	?
3	?	?	?
4	?	?	?
5	?	?	?

Solution

S/No	Specialised Risk	Cover Sections	Rating and Underwriting Factors
1	Bankers' Blanket Bond	 * infidelity/dishonesty of employees * valuable property – premises risk * valuable property – transit risk * forged cheques * forged securities * counterfeit currency * damage to premises and contents 	* procedures and practices involved in the activity on which a bond is to be issued * limits of cover requested * value of the property * detailed knowledge of the business * past experience relating to the cover
2	Bloodstock	 * risks relating to infertility and lack of ability to produce offspring * risks relating to pregnancy and issues around birth * risks relating to accident, injury, sickness and disease 	* breed * age * value * health record * services fees * saddlery and tack value * limits of liability * claims experience and animal's health record.
3	Bonds	 * failure to perform a specific duty * failure to perform a duty properly * dishonesty of bond subject 	 * limit of financial compensation when a claim occurs * period of insurance * integrity of the proposer
4	Credit Insurance	* whole turnover policy * specific account policies	 * make-up of the proposer's customer space * credit control policy exercised by the proposer * satisfactory themselves as to the creditworthiness of the accounts
5	Fidelity Guarantee	* named employee basis	* employee

		* blanket policy basis * positions basis	 * employee's financial standing * employer's responsibilities * employer's previous losses * employer's recruitment policy
6	Fine Art and Specie	* all risks of physical loss or damage coverage * cover at the proposer's own premises and while in storage * transit cover * travel risk extension * goods in the care or custody of others * liability to third parties, property of others while in the insured's control * fidelity guarantee cover * business interruption cover.	* type of items to be insured * market value of the item(s) or other basis of valuation * where cover is required * details of where the item(s) will be stored * details of how the item(s) will be transported * general particulars about the proposer such as insurance history, claims experience, moral and business history.
7	Intellectual Property	* pursuit * defence * validity * agreements	 * details of the business activities * turnover * employees and researchers, and intellectual property rights in their contracts * competitors * declaration of intellectual rights covering patents, trademarks, copyrights, e.t.c. * business patent attorneys and lawyers * products and where they are sold

8	Keyman	* continuance of commercial loans * loss of income * credit facilities * loss of goodwill	 * intellectual property searches undertaken by the business * any trade agreements in place * previous intellectual property disputes. * personal details * business details * attributable to keyman
9	Latent Defects	 * loan repayments * poor reinforcement in floor slab * absence of wall ties * lack of movement joints * roof membrane laid incorrectly. 	 * insured * building * parties to the contract * period of cover required * sum insured required * level of deductible * method of maintaining upto-date sums insured
10	Libel and Slander	* libel * slander to the title of goods * infringement of trademark, registered design, copyright or patent right.	 * activities of the business * limit of indemnity required * turnover and fee income * details of all publications issued or broadcasts made * nature and extent of use of the internet * nature and extent of use of email * geographical limits of cover required * details of any previous actions brought against the proposer or any threatened actions
11	Personal Accident	* continues payment of wages	* overall business description and activities * employee general health

		* cost of replacement personnel	* employee work activities * cover limits requested
		* possible	* claims experience
		production/customer service issues	(individual and business)
12	Travel	* business travel	* the destination
		* manual commercial	* period of time away
		visits	* age of the proposer
		* non-manual	* pre-existing medical
		commercial visits	conditions
			* type of work to be
			undertaken

(3 marks for each correctly stated point. Maximum of 2 points to be graded. Sub-Total: 6 marks) (Grand Total: 30 marks)

18. Stock Declaration

Period of Insurance: 31/12/2019 – 31/12/2020

Monthly Basis	Declaration Received (N)
January	400,000.00
February	350,000.00
March	300,000.00
April	350,000.00
May	-
June	400,000.00
July	350,000.00
August	450,000.00
September	650,000.00
October	-
November	600,000.00
December	500,000.00

PLEASE NOTE:

- Stock Sum Insured: N700,000.00
- Rate of Fire and Special Perils: 0.45%
- a) Write out the adjusted declaration amount as expected.
- b) Calculate the total expected declarations.
- c) Calculate the average declaration at risk during the period of insurance.
- d) Calculate the expected premium.
- e) What is the maximum additional premium that could be charged in this case?

Solution

(a)

Monthly	Declaration	Adjustment	
Basis	Received (NGN)	(NGN)	
January	400,000.00	400,000.00	(1 mark)
February	350,000.00	350,000.00	(1 mark)
March	300,000.00	300,000.00	(1 mark)
April	350,000.00	350,000.00	(1 mark)
May	-	700,000.00	(1 mark)
June	400,000.00	400,000.00	(1 mark)
July	350,000.00	350,000.00	(1 mark)
August	450,000.00	450,000.00	(1 mark)
September	650,000.00	650,000.00	(1 mark)
October	-	700,000.00	(1 mark)
November	600,000.00	600,000.00	(1 mark)
December	500,000.00	500,000.00	(1 mark)
Total:			(12 marks)

(b) Total Expected Adjusted Declaration Amount

= Addition of all the monthly	adjusted figures (3 ma	ırks)
= N 5,750,000.00	(1 mark)	

(c) Average declaration at risk during the period of insurance

= N 750,000.00 / 12	(3 marks)
= N 479,166.67	(1 mark)

(d) The expected premium

= N 479,166.67 * 0.45%	(3 marks)
= N 2,156.25	(1 mark)

(e) Maximum Additional Premium that could be charged

= N 700,000.00 * 0.45 at 25%	(4 marks)
= N 3,150.00 * 25%	(1 mark)
= N 787.50	(1 mark)

(Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA DIPLOMA

APRIL 2021 DIET EXAMINATION PAPER

SUBJECT D11 PERSONAL INSURANCE PRACTICE

All answers are to be written on the answer booklet(s) supplied in accordance with the following instructions:

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Handle the answer booklet with care.
- Do not write on the question paper.
- The answer booklet should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the cover and flap of the answer booklet.
- Ensure that you write the full and correct candidate's number.
- No name should be written on any leaf of the book, or on any supplementary leaves that may be issued to the candidates.
- The answer to each question must be commenced on a separate page. Where however, a question consists of two of more parts, this instruction do not apply to the separate parts.
- Write in the ruled margin the number and question attempted.
- Leave no blank pages among your answers.
- Where supplementary leaves are used, the candidate's number should be written in the space provided on them and fastened at the end of the book inside the cover.

FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2021 DIET CANDIDATES' INSTRUCTIONS.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D11 – PERSONAL INSURANCE PRACTICE

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

You should answer all questions in Part I and two (2) out of the four (4) questions in Part II.

The paper carries a total of 200 marks distributed as follows:		
Part I	-	140 marks.
Part II	-	60 marks.

You are advised to spend not more than two (2) hours on Part I. You are strongly advised to attempt ALL the required questions to score maximum possible marks.

Where a question is split into parts (a), (b), etc, marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

In attempting the questions, you may find it helpful in some places to make rough notes in the answer booklet. If you do this, you must 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.

Answer each question on a new page. If a question has more than one part leave several lines blank after each part.

Chief Examiner's Summarised Statistics

Highest Score:	86%
Lowest Score:	20%
Average Score:	53%

Breakdown Updates

Question 1

About 40% of the candidates scored above 50% despite the simplicity of the question. Many candidates scored zero. Candidates should know the Nigerian Insurance laws and the membership status of NCRIB.

Question 2

This was a well understood and attempted question. About 90% of the candidates that sat for the examination passed the question.

Question 3

This is a very popular question, which was on the reason why the socially excluded group should buy insurance. About 62% of the candidates scored above 50%.

Question 4

This was a question on the definition of indemnity and factors that can restrict an insured from full payment of indemnity. More than 68% of the candidates that sat for the examination passed the question.

Question 5

All the candidates that sat for the examination passed this question. Many candidates scored 100%.

Question 6

This was a question on the general exclusions but some candidates mistakenly listed specific exclusions. However, about 75% of the candidates passed the question.

Question 7

About 60% of the candidates scored above 50%. More candidates have understood solvency margin for an insurance company.
Question 8

50% of the candidates scored above average. Candidates understood single article limit but struggled on the liability covers.

Question 9

This was a popular question on travel insurance. About 90% of the candidates scored 50% and above. It was a well attempted question.

Question 10

Only 27% of the candidates passed this question. The term "accident" was poorly explained. Only few candidates understood geographical limit for accident cover and sickness cover.

Question 11

29% of the candidates passed the question. Many candidates did not understand breakage of glass clause under the comprehensive motor policy.

Question 12

70% of the candidates passed the question. Some candidates did not understand "onus of proof" while some did not know that insureds must prove the amount or value of the loss-making claim.

Question 13

58% of the candidates passed the question. Many candidates could not state the broad statutory objectives of the Regulator.

Question 14

75% of the candidates passed the question. Candidates were comfortable to state that statutory regulations were compulsory and voluntary regulations are not compulsory and also that compliance for voluntary regulation is not compulsory.

Question 15

75% of the candidates that attempted this question scored above 50%. Only very few of them could not list the steps or stages in the marketing of insurance products. Candidates understood real needs and perceived needs but some could not define marketing as defined by the Chartered Institute of Marketing.

Question 16

Out of the sixteen (16) candidates that attempted this question, only two (2) of them scored below 50% meaning that about 90% of them passed it. It was a very direct question.

Question 17

Being an optional question, only three (3) candidates attempted the question out of the forty-eight (48) candidates. The three (3) candidates that attempted the question the question scored above 50%, which before now, such questions used to be popular questions with candidates.

Question 18

This was an optional question and it had huge attempts as thirty-three (33) candidates attempted it with only fourteen (14) of them passing i.e. 42% of them scored above average.

Chief Examiner's Comments on Overall Performance

The overall performance was good. Pass rate stood at 73% which is quite impressive as we have not achieved this kind of result in recent times.

Chief Examiner's Suggestion on Improvement

The Secretariat should send out the examiners' report on time so that candidates will be able to use it to start preparing for future examinations. Attending tutorial classes will also help the candidates.

Part I

Answer ALL questions in Part I.

Each question carries 10 marks

a) List two (2) Nigerian Insurance laws that will affect Insurance Brokers in Nigeria. (4 marks)
b) The Nigerian Council of Registered Insurance Brokers (NCRIB) has different types of membership cadre. State any three (3) types of these cadres. (6 marks)

Solution

(a) The Nigerian Insurance laws that will affect Insurance Brokers in Nigeria are:

* Insurance Act 2003
* NAICOM Act 1997
* Pension Reform Act 2014
(2 marks for any correctly stated law. Maximum of 2 to be graded. Sub-Total: 4 marks)

(b) The types of membership cadre for NCRIB are:

* Corporate Members	* Fellow Members
* Associates Members	* Ordinary Members
* Students Members.	
(2 marks for any correctly stated cadre.	Maximum of 3 to be graded. Sub-Total: 6 marks)
	(Total: 10 marks)

2. (a) What does the term "personal general insurance" refer to? (2 marks)(b) List any three (3) scopes of policies written in the personal insurance market. (6 marks)

(c) What two (2) enormous change has the personal lines market undergone in the last two decades? (2 marks)

Solution

(a) The term "personal general insurance" refers to the forms of insurance cover available to individuals rather than companies. (2 marks)

(b) The scope policies written in the personal insurance market are:

* household insurance	* travel insurance
* private motor insurance	* personal accident

* creditor insurance * extended warranty insurance.

(2 marks for each correctly stated scope. Maximum of 3 to be graded. Sub-Total: 6 marks) (c) The two (2) enormous change has the personal lines market undergone in the last two decades are:

- the products available to the buyer
- the ways in which they can purchase them.

(1 mark each. Sub-Total: 2 marks)

(Grand Total: 10 marks)

3. In personal insurance business, there are a number of customer groups, one of which is the "socially excluded". Enumerate the two (2) reasons why the "socially excluded" group may need to buy insurance, with an example in each instance.

Solution

The "socially excluded" group may need to buy insurance because:

- it may be a legal requirement e.g. in the case of third party motor insurance;
- it may be a contractual requirement e.g. when required to effect an insurance in relation to a loan or the hiring or renting of a property.

(3 marks for each complete and correctly stated reason. 2 marks for correctly stated example. Sub-Total per reason: 5 marks. Grand Total: 10 marks)

4. (a) Define the term "indemnity" as it relates to insurance contracts. (2 marks)
(b) Enumerate any four (4) factor that may restrict an insured from receiving a full indemnity in the event of a claim. (9 marks)

Solution

(a) Indemnity, as it relates to insurance contracts is the exact financial compensation sufficient to place the insured in the same financial position after a loss as they enjoyed immediately before the loss occurred.
 (2 marks)

(b) The factors that may restrict an insured from receiving a full indemnity in the event of a claim are:

* sum insured * limit of indemnity * average
 * excess * franchise * limits * deductible
 (2 marks for each correctly stated factor. Maximum of 4 to be graded. Sub-Total: 8 marks)
 (Grand Total: 10 marks)

5(a) Why are life and personal accident policies not contracts of indemnity? (2 marks) (b) Enumerate any four (4) facts that need not be disclosed to the insurer. (8 marks)

Solution

(a) Life and personal accident policies are not contracts of indemnity because a person's life (or limbs/body parts) cannot be measured in monetary terms.

(2 marks)

(b) The facts that need not be disclosed to the insurer are:

- facts of law
- facts which an insurer is deemed to know
- facts which lessen the risk
- facts about which the insured has been put on enquiry
- facts which the insurer's survey should have noted

- facts superfluous to disclose by reason of an expressed or implied warranty
- facts which the proposer does not know
- spent convictions.

(2 marks for each correctly stated fact. Sub-Total: 8 marks) (Grand Total: 10 marks)

6. Household policy have both specific exclusions related to sections as well as general exclusions. List any five (5) of the general exclusions applicable to household policies.

Solution

The general exclusions applicable to household policies are:

- * war risks * radioactive contamination and explosive nuclear assemblies
- * sonic bangs * pollution or contamination
- * terrorism * computer equipment
- * confiscation * deliberate acts

(2 marks for each correctly stated exclusion. Maximum of 5 to be graded. Total: 10 marks)

7. (a) What is solvency margin for an insurance company? (4 marks) April 2018 15(c) (b) What are the three (3) examples of additional motor benefits available in the personal insurances market which are not covered by the private motor insurance policy? (6 marks)

Solution

(a) Solvency Margin is the amount by which the assets of an insurance company exceed its liabilities. (2 marks) Each insurer is required to maintain a minimum balance between its assets and how much it has to pay or would be likely to pay in liabilities (2 marks). (Sub-Total: 4 marks)

(b) The three (3) examples of additional motor benefits available in the personal insurances market which are not covered by the private motor insurance policy are:

- extended warranty insurance;
- legal expenses insurance;
- breakdown recovery.

(2 marks for each correctly stated benefit. Sub-Total: 6 marks) (Grand Total: 10 marks) 8. (a) What is the standard single article limit under the contents section of a household policy? (2 marks)

(b) List any four (4) of the liability covers provided under the contents section of a household policy. (8 marks)

Solution

(a) The standard single article limit under the contents section of a household policy is that no one valuable item will be of a greater value than 5% of the contents sum insured or a specifically stated monetary amount in the policy – whichever is lower. (2 marks)

(b) The liability covers provided under the contents section of a household policy are:

* all risks/personal possessions;	* money and credit cards;		
* legal expenses;	* pedal cycles;		
* sports equipment;	* frozen foods.		
(2 marks for each correctly stated cover type. Maximum of 4 to be graded. Sub-Total: 8 marks)			
(Grand Total: 10 marks)			

9. (a) What does "money cover" in a travel policy include? (4 marks) C6/P19

(b) When is travel insurance usually taken – when related to a holiday? (2 marks)

(c) Why is travel insurance usually taken as stated in (b) above? (4 marks)

Solution

(a) Money cover in a travel policy includes loss of cash, bank or currency notes, cheques, postal or money orders, travellers cheques, petrol vouchers, credit vouchers, credit cards, passports. (4 marks)

(b) Travel insurance – when related to a holiday is usually taken out at the time of booking a holiday. (2 marks)

(c) Travel insurance is usually taken out at the time of booking a holiday because an occurrence leading to a claim under the loss of deposits section could take place at any time after the holiday has been booked.

(2 marks each for the bolded phrases. Sub-Total: 4 marks) (Grand Total: 10 marks)

10. (a) what does an "accident" mean as it relates to miscellaneous personal insurances? (6 marks)

(b) In any miscellaneous personal insurances policy, what are the usual geographical limits for

(i) accident cover and

(ii) sickness cover.

(4 marks)

Solution

(a) An "accident" as it relates to miscellaneous personal insurances means that the cause must be:

* external; *violent; * accidental from the insured's viewpoint. (2 marks for each correctly stated point above. Sub-Total: 6 marks)

(b) In any miscellaneous personal insurances policy, the usual geographical limits for

(i) accident cover: worldwide; and (2 marks)

(ii) **sickness cover:** stated countries in the policy starting from the country of purchase. (2 marks)

(Grand Total: 10 marks)

11. What are the two (2) covers granted under a typical breakage of glass clause of a comprehensive motor policy?

Solution

The two (2) covers granted under a typical breakage of glass clause of a comprehensive motor policy are:

- the cost of replacement of glass in windscreens and windows (including roof glass); and
- the cost of repairing any resultant scratched bodywork.
 (5 marks for each complete and correctly cover. Total: 10 marks)

12. (a) What does "onus of proof" imply?

(4 marks)

(b) What two (2) points are an insured required to prove when making a claim in personal insurance businesses? (6 marks)

Solution

(a) "Onus of proof" imply that someone has to give evidence to back up an allegation that something has happened. (4 marks)
(b) The two (2) points that an insured is required to prove when making a claim

(b) The two (2) points that an insured is required to prove when making a claim are:

- that the insured peril arose; and
- the amount of the loss.

(3 marks) (3 marks)

(Sub-Total: 6 marks) (Grand Total: 10 marks)

13. List the four (4) broad statutory objectives of a Regulator as it relates to insurance.

Solution

The four (4) broad statutory objectives of a Regulator as it relates to insurance are:

- market confidence;
- public awareness;
- consumer protection; and

reduction of insurance related crime.
 (2¹/₂ marks for each correctly stated objective. Total: 10 marks)

14. What are the differences between statutory and voluntary regulation? **Solution**

S/No	Statutory Regulation	Voluntary Regulation
1	Takes the form of	Takes the form of a system of rules devised
	statutes	and operated by members of the industry
2	Compliance is	Compliance is adherence to the principles
	mandatory	contained in the codes of practice.

(2¹/₂ marks for each correctly stated difference. Total: 10 marks)

Part II Answer TWO (2) out of the following FOUR (4) questions. Each question carries 30 marks.

15(a) When will it be correctly stated that a

(i) real need will arise for a customer?

(ii) a perceived need will arise for a customer? (8 marks)(b) (i) (a) Define the term "marketing" as defined by the Chartered Institute of

Marketing.

(ii) Show the six (6) stages in the marketing of insurance products as suggested by A. Meiden. (18 marks)

(4 marks)

(c)

Solution

a. (a) (i) A real need will arise where a customer recognizes that a risk exists which is capable of being reduced or eliminated through the purchase of an insurance product. It may also relate to a recognised need for a particular service associated with an insurance product.

(ii) A perceived need will arise where an insurer identifies that an insured risk or an opportunity to provide a service exists, which has not been recognised by the customer.

(2 marks for any correctly stated phrase above. Maximum of 2 to be graded per term. Sub-Total per term: 4 marks. Sub-Total: 8 marks).

b. (i) The term "marketing" as defined by the Chartered Institute of Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements efficiently and profitably.

(1 mark for each bolded phrase/word. Sub-Total: 4 marks)

(ii) The six (6) stages in the marketing of insurance products as suggested by A. Meiden are:

Identify the customers' needs and wants

Develop appropriate products to meet the insurance needs

Determine the premiums for the products developed

Advertise and promote the products to potential customers

Organise suitable distribution and selling channels

Forecast and research future market needs.

(Candidates can show it in this way or in the form of a circle. 3 marks for each correctly and completely shown phase. Sub-Total: 18 marks) (Grand Total: 30 marks)

16. Most insurers' proposal forms include two general type of questions. These are general questions and specific questions.

(a) State the section of the policy they each relate to. (5 marks)

(b) Enumerate any five (5) kinds of questions under the general questions and briefly explain them. (25 marks)

Solution

a) The section of the policy the questions relate to are:

- general questions: requests information relevant to all sections of the policy (2¹/₂ marks)
- specific questions: requests information relevant to each of the optional sections which may be required. (2¹/₂ marks)

(Sub-Total: 5 marks)

(b) The kinds of questions under the general questions are:

- **name of proposer:** this identifies the proposer and allows the insurer to check the existence of other policies held by the proposer with the company
- **address:** this is important to enable insurers to communicate with the insured and the insurer will also like to know the risk address, if different from the contact address. This is the address of the property where the proposer wishes to be insured, and it is a significant rating factor.

- **occupation:** some occupations are regarded as additional hazards and proposals received from individuals in such occupations would be written with extreme care. Insurers may also prefer to underwrite proposals from people with rated less hazardous risks.
- **date of birth:** this may be important for rating purposes because many insurers give discounts for proposers over a certain age as these may be presumed to be of lower risk for personal property insurances as they are more often at home and are also unlikely to have children or teenagers living with them, who tend to cause losses in personal insurances.
- **convictions:** criminal convictions can reveal adverse moral hazards and underwriters must consider the acceptance of such risks carefully.
- **claims or loss history:** if there have been previous losses, the underwriter will require full details of these losses to assess whether they are indicative of carelessness on the part of the proposer.
- **previous insurance history:** if the proposer has had insurance declined or special terms applied, insurers will wish to consider the risk carefully and will investigate the cause of the application of these special terms.

(3 marks for each correctly stated question type. 2 marks for complete and correct point under each type. Maximum of 1 point to be graded under each question type. Sub-Total per question type: 5 marks. Maximum of 5 question types to be graded. Sub-Total: 25 marks) (Grand Total: 30 marks)

17. Write short notes on any five (5) the following:

(a) Building Societies Act 1986

(b) Notification Condition

(c) Capital and Free Reserves

- (d) Expressed Duties
- (e) Motor Engineers
- (f) The Financial Service Compensation Scheme.

Solution

(i) **Building Societies Act 1986:** this Act allows building societies to raise deposits from more sources and make more loans with a corresponding higher percentage of the purchase price. This Act provided the opportunity for building societies to adopt PLC status. It is envisaged that more building societies will take steps to become a PLC and thereby be in a stronger position to expand into other areas of the financial services market like insurance.

(ii) **Notification Conditions:** these standard conditions cover three basic requirements namely that the insured or their legal representatives must:

• tell the insurer as soon as possible about any incidence which might give rise to a claim

- forward immediately to the insurer all written documents which they receive as a result of the incidence
- advise the insurer in writing immediately they have word of any prosecution pending or of an inquest or of a fatal accident enquiry.

(iii) **Capital and Free Reserves:** the company must make a decision regarding the level of capital and free reserves they wish to hold. The first step in fixing retentions will be to decide to what extent they can afford to risk the loss of free reserves in any one year. The size of the company will also be important as a small insurer is likely to require a retention which is a greater proportion of capital than a large insurer.

(iv) **Expressed Duties:** these are the duties written into or expressed into the contract. They are usually printed as the conditions in the policy document. Insurers sometimes reinforce or modify the implied duties in some way by inserting an appropriate condition in the policy. This then makes the duty a contractual one, and any breach may lead to a claim being repudiated. Insurance Act 2003 states that insurers must not unreasonably repudiate a claim where there has been a breach of warranty or condition unless the circumstances of the loss are connected to the breach.

(vi) **Motor Engineers:** they are usually directly employed by insurers or are sometimes self-employed independent engineers who are paid a fee by the insurer. Their roles are:

- to inspect damaged vehicles for pre-accident and worthiness
- checking estimates of repairs by repairers
- assessing whether repair of vehicles is an economic proposition or whether the vehicle should be classified as a total loss
- setting up networks of recommended repairers on behalf of the company they represent.

(v) **The Financial Service Compensation Scheme:** in 1975, the Policyholders Protection Board was established under the Policyholders Protection Act 1975. The board provided compensation to meet the claims of policyholders in the event that an insurance company had become insolvent and was unable to meet its contractual obligations. The policyholders Protection Board has been replaced by a new organization known as the Financial Services Compensation Scheme (FSCS). This is a one stop compensation ship and provides compensation for customers of deposit taking companies and investment firms as well as those of insurance companies and intermediaries. The purpose of the scheme is to protect the insured against the possibility of a valid claim not being met following the winding up of an authorized firm. In the event of such winding up, the FSCS will arrange for payment to be made to the individuals.

(2 marks for each complete and correctly stated explanation. Maximum of 3 explanations to be graded per term. Sub-Total per term: 6 marks. Grand Total: 30 marks).

18(a) Briefly explain the term "reinsurance".

(b) State and explain any four (4) reasons why most personal lines insurer purchase reinsurance. (20 marks)

(c) List any three (3) sets of people that have the right to insure property if they so wish. (6 marks)

Solution

a) **Reinsurance** is the process which an insurer effects cover with specialist reinsurers as a protection for a risk or group of risks which they themselves have accepted. (2 marks) The insurer is fully liable to the insured for the whole of the risk they have accepted (1 mark) and will then recover what is due from the reinsurer separately (1 mark). (Sub-Total: 4 marks)

(b) The reasons why most personal lines insurer purchase reinsurance are:

- **security:** one of the main reasons why individuals buy insurance is because they wish to be relieved of the loss uncertainty and thus have peace of mind. Insurers seek a similar kind of security and peace; this is achieved by arranging reinsurance.
- **stability:** reinsurance allows insurers to avoid fluctuations in claims costs from year to year and within a year.
- **capacity:** most insurers have a financial limit on the size of risk they can accept. This may mean that certain larger risks may have to be declined or only partly accepted. By the purchase of reinsurance, the insurer's capacity if increased. The insurer can thus accept much larger risks.
- **catastrophe protection:** insurers are not immune from the possibility of one major incident causing a catastrophe. The availability of reinsurance protects the insurer's portfolio from being adversely affected by the occurrence of any catastrophic loss.
- **macro benefits:** the cost of risk is spread around the insurance market and around the world. The impact and cost of a catastrophe therefore does not fall solely on one economy.

(3 marks for each correctly stated reason. 2 marks for correct explanation under each stated reason. Sub-Total per reason: 5 marks. Maximum of 4 reasons to be graded. Grand Sub-Total: 20 marks)

(4 marks)

(c) The sets of people that have the right to insure property if they so wish are: * joint owners and partners

- * absolute owners
- * mortgages and mortgagors
- * bailees
- * husband and wife

- * executor and trustees * agents

- * trustees and the equitable owners (2 marks for each correctly stated set. Maximum of 3 to be graded. Sub-Total: 6 marks)
 - (Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA DIPLOMA

APRIL 2021 DIET EXAMINATION PAPER

SUBJECT D12 LONG TERM BUSINESS

All answers are to be written on the answer booklet(s) supplied in accordance with the following instructions:

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Handle the answer booklet with care.
- Do not write on the question paper.
- The answer booklet should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the cover and flap of the answer booklet.
- Ensure that you write the full and correct candidate's number.
- No name should be written on any leaf of the book, or on any supplementary leaves that may be issued to the candidates.
- The answer to each question must be commenced on a separate page. Where however, a question consists of two of more parts, this instruction do not apply to the separate parts.
- Write in the ruled margin the number and question attempted.
- Leave no blank pages among your answers.
- Where supplementary leaves are used, the candidate's number should be written in the space provided on them and fastened at the end of the book inside the cover.

FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2021 DIET CANDIDATES' INSTRUCTIONS.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D12 – LONG TERM BUSINESS

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

You should answer all questions in Part I and two (2) out of the four (4) questions in Part II.

The paper of	arries	a total of 200 marks distributed as follows:
Part I	-	140 marks.
Part II	-	60 marks.

You are advised to spend not more than two (2) hours on Part I. You are strongly advised to attempt ALL the required questions to score maximum possible marks.

Where a question is split into parts (a), (b), etc, marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

In attempting the questions, you may find it helpful in some places to make rough notes in the answer booklet. If you do this, you must 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.

Answer each question on a new page. If a question has more than one part leave several lines blank after each part.

Chief Examiner's Summarised Statistics

Highest Score:	77%
Lowest Score:	78%
Average Score:	51%

Breakdown Updates

Question 1

Candidates were tested on the knowledge of insurance Brokers' membership and laws that will affect them. Attempt was good (70%) with an averagely good performance (50%).

Question 2

This question tested students on the process in buying long term insurance business as well as the assurances of long-term insurance business. Attempt was good (80%) with an above average performance (55%).

Question 3

The question tested candidates' knowledge about the reassurance and introducers of long-term business. Attempt was good (90%) with a 75% good performance.

Question 4

Candidates' knowledge was tested on various types of insurance bonds. Performance was highly impressive (80%) with a 90% attempt.

Question 5

The question was on knowledge of under-average lives. Attempt and good performance were both 100%. It was a straight-forward question and it was also well answered.

Question 6

There is a knowledge test on the assignment in life assurance. It was a straight forward question which had a 100% good performance rating.

Question 7

Knowledge of non-forfeiture condition was tested but candidates' responses were highly disappointing. Attempt was at 50% while performance was bad at 15%.

Question 8

This question tested candidates on various subjects that were straight forward and simple. Attempt was good at 90% with a 65% good performance rate.

Question 9

The knowledge of standard contents of maturity notification letter was tested. Attempt was good (90%) with a 100% good performance rate which shows a good understanding by the candidates.

Question 10

This question centred on long-term assurance proposal form contents. There was a 90% attempt with a very poor pass rate of 20%.

Question 11

Attempt was made to test students' knowledge on the treatment of premium payment that fell into arrears. Attempt was 90% with a dismal pass rate of 50%. The candidates who understood the question answered it very soundly while those who did not understand it performed woefully.

Question 12

The question tested basic understanding of the purpose of a proposal form and meaning of underwriting. Attempt was 90% with a pass rate of 80%.

Question 13

This was a test of knowledge of what critical illness insurance covers. Attempt was 100% with a very impressive performance of 96% pass rate.

Question 14

Who a money laundering officer is and the role of such were the focus of this question. There was a 55% good performance rate on a 90% attempt rate.

Question 15

This question tested candidates on the meaning of term assurance and the various types of term assurances. Attempt was average (50%) but performance of this 50% was excellent at 100% i.e. all the candidates who attempted the question passed it.

Question 16

The question as a test of knowledge on the various range of investment products. Attempt was average (50%) while performance was perfect (100%).

Question 17

The test was on knowledge of long-term care. Attempt was poor (20%) and performance was equally woeful (0%).

Question 18

This question tested candidates on premium calculation. All the candidates who attempted the question passed it although only 50% of them attempted it.

Chief Examiner's Comments on Overall Performance

A good overall performance of 100% was recorded. This is a very impressive result.

Chief Examiner's Suggestion on Improvement

It is recommended that candidates should regularly interface with the Secretariat, tutorial centres and fellow students for outstanding performances. They should also be encouraged to embrace life assurance practice and management.

Part I Answer ALL questions in Part I. Each question carries 10 marks

1. (a) List two (2) Nigerian Insurance laws that will affect Insurance Brokers in Nigeria. (4 marks)
(b) The Nigerian Council of Registered Insurance Brokers (NCRIB) has different types of membership cadre. State any three (3) types of these cadres. (6 marks)

Solution

(a) The Nigerian Insurance laws that will affect Insurance Brokers in Nigeria are:

* Insurance Act 2003	* NCRIB Act 2003		
* NAICOM Act 1997	* Pension Reform Act 2014		
(2 marks for any correctly stated law. Maximum of 2 to be graded. Sub-Total: 4 marks)			

- (b) The types of membership cadre for NCRIB are:
 - * Corporate Members
 * Associates Members
 * Students Members.
 (2 marks for any correctly stated cadre. Maximum of 3 to be graded. Sub-Total: 6 marks) (Total: 10 marks)
- 2. With the aid of a diagram, show the long term insurance buying process.

Solution



3. (a) What is an introducer?(4 marks) C1/P14(b) List the three (3) main parties involved in the reassurance of long-term
business.(6 marks) C1/P10&11

C1/P4

Solution

(a) An introducer in one who acts as a link between consumers and authorized persons (2 marks) and does not give financial advice (2 marks). (4 marks)

(b) The three (3) main parties involved in the reassurance of long-term business are:

* buyers * intermediaries * providers (2 marks for each correctly stated party. Sub-Total: 6 marks) (Grand Total: 10 marks)

4. List any five (5) types of credit life assurance policies insurance bonds that are available and can be used as vehicles for investment of lump sums under the general title of insurance bonds.

Solution

The main types of credit life assurance policies insurance bonds that are available and can be used as vehicles for investment of lump sums under the general title of insurance bonds are:

- * guaranteed income bonds * high income bonds
- * guaranteed growth bonds
- * unit-linked bonds
- * with-profit bonds

* offshore bonds; and

* personal portfolio bonds.

(2 marks for each correctly type. Maximum of 5 to be graded. Total: 10 marks)

5. List any four (4) ways in which a life office can deal with an under-average life. C5/39

Solution

The ways in which a life office can deal with an under-average life are through:

* rating up	* postponement	* monetary extra
* exclusions	* debts	* declinature.

(2¹/₂ marks for each correctly stated way. Maximum of 4 to be graded per term. Total: 10 marks)

6. Enumerate the four (4) ways by which assignment can be arranged in a life assurance contract. C6/P5

Solution

The four ways by which assignment can be arranged in a life assurance contracts are:

* by way of sale	* by way of gift
* under trust	* by way of mortgage.
(2½ marks for each cor	rectly stated way. Total: 10 marks)

7. Once a life policy lapses, the non-forfeiture provisions immediately come into effect. List the four (4) typical conditions that these non-forfeiture provisions can take. C6/P3

Solution

The typical conditions that these non-forfeiture provisions can take are:

- the policy remains in force for as long as the surrender value exceeds the total outstanding premiums and late payment charges
- the policy remains in force for one year and then the surrender value becomes payable and death cover ceases
- the policy is converted on the expiry of the days of grace (or after one year) to a paid-up policy for the appropriate reduced sum assured
- the policy continues in force until units are extinguished by mortality deductions and charges on a unit-linked policy.

(2¹/₂ marks for each correctly stated condition. Total: 10 marks)

8. The following statements are either true or false. Please state which is correct.

(a) Lost policy procedures do not apply to surrenders and loans. C7/P9

(b) Life contracts are not contracts of indemnity because they are long term contracts.

(c) The taxation of chargeable gains is the responsibility of the life office and all policy payments would be made without deduction of tax.
 (d) Payment of surrender value may also become due on the non-payment of premiums.

Solution

- (a) False
- (b) False
- (c) False
- (d) True

(2¹/₂ marks for each correctly stated answer. Total: 10 marks)

9. List the four (4) standard contents of a maturity notification letter from a life office to its policyholder. C7/P14

Solution

The four (4) standard contents of a maturity notification letter from a life office to its policyholder are:

- reminder to the policyholder of the maturity date
- amount payable (if known) and if not known (like for a unit-linked policy), an indication is given
- list of requirements for the payment; and
- attachment of relevant form of discharge.

(2¹/₂ marks for each correctly stated content. Total: 10 marks)

10. Enumerate any four (4) items of information sought in a typical fact find for long-term insurance business.

Solution

The four (4) items of information sought in a typical fact find are:

* marital status	* dependants
* existing life policies	* tax status
(2 ¹ / ₂ marks for each correctly stated	factor. Maximum of 4 to be graded. Total: 10 marks)

11. How does a life office investigate policies which fall into arrears of premium payment? Oct. 2020/7

Solution

A life office investigates policies which fall into arrears of premium payment in the following manner:

- life insurer will send letters to be areas quoting the amount in arrears and pointing out the consequences of non-payment
- if the assured pays the premiums, the policy continues
- if the areas are not paid and the policy has no surrender value, it lapses and the office would go off risk
- if the areas are not paid but has a surrender value the non-forfeiture provision supply and the policy may be made paid-up.
 (2¹/₂ marks for each correctly stated procedure. Total: 10 marks)

12(a) What is underwriting?

(b) What is the purpose of the proposal form?

Solution

(a) Underwriting is the procedure of assessing a proposal and deciding whether to accept the risk and, if so, at what rate of premium. (4 marks)
(b) The purpose of the proposal form is to give all the information required to assess the application (3 marks) and produce the policy (3 marks). (Total: 10 marks)

13. Enumerate any five (5) medical conditions that critical illness insurance generally provide cover on.

Solution

The medical conditions that critical illness insurance generally provide cover on are:

* heart attack * stroke * cancer

* kidney failure * major organ transplant * coronary artery disease (2 marks for each correctly stated condition. Maximum of 5 to be graded. Total: 10 marks) 14. (a) In all insurance companies, it is required to have a Money Laundering Reporting Officer (MLRO). Who is this person? (2 marks)
(b) Enumerate four (4) roles of a Money Laundering Reporting Officer (MLRO).

(b) Enumerate four (4) roles of a Money Laundering Reporting Officer (MLRO) (8 marks)

Solution

(a) A Money Laundering Reporting Officer (MLRO) is a senior employee appointed to work with the firm's internal control and the Money Laundering Authorities as regards money laundering regulation. (2 marks)

(b) The roles/duties of a Money Laundering Reporting Officer (MLRO) are to:

- establish internal procedures for identifying and reporting suspicious transactions
- ensure that risk advisors receive training on money laundering issues
- ensure that staff and advisors are trained on how to recognize symptoms of suspicious transactions or money laundering
- train staff and advisors on the procedure for reporting suspicious activities
- enforce compliance of regulation
- ensure that he investigates all reported cases and then pass information to relevant agencies (in Nigeria, to Nigerian Financial Intelligence Unit or EFCC).

(2 marks each for any correctly stated points from above. Maximum of 4 points to be graded. Sub-Total: 8 marks) (Grand Total: 10 marks)

Part II

Answer TWO (2) out of the following FOUR (4) questions. Each question carries 30 marks.

15. (a) Briefly explain the term "term assurance".(5 marks)(b) Explicitly explain five (5) types of term assurance.(25 marks)

Solution

a) Term assurance (or temporary assurance) is the most basic of life assurance products that covers a life over a specified period or term. The death is required to occur within the specified term for there to be a valid claim and it has no surrender value.

(2¹/₂ marks for any complete and correctly stated point. Maximum of 2 points to be graded. Sub-Total: 5 marks)

b) The following are the types of term assurance:

- **level term assurance:** this provides a sum assured on death within the term. The sum assured remains level throughout the contract.
- **renewable term assurance:** this is a term assurance with the option to renew the contract for a further number of stated years without medical evidence. The renewable option continues until retirement age.
- **increasable term assurance:** this is a term assurance with the option to increase the sum assured within agreed limits without medical evidence.
- **convertible term assurance:** this provides a basic death benefit with an option to convert to an endowment of whole of life contract at any time during the currency of the policy, without further evidence of health.
- **renewable**, **increasable**, **convertible term assurance**: this is a policy for a stated term, with death benefits and it allows the client at the end of the stated term to renew cover for addition agreed number of years and also to increase the sum assured or convert to an endowment or whole of life policy.
- **decreasing term assurance:** this is a term assurance where the level of life cover decreases each year, so that at the end of the final year, it is nil.
- **increasing term assurance:** this is a term assurance where the sum assured increases automatically, or by virtue of an option, every one, three or five years depending on the policy terms.
- **family income benefit:** this provides tax-free instalments of capital on death which continue until the expiry date and protects the family against death of the breadwinner. It is a decreasing term assurance where upon death of the life assured, there is usually a facility to commute the income benefit to a lump sum should the breadwinner prefer this option.

(3 marks for each correctly stated type. 2 marks for any correct explanation stated. Sub-Total per type: 5 marks. Maximum of 5 types to be graded. Sub-Total: 25 marks) (Grand Total: 30 marks)

16. investors usually have a wider range of investment products to choose from when deciding how to obtain a worthwhile return commensurate with any inherent risk to their capital. To this end, various categories of assets have a potential role to play within an overall investment portfolio depending on an individual's risk/return profile.

(a) List and briefly explain the four (4) types of assets headings that are usually considered. (20 marks)

(b) What two (2) ways can the assets be held in? (4 marks)

(c) Explain the role that any two (2) type of assets headings in (a) above plays in the investment portfolio. (6 marks)

Solution

(a) The four (4) types of assets headings that are usually considered are:

- **cash deposits:** practically no risk to the capital value unless the bank/institution collapses but inflation can erode the real value of the capital over time and reduce its buying power.
- **fixed interest securities:** characterized by security of income, but with varying degrees of exposure to capital gain or capital loss.
- **equities:** characterised by insecurity of income and capital values over the shorter term, but offering the potential of rising income and real capital growth over the long term. Equities tend to perform badly in times of slowing economic growth or rising interest rates.
- **property:** this has proved to be a good long-term hedge against inflation. It can also reduce volatility in a portfolio, as the property cycle does not necessarily follow the equity cycle.

(3 marks for each correctly stated type. 2 marks for correct explanation. Sub-Total per type: 5 marks. Grand Sub-Total: 20 marks)

(b) Assets can be held in the following two (2) ways:

- collective or pooled investments
- direct investments.

```
(2 marks each. Sub-Total: 4 marks)
```

(c) Each asset plays the following role:

- **cash deposits:** good for the protection of capita in nominal terms at the very least and over shorter periods and are a safe haven when times are economically bad with declining investment returns.
- **fixed interest securities:** good for securing levels of nominal income with some scope for capital gains if interest fall, they are usually less volatile than equities.
- **equities:** good for long-term real growth of capital and/or income although the risk of loss is higher than for the two assets above.
- **property:** also good for long-term real growth of capital and/or income but not usually easy to convert to cash quickly.

(3 marks for each correctly stated role. Maximum of two assets role to be graded. Sub-Total: 6 marks) (Grand Total: 30 marks)

17. Concisely enumerate the important facts that explains what long-term care insurance is all about.

Solution

The following are the important facts that explains what long-term care insurance is all about:

- it provides protection for the elderly people who require care over a prolonged period because of severe disability
- the cost of such cover is extremely expensive
- the number of elderly people needing care is rapidly increasing and the implication on the State as a funded social service is getting more enormous
- can be advancedly funded or funded at point of need
- benefit provided consists of monthly income payments which are made once the definition of disability is fulfilled
- disability under this arrangement is usually established by reference to activities of daily living (ADL) e.g. washing, dressing, eating or walking, e.t.c.
- benefit will be an increasing scale based on the insured's inability to carry out two or more ADLs
- some long-term core policies are effectively impaired life annuities
- payment of long-term are tax-free.

(Candidates are required to concisely explain what long-term care is all about from the stated points above. 5 marks for each correct and completely stated explanation. Maximum of 6 to be graded. Grand Total: 30 marks)

Age/Term	6	9	15	20	25	30
21	21.00	21.99	28.02	28.09	29.01	29.92
27	30.01	30.34	30.62	30.83	35.09	38.88
36	39.09	40.02	40.52	40.89	40.90	40.99
42	45.31	45.36	45.64	52.82	46.77	50.21
50	60.01	61.77	61.91	63.09	64.01	65.01
66	65.09	66.02	66.92	67.00	67.09	68.03

18. Extract of a mortality rate table of an endowment policy is as follows:

Additional Information

(i) V	Waiver of Premium Rate:	1.75 per mille
-------	-------------------------	----------------

- (ii) Administration Fee:
- **№**1,000.00 flat
- (iii) Double Accident Benefit:
- 2.00 per mille
- (iv) Conversion Rate Factor:

Half Yearly (510) and Monthly (89.65)

Your agent submitted an application from a factory worker (machine operator) aged 36 years. He wants waiver of premium and double accident benefit incorporated in his policy. The proposal has N5,000,000.00 sum assured and a durational term of 25 years.

Calculate the:

(a) half yearly premium payable; and(b) the monthly premium payable.				
Solution				
	Assured: N 5,000,00	00.00		
, 1 0	nin Fee: N 1,000.00			
5	iver of Premium: 1.7	75 per mille		
Double Accident Benefit: 2 per mille Life		-		
-	Yearly Conversion			
Calculating Annual Premium First:				
<u>Sum Assured</u> x Rate on the Proposer's Ag	ge	(2 marks)		
1000		(
Plus: Admin Fee		(1 mark)		
Plus: Loading of Waiver Premium and Double	Accident Benefit	(1 mark)		
<u>5,000,000 X 40.90 =</u>	204,500	(2 marks)		
1000		· · · ·		
Waiver of Premium = <u>5,000,000</u> X 1.75 =	8,750	(2 marks)		
1000				
Double Accident Benefit= <u>5,000,000</u> X 2 =	10,000	(2 marks)		
1000				
Add Admin Fee	<u>1,000</u>	(2 marks)		
Annual Premium=	<u>224,250</u>	(5 marks)		
Therefore,				
	<u>n</u> X Conversion Fact			
1000		(1 mark)		
$= \frac{224,250}{1200} \times 510$		(1 mark)		
1000		<i>.</i>		
= N114,367.50		(5 marks)		
1) Marchla Duancium — Annual Duancium V Communication Factor				
b) Monthly Premium = <u>Annual Premium</u> X Cor 1000	Iversion Factor			
		(1		
$= \frac{224,250}{1000} \times 89.65 $ (1 mark)				
= 20,104.01		(5 marks)		
(Grand Total: 30 marks)		(3 marks)		
(



CHARTERED INSURANCE INSTITUTE OF NIGERIA DIPLOMA

APRIL 2021 DIET EXAMINATION PAPER

SUBJECT D13 MARINE AND AVIATION INSURANCE

All answers are to be written on the answer booklet(s) supplied in accordance with the following instructions:

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Handle the answer booklet with care.
- Do not write on the question paper.
- The answer booklet should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the cover and flap of the answer booklet.
- Ensure that you write the full and correct candidate's number.
- No name should be written on any leaf of the book, or on any supplementary leaves that may be issued to the candidates.
- The answer to each question must be commenced on a separate page. Where however, a question consists of two of more parts, this instruction do not apply to the separate parts.
- Write in the ruled margin the number and question attempted.
- Leave no blank pages among your answers.
- Where supplementary leaves are used, the candidate's number should be written in the space provided on them and fastened at the end of the book inside the cover.

FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2021 DIET CANDIDATES' INSTRUCTIONS.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D13 – MARINE AND AVIATION INSURANCE

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

You should answer all questions in Part I and two (2) out of the four (4) questions in Part II.

The paper carries a total of 200 marks distributed as follows: Part I - 140 marks.

Part II - 60 marks.

You are advised to spend not more than two (2) hours on Part I. You are strongly advised to attempt ALL the required questions to score maximum possible marks.

Where a question is split into parts (a), (b), etc, marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

In attempting the questions, you may find it helpful in some places to make rough notes in the answer booklet. If you do this, you must 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.

Answer each question on a new page. If a question has more than one part leave several lines blank after each part.

Chief Examiner's Summarised Statistics

Highest Score:	37%
Lowest Score:	29%
Average Score:	33%

Breakdown Updates

Question 1

An average performance was recorded in this question. The question was to test knowledge of Nigerian Insurance Market – organisations and trade associations. Candidates should take more interest in the Industry.

Question 2

This question was very well answered. The question was to test knowledge of oceans, seas and canals.

Question 3

This was a poorly answered question. The question tested the physical appearance of aircraft wings and how the wings generate lifts. Candidates did not master the subject and resorted to guessing. Candidates are encouraged to pay more attention to such technical aspects of the course.

Question 4

This was a poorly answered question. The question tested the candidates' understanding of IATA which is an important trade association in air transport. Candidates failed to mention air transporters as members.

Question 5

This was a poorly answered question. The question tested knowledge of international carriage by road. Candidates could not mention the conditions that make the carriage constitute a contract of carriage under Statute.

Question 6

This was well answered by 50% of the candidates. The other 50% wrote only one point and left the entire page blank after writing "2) failing to write further. Maybe it was intended but ran out of time.

Question 7

The (a) part was no well answered while the (b) part was well answered. The question was meant to test the understanding of the features of insurable interest.

Question 8

The question was meant to test the knowledge of "uberima fidei" and the knowledge of Marine Insurance Act. These were very poorly answered.

Question 9

The question, which was meant to test the knowledge of coverage provided by policies for professional practice, was very poorly answered. This showed a thorough non-understanding of the question.

Question 10

The candidates attempted the question but a lack of understanding of the concepts being tested could be deduced from the answers provided. In the (a) part, the question was intended to test candidates' knowledge on how to distinguish between a general carrier and a private carrier in a carriage by road contract. In answering, the candidates related the carriers to aircraft, which was not applicable. In the part (b), candidates did not apply the uniform rules to the modes of carriage required. This could be as a result of overlooking the Road Carriage while preparing for the examination.

Question 11

The question was to test the factors required in assessing hull risks. It was well answered.

Question 12

Performance was very woeful in this question (0%). The question was to test the coverage provided by Personal Injury Coverage Endorsement (AVN 60).

Question 13

This question was not well answered. The question was to test:

- (a) basis of premium calculation of hull and passenger liability.
- (b) the main difference in underwriting satellite and aircraft risks.

Question 14

Only one candidate attempted this question with very low marks. The question was to test the knowledge of popular incoterm abbreviations. Candidates probably did not pay proper attention to the terms because they appeared simple. Candidates should not underate any knowledge.

Question 15

The question was to test candidates' knowledge on carrier's liability to passenger for death and injury. It was just fairly answered.

Question 16

This question was fairly answered. It was to test claims provisions in Marine insurance policy. No candidate wrote on dispute resolution and the duties of underwriters.

Question 17

This question, which was to test the steps that constitute delivery in Carriage of Goods by Road Act (a), the limitation of liability by shipowners (b) was also very poorly answered.

Question 18

The question was fairly answered. It as to test the understanding of freight and its insurances (a) and the knowledge of PPI policies and their uses (b).

Chief Examiner's Comments on Overall Performance

The performance was generally below average as no candidate that sat for the examination passed the course.

Chief Examiner's Suggestion on Improvement

Candidates are advised to study their coursebooks thoroughly, attend lectures where available, engage in discussions with fellow candidates from time to time, read insurance magazines and other relevant materials and textbooks in order to have in-depth understanding and knowledge of the course.

Part I Answer ALL questions in Part I. Each question carries 10 marks.

1. Enumerate any five (5) organisations/ trade associations that are involved in promoting ethical standards and professionalism in Nigeria Insurance Market **Solution**

The Organisation/ trade association that are involved in promoting ethical standards and professionalism in Nigeria Insurance Market are:

- Nigerian Insurers Association (NIA)
- Nigerian Council of Registered Insurance Brokers (NCRIB)
- Institute of Loss Adjusters of Nigeria (ILAN)
- National Insurance Commission (NAICOM)
- Chartered Insurance Institute of Nigeria (CIIN)
- Professional Reinsurance Association of Nigeria (PRAN)
- Association of Registered Insurance Agents of Nigeria (ARIAN)

(2 marks for each correctly stated organisation/association. Maximum of 5 to be graded. Total: 10 marks)

2. Name three (3) oceans, one (1) sea and one (1) canal of importance in ship navigation.

Solution

Oceans are:

* Atlantic Ocean * Southern Ocean	* Pacific Ocean * Art * Indian Ocean	tic Ocean
Seas are:		
* North Sea	* Mediterranean Sea	* Black Sea
* Arabian Sea	* Red Sea	* South China Sea
* Sea of Japan	* Tasmania Sea	* Gulf of Mexico
* Gulf of St. Lawrence	* Baltic Sea.	
Canals are:		

* St. Lawrence Seaway	and Lake System	
* Welland Canal	* Panama Canal	* Suez Canal
* North Sea Canal	* Manchester Ship Canal	* Houston Canal

(2 marks for each correctly stated name. Maximum of 3 to be graded under oceans; and 1 each under seas and canals. Total: 10 marks)

3. Describe the wing of an aircraft and explain how it enables the aircraft to fly.

Solution

The wing of an aircraft is described below:

- the underside of the wing is relatively flat while the top surface is slightly curved
- the apex of the curve is about one-third of the way across the depth of the wing or the chord

(2 marks for each complete and correctly stated point above. Sub-Total: 4 marks) The wing enables the aircraft to fly in the following ways:

- as it passes through the air, the air divides to accommodate it
- the air that flows underneath has a shorter distance to travel than the air passing above it
- the air passing over the wing has to accelerate to meet the air passing underneath at the same time, at the trailing edge of the wing
- this acceleration over the top of the wing causes a drop in pressure which then generates a lift.

(2 marks for each complete and correctly stated point from above. Maximum of 3 to be graded. Sub-Total: 6 marks) (Grand Total: 10 marks)

4. Who are the members of International Air Transport Association (IATA) and enumerate any two (2) reasons why it was formed.

Solution

The members of International Air Transport Association (IATA) are Air Transport Operators. (4 marks)

IATA was formed in 1945 for the following reasons:

- to promote safe, regular and economical air transport and faster commerce
- to provide a means of collaboration among air transport enterprises
- to act as a voice of operators in discussions with International Civil Aviation Organisation (ICAO)
 (3 marks for each correctly stated reason. Maximum of 2 to be graded. Sub-Total: 4 marks) (Grand Total: 10 marks)

5. What five (5) conditions must be met for the "Carriage of Goods by the Road Act 1965: CMR Conditions" to apply to a contract of carriage? **Solution**

Solution

The five (5) conditions that must be met for the "Carriage of Goods by the Road Act 1965: CMR Conditions" to apply to a contract of carriage are:

- there must be a contract of carriage for reward
- the contract must be one for the carriage of goods

- the carriage must be effected by road
- the carriage must be carried out by certain categories of vehicles
- the contract must have international status.
 - (2 marks for each correctly stated condition. Total: 10 marks)

6. Why is marine insurance so important in overseas commerce, notwithstanding the fact that there is no legal compulsion to take such insurance?

Solution

Marine insurance is so important in overseas commerce, notwithstanding the fact that there is no legal compulsion to take such insurance because:

- of its protection against fortuitous losses, enables all those engaged in overseas trade to venture their capital freely than they otherwise would have done
- it thus enables the business to expand
- it is important to the Nation as it attracts overseas fund which helps in the balance of payment
- the banks who finance overseas trade worldwide often require marine insurance as security for their funds
- even shipments that are not financed by banks are considered sensible to be protected by Marine Insurance (2¹/₂ marks for each correctly stated reason. Maximum of 4 to be graded. Total: 10 marks)

7. (a) What are the two main features of insurable interest in marine insurance? (4 marks)

(b) State briefly how the following different people may be interested in a cargo property which is at risk at the same time:

(i) the merchant; (ii) the shipowner;

and (iii) the agent. (6 marks)

Solution

(a) The two main features of insurable interest in marine insurance are:

- a physical object exposed to marine perils; and
- the assured must have some legal relationship to that object in consequence of which they either benefit by its preservation or are prejudiced by its being lost or damaged; or incurs liability in respect thereof. protection or cover against exceptionally large individual losses (2 marks for each correctly stated feature. Sub-Total: 4 marks)
- (b) (i) **The Merchant:** may insure their cargo;
- (ii) **The Shipowner:** may insure their liability for damage to cargo; and
- (iii) **The Agent:** may insure the goods as they may lose commission on its sale.

(2 marks for each correctly stated way. Sub-Total: 6 marks)

(Grand Total: 10 marks)

8. (a) What is *uberrima fides*? What is the English term for it?

(b) The Institute Clauses and International Clauses are based on English law and practice. Name the Statute on which they are based.

Solution

(a) Uberrima fides implies a full disclosure of all material facts concerning the insurance (2 marks), known or deemed to be known (1 mark), so that the risk can be underwritten and rated (2 marks). The English term for it is "*Utmost Good Faith*" (2 marks).

(Sub-Total: 7 marks)

(b) The Institute Clauses and International Clauses are based on English law and practice. The name of the Statute on which they are based is the Marine Insurance Act 1906. (3 marks)

(Grand Total: 10 marks)

9. Enumerate any four (4) coverage provided to the aircraft by the London Aircraft Insurance Policy AVN1C under Section 1: Loss of or Damage to Aircraft? **Solution**

Solution

The coverage provided to the aircraft by the London Aircraft Insurance Policy AVN1C under Section 1: Loss of or Damage to Aircraft are:

- insurers will at their own option pay for replace or repair accidental loss of or damage to the aircraft described in the schedule arising from the risks covered (those risks being generally flight, taxing and ground)
- the policy is on insured value basis which is frequently modified to agreed value basis
- disappearance of aircraft in flight, unreported for 60 days will be covered as a total loss
- any loss under this section is subject to an applicable deductible
- reasonable emergency expenses necessarily incurred by the insured for the immediate safety of the aircraft in the event of damage to the aircraft or forced landing.

(2¹/₂ marks for each correctly stated coverage. Maximum of 4 to be graded. Total: 10 marks)

10. (a) What is a:

(i) "common carrier"; and (ii) "private carrier"? (4 marks) (b) To what type of transport do the "uniform rules" apply? (6 marks) Solution

(a) (i) A "Common Carrier" is one who is bound to carry any goods brought to him by any person. (2 marks)

(ii) A "private carrier" is one who is free to dictate the terms of the contract. (2 marks)(b) The "uniform rules" apply to:
* carriage by rail * carriage by rail/road * carriage by rail/sea. (2 marks for each correctly stated response. Sub-Total: 6 marks) (Grand Total: 10 marks)

11. List any five (5) main factors that determine the rate when assessing a hull risk.

Solution

The main factors that determine the rate when assessing a hull risk are:

- type of ship; * trading limits, cargo and suitability
- tonnage and age; * management and past claims
- conditions of insurance; * classification society
- flags and P & I Club membership
- valuation *repair costs.

(2 marks for each correctly stated main factor. Maximum of 5 factors to be graded. Total: 10 marks)

12. The Personal Injury Coverage Endorsement AVN 60, amongst others, is frequently added to airline liability insurances. List any five (5) types of law that the extension provide cover against.

Solution

These are:

- * false arrest * restraint * detention or imprisonment
- * malicious prosecution * wrongful entry * libel or slander
- * eviction or invasion of the right of private occupancy
- * medical malpractice.

(2 marks for each correctly stated type. Maximum of 5 to be graded. Total: 10 marks)

13. (a) On what basis is the premium on most brokers slip used to cover hull and passenger liability calculated? (4 marks)

(b) What is the main difference between underwriting a satellite risk and an aircraft risk? (6 marks)

Solution

(a) Hull: a percentage of the insured value; (2 marks)
Passenger Liability: revenue passenger miles. (2 marks)
(b) The main difference between underwriting a satellite risk and an aircraft risk mainly arise from the fact that the aircraft can be physically maintained and repaired (3 marks), but, once in orbit, the repair of a satellite is difficult, and often dangerous (3 marks). (Sub-Total: 6 marks)

(Grand Total: 10 marks)

14. What are the full forms of the following abbreviations:

- (a) FOB (b) CIF
- (c) CPT (d) DDU and (e) DDP

Solution

(a)	FOB: Free on Board	(2 marks)
(b)	CIF: Cost, Insurance and Freight	(2 marks)
(c)	CPT: Carriage Paid To	(2 marks)
(d)	DDU: Delivered Duty Unpaid	(2 marks)
(e)	DDP: Delivered Duty Paid	(2 marks)
()	(Grand Total: 10 marks)	· · · · · · · · · · · · · · · · · · ·

Part II

Answer TWO (2) out of the following FOUR (4) questions. Each question carries 30 marks.

- 15(a) What type of liability is imposed on the carrier for death and injury of passengers and what two (2) pre-conditions must a passenger demonstrate to succeed in his/her claim according to Article 17 of the Montreal Convention 1999? (10 marks)
- (b) With reference to Section II: Legal Liability to Third Parties (other than passengers) of the "London Aircraft Insurance policy, what coverage is provided for and state any two (2) exclusions to the said section. (20 marks)

Solution

a) The article imposes strict liability on the carrier in the event that a passenger suffers death or wounding or any other bodily injury during embarkation, disembarkation or while on board in the aircraft. The two precautions that the passenger must demonstrate are that:

- there has been an accident
- the accident must have taken place during the cause of embarkation or on board the aircraft.

(5 marks for each correctly stated precaution. Sub-Total: 10 marks)

b) The coverage provided by Section II: Legal Liability to Third Parties (other than passengers) of the "London Aircraft Insurance policy", is: indemnity to the insured for all sums the insured becomes legally liable to pay as damages (including costs) in respect of accidental bodily injury or property damage caused by the aircraft or by any person or object falling there from. (10 marks).

The exclusions in the section are:

- **employees and others:** exclude injury to any director, employee e.t.c. of the insured whilst acting in the course of their employment or duties for the insured
- Operational Crew
- **Passengers** (these will be covered under section II)
- **Property:** excludes loss and damage to property belonging to or in the care, custody or control of the insured.
- Noise, Pollution and Other Perils: excludes claims arising from noise, pollution and, contamination, electrical and electro magnetic interference, interference with the use of property, unless caused by or resulting in a crash fire explosion or collision or a recorded in-flight emergency causing abnormal aircraft operation.

(5 marks for each correctly stated exclusion. Maximum of 2 to be graded. Sub-total: 10 marks) (Grand Sub-Total: 20 marks) (Grand Total: 30 marks)

- 16. Explain the following clauses from the contents of the International Hull Clauses (1/11/83): Claims Provisions:
 - (a) Duties of underwriters in relation to claim;
 - (b) Dispute resolution;
 - (c) Duties of the assured;
 - (d) Provision of security; and
 - (e) Notice of claims.

Solution

(a) **Duties of Underwriters in Relation to Claims:** the underwriters have obliged to give prompt consideration to making of payment on account and making a decision in respect of the claim within 28 days of receipt of the Loss Adjuster's final adjustment.

(b) **Dispute Resolution:** Disputes between underwriters and the assured may, at the request of either party, be referred to mediation or other form of dispute resolution.

(c) **Duties of the Assured:** sets out the obligations of the assured to provide information in the claim process, making it a condition precedent to underwriters' liability that the assured makes a fair presentation of the claim.

(d) **Provision of Security:** if the assured is obliged to provide security to a third party to prevent the arrest of or to obtain the release of the vessel due to an

accident giving rise to a claim under the policy, underwriters agree to give due consideration to providing security on counter-security.

(e) **Notice of Claims**: an obligation to report accidents or occurrences which may give rise to a claim as set out in the clause, within 180 days of the Assured, Owners or Managers becoming aware of them. Otherwise, the claim shall not be recoverable.

(6 marks for each complete and correctly stated explanation. Total: 30 marks)

- 17(a) Concisely enumerate any three (3) scenarios that constitutes "delivery" under the Carriage of Goods by Road Act 1965: CMR Conditions.
- (b) The concept of permitting ship-owners to limit their liability persist till the present time. Briefly explain why this is so with at least, three (3) concisely stated points.

Solution

a) The scenarios that constitute "delivery" under the Carriage of Goods by Road Act 1965: CMR Conditions are:

- the agreement of whether it is the carrier or owners of the goods that would be responsible for loading and unloading the consignment must have been concluded in the contract of carriage
- the sender must have placed at the disposal of the carrier the documents and information necessary at the national frontiers
- on arrival of the goods at the place designated for delivery, the carrier will deliver them against a receipt of the second copy of the consignment note, to the consignee
- it is the carrier's duty to deliver the consignment at a place named under the condition laid down in the consignment note

• with delivery, the carrier is considered to have fulfilled their principal duty. (5 marks for each complete and correctly stated scenario. Maximum of 3 to be graded. Sub-Total: 15 marks)

b) The concept of permitting ship owners to limit their liability to the value of the vessels persists till the present time because:

- it predated the concepts of insurance and limited liability company
- limiting liability of ship owners was intended to encourage investment in shipping in order to increase the size of merchant fleets
- with the limited liability companies, investors in shipping were no longer exposed to unlimited liability that hitherto made shipping business risky and expensive

- today, most countries subscribe to one of two international conventions which enable a shipowner to limit their liability to a formula based on the tonnage of the vessel
- however, U.S. and some few countries of the world still enable an owner to limit their liability broadly to the post-accident value of the vessel

(5 marks for each complete and correctly stated reason. Maximum of 3 to be graded. Sub-Total: 15 marks)

(Grand Total: 30 marks)

18. (a) What is freight and how is it insured?

(b) What are "PPI policies"? what type of insurances are they used for and how are claims settled under such policies?

Solution

- (a) Freight means the remuneration payable to a shipowner
 - for the carriage of goods
 - for the hire of their ship or cargo space in it

It includes the profit derivable from the carriage of their own goods as well as those of other persons.

(4 marks for any correctly stated point. Maximum of 2 points to be graded. Sub-Total: 8 marks)

It is the usual practice for ship-owners to insure their freight by:

- a twelve-month policy
- the amount being insured is roughly the equivalent to the gross amount of freight at risk on any voyage

(3¹/₂ marks for any correctly stated point. Maximum of 2 points to be graded. Sub-Total: 7 marks) (Grand Sub-Total: 15 marks)

(b) "PPI policies", known as Policy Proof of Interest" Policies are policies which forgo proof of interest and are such void. Yet, they are commonly used because commercial interests prefer a policy which does not require the need to prove to a court that they have insurable interest in order to recover.

(5 marks)

The type of insurances that they are used for are insurance policies for shipowners "disbursements", "increased value" and sundry insurances.

(5 marks)

The claims, once admitted by the insurers are settled by making immediate payment – if required. (5 marks)

(Grand Sub-Total: 15 marks) (Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA DIPLOMA

APRIL 2021 DIET EXAMINATION PAPER

SUBJECT D17 OPERATIONAL MANAGEMENT

All answers are to be written on the answer booklet(s) supplied in accordance with the following instructions:

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Handle the answer booklet with care.
- Do not write on the question paper.
- The answer booklet should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the cover and flap of the answer booklet.
- Ensure that you write the full and correct candidate's number.
- No name should be written on any leaf of the book, or on any supplementary leaves that may be issued to the candidates.
- The answer to each question must be commenced on a separate page. Where however, a question consists of two of more parts, this instruction do not apply to the separate parts.
- Write in the ruled margin the number and question attempted.
- Leave no blank pages among your answers.
- Where supplementary leaves are used, the candidate's number should be written in the space provided on them and fastened at the end of the book inside the cover.

FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2021 DIET CANDIDATES' INSTRUCTIONS.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D17 – OPERATIONAL MANAGEMENT

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

You should answer all questions in Part I and two (2) out of the four (4) questions in Part II.

The paper carries a total of 200 marks distributed as follows: Part I - 140 marks.

Part II - 60 marks.

You are advised to spend not more than two (2) hours on Part I. You are strongly advised to attempt ALL the required questions to score maximum possible marks.

Where a question is split into parts (a), (b), etc, marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

In attempting the questions, you may find it helpful in some places to make rough notes in the answer booklet. If you do this, you must 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.

Answer each question on a new page. If a question has more than one part leave several lines blank after each part.

Chief Examiner's Summarised Statistics

Highest Score:	57%
Lowest Score:	11%
Average Score:	41%

Breakdown Updates

Question 1

Pass rate was 50%. Statutory question on NAICOM is needful and should be well attempted. Average performance was not expected.

Question 2

A poor pass rate of 36%. The question is technical but fair enough for better performances by candidates.

Question 3

A poor pass rate of 29% pass rate. Candidates can do better if better prepared.

Question 4

A slightly above average pass rate of 57%. The question was fairly attempted by candidates. The question is familiar to daily experiences.

Question 5

An above average pass rate of 64%. Most candidates attempted the technical question.

Question 6

A poor pass rate of 29%. The question is technical but simple and fair to pass.

Question 7

A highly impressive pass rate of 93% with an equally high rate of attempt by the candidates. The question is technical and simple.

Question 8

A poor pass rate of 36%. The question is technical and friendly.

Question 9

A very poor pass rate of 14%. The question was poorly attempted though it is fair, clear and friendly.

Question 10

A poor pass rate of 36%. The question is on planning. Candidates misunderstood planning concept with marketing concept.

Question 11

This was a simple "draw and label question" which is simple. Surprisingly, no candidate passed the question i.e. the pass rate was 0%.

Question 12

A slightly above average pass rate of 57% with a fair attempt by candidates. The question threw up daily work-experience.

Question 13

A slightly above the average pass mark of 57%. The question was technical but fair.

Question 14

The pass rate was 79%. It was a good attempt.

Question 15

57% of the candidates attempted the question with a 13% pass rate. This shows that the question was fairly attempted but poorly passed.

Question 16

Although it had an attempt rate of 14%, the pass rate was 0%. Candidates mistook "tools" for "activities" hence the wring responses supplied.

Question 17

57% of the candidates attempted the question with a 63% pass rate. One of the candidates scored the maximum marks attainable for the course.

Question 18

50% of the candidates attempted the question with a 29% pass rate. Specific competence under customer focus was misunderstood with general competence of the Manager.

Chief Examiner's Comments on Overall Performance

The global pass rate was 29% which is very poor. This can be better improved upon with better preparation of candidates.

Chief Examiner's Suggestion on Improvement

Questions are friendly enough for professional candidates. Better preparations on the part of the candidates are therefore strongly recommended.

Part I Answer ALL questions in Part I. Each question carries 10 marks.

1. (a) State two (2) important functions of NAICOM.(4 marks)(b) What is the significance of Section 50 of Insurance Act & Regulations 2003?
(6 marks)

Solution

The important functions, are any of the statutory functions, of the National Insurance Commission as established by NAICOM Act 1997. These are:

- establish standards for the conduct of insurance business in Nigeria
- approve rates of premium to be paid in respect of all classes of insurance business
- approve rates of commission to be paid in respect of all classes of insurance business
- ensure adequate protection of strategic government assets and other properties
- regulate transactions between insurers and reinsurers in Nigeria and those outside Nigeria
- act as adviser to the Federal Government on all insurance related matters
- approve standards, conditions and warranties applicable to all classes of insurance business
- protect insurance policyholders, beneficiaries and third parties to insurance contracts
- publish, for sale and distribution to the public, annual reports and statistics of insurance industry
- liaise with and advice Federal Ministries, parastatals, statutory bodies and other government agencies on all matters relating to insurance contained in any technical agreements to which the country is a signatory to
- contribute to educational programmes of the Chartered Institute of Nigeria and the West African Insurance Institute
- carry out other activities connected or included to its other functions.
 (2 marks for each correctly stated function. Maximum of 2 to be graded. Sub-Total: 4 marks)

(b) The significance of Section 50 of the Insurance Act & Regulation 2003 is that it provides that:

i) the receipt of an insurance premium shall be a condition precedent to a valid contract of ins & there shall be no cover in respect of an insurance risk unless the premium is paid in advance. (3 marks)

ii) an insurance premium collected by an insurance broker in respect of an insurance business transacted through the insurance broker shall be deemed to be premium paid to the insurer involved in the transaction.(3 marks)

(Sub-Total: 6 marks) (Grand Total: 10 marks)

2. Give two (2) examples each of "job content" and "job context" to show you know their meanings.

Solution

Job Content

- details of individual function, responsibilities and authorities
- the expected results and how performances are assessed
- how the job affects others
- how the job affects costs/expenses.

Job Context

- details of the organisation structure
- conditions of employment
- how pay and prospects are assessed
- changes in office management
- local union development.

(2¹/₂ marks for each correctly stated example. Maximum of 2 to be graded under each term. Total: 10

marks)

3. List the five (5) basic control stages of management function.

Solution

The five (5) basic control stages of management function are:

- making a plan
- recording the plan formally or informally
- carrying out the plan
- comparing actual results against plan
- evaluating the comparison and deciding on further action.
 (2 marks for each correctly stated element. Total: 10 marks)

4. Sources of stress may come from the job or from the organisation. Mention four (4) likely effects of stress in the workplace.

Solution

The likely effects of stress in the workplace are:

* high absenteeism	* high staff turnover	
* industrial relations problems	* poor quality control	
$(2^{1/2}$ marks for each correct definition. Total: 10 marks)		

5. By way of definition, explicitly show the differences between "job description" and "competencies" showing the meaning and differences.

Solution

"Job Description" describes what activities a jobholder gets involved in. (5 marks) while "Competencies" describe how individuals should behave in order that the job is done correctly. (5 marks)

(Grand Total: 10 marks)

6. (a) What are "service level agreements"?(b) Enumerate two (2) reasons why SLA is becoming very important.

(4 marks)

(6 marks)

Solution

(a) "Service level agreements" are statements that set out the degree/type of service which will be delivered to customers or which has been agreed will be delivered. (4 marks)

(b) The two reasons why SLA is becoming very important are:

- people want to know the level of service they can expect from an organisation (3 marks)
- for businesses that outsource part of their operations, the level of service to be delivered will be built into the supplier contract. (3 marks)
 (Sub-Total: 6 marks)

(Grand Total: 10 marks)

7. Enumerate five (5) benefits that the Automatic Call Distributor (ACD) provides for customers.

Solution

The benefits that the Automatic Call Distributor (ACD) provides for customers are:

- it automatically route calls to the person best placed to handle it
- service to customers is quicker (no switchboard)
- customers get a more professional service
- customers are more likely to get calls answered
- it helps companies to meet customer needs
- it can be linked to computers and automated services.
 (2 marks for each correctly stated benefit. Maximum of 5 to be graded. Total: 10 marks)

8. Is there any difference between profit sharing and gain sharing? Justify your answer.

Solution

Yes, there is difference between profit sharing and gain sharing. (4 marks) Profit sharing is to reward individuals on the basis of organizational performance (3 marks); while gain sharing is designed to encourage staff or group of staff bring up ideas that produce financial gains for the organisation. A percentage of the gain is distributed to members of the group (3 marks).

(Grand Total: 10 marks)

9. List the five (5) basic control cycle stages in an organisation.

Solution

The five (5) basic control cycle stages in an organisation are:

- making a plan
- recording the plan
- carrying out the plan
- comparing actual results against the plans
- evaluating the comparison and deciding whether further action is necessary to ensure the plan is achieved.

(2 marks for each correctly stated stage. Total: 10 marks)

10. To enable you plan effectively, you have been advised to identify zones of certainty and zones of uncertainty. Briefly explain these two (2) terms. **Solution**

Zones of certainty are where you have all the information and expertise you need and can plan ahead realistically (5 marks) while zones of uncertainty are where you are ignorant and rather find out information from people who know and then use the information to plan forward and make decisions (5 marks).

(Grand Total: 10 marks)

11. The three (3) overlapping circles in Dr. John Adair's Action Centred Leadership illustrate the concept and relationship of the areas. Draw the circle and label them.

Solution



(Total: 10 marks)

12. State the four (4) reasons internal promotion should be used as a source of recruitment.

Solution

The four (4) reasons internal promotion should be used as a source of recruitment are:

- there is less need for orientation and training
- there is existing familiarity between the promoted and colleagues
- there is internally verifiable track record of achievements
- high cost of external recruitment is avoided.

 $(2^{1/2} marks for each correctly stated reason. Total: 10 marks)$

13. Define "intrinsic" and "extrinsic" rewards, giving two (2) examples each.

Solution

Intrinsic rewards are derived from the pleasure which the individual associates with doing the job itself. For example, using personal skills to the full, dealing with problems, taking responsibility for decisions, achieving targets, working with like-minded people, e.t.c.

Extrinsic rewards are given to employees by the organisation for the work done. For example, salary and wages; performance bonus, car, overtime pay, holiday pay and pensions contribution.

(2 marks for each correct definition. 1½ marks for any correctly stated example. Maximum of 2 examples to be graded under each term. Sub-total per term: 5 marks. Grand Total: 10 marks)

14. List any four (4) reasons why management development programme is important to any organisation. B1/C8P13

Solution

The reasons why management development programme is important to any organisation are to:

- improve performance of all managers
- provide a supply of trained managers
- provide a supply of qualified managers
- meet the company's needs
- provide senior managers the skills to meet anticipated future needs
- improve the level of knowledge, skills and abilities of the managers at all levels.

(2¹/2 marks for each correctly stated reason. Maximum of 4 to be graded. Total: 10 marks)

Part II

Answer TWO (2) out of the following FOUR (4) questions. Each question carries 30 marks.

15. Within call/contact centres, coaching "done on the job" is a practical way of improving and developing a person's skills.

(a) State any four (4) advantages of coaching.

(b) Enumerate any four (4) disadvantages of coaching.

(c) Suggest the five (5) structures to a coaching session.

Solution

a) The advantages of coaching are:

- everything is seen and heard
- problems can be dealt with quickly
- it is easy to demonstrate
- system interaction can be seen
- agent is getting quality time.

(2¹/₂ marks for each correct and completely stated advantage. Maximum of 4 to be graded. Sub-Total: 10 marks)

b) The disadvantages of coaching are:

- can be time consuming
- staff may be nervous
- other people can overhear
- staff will be on best behaviour
- may not be seeing the real picture.

(2½ marks for each correct and completely stated disadvantage. Maximum of 4 to be graded. Sub-Total: 10 marks)

b) The structures to a coaching session are:

* preparation * assessment * provide feedback * consolidate * summarise. (2 marks for each correctly stated structure. Sub-Total: 10 marks) (Grand Total: 30 marks)

16. (a) The technology used in call centres is constantly evolving and expanding. Financial services call centres use purpose designed administration system that can enable some office Activities. Enumerate any five (5) of such activities.

(15 marks) (5 marks)

(b) (i) What is mystery shopping? (5 r(ii) List five (5) key headings used in mystery shopping to call centres.

(10 marks)

Solution

(a) Some of the activities used by financial services call centres are:

- automated quotations for a wide range of products
- production of branded documentation
- production of administration/support letters, documents, application forms, e.t.c.
- calculation of quotes and mid-term changes
- electronic communication of data to relevant parties
- authorization of credit card payments online
- monitoring on every transaction for reporting purposes.
- (3 marks for each correctly stated activity. Maximum of 5 to be graded. Sub-Total: 15 marks)

(b) (i) Mystery shopping involves trained assessors to calls into the centres and assess in some details the way calls are handled (3 marks). This method allows the call centres to be benchmarked against industry standard(s) (2 marks). (Sub-Total: 5 marks)

(ii) Some key headings used in mystery shopping to call centres. are:

- pre-call connections (time to answer, queuing messages)
- call greetings/welcome
- have security/data protection checks carried out
- customer needs (where customers' requirements are understood)
- meeting customers' requirements
- queries and tie up
- call close
- customer rating of calls
- attribute rating.

(2 marks for each correctly stated heading. Maximum of 5 to be graded. Sub-Total: 10 marks) (Grand Total: 30 marks)

17(a) Enumerate any five (5) reasons employees will not wish to learn or be trained. (10 marks)

(b) The G.R.O.W. Model is an acronym commonly used to coach for achievements. Briefly explain the acronym. (20 marks)

Solution

The reasons employees will not wish to learn or be trained are:

- staff who are employed for a short period of time to do a specific job may not have the wish to learn new skills
- people who recognise that they have reached the limit of their own level of ability

- lack of confidence and the fear that new knowledge may bring additional responsibilities
- those who feel sufficiently fulfilled
- some feel that they know it all
- pressures from outside the working environment like marriage, family, domestic, e.t.c.
- staff who have been discouraged by the inadequacy of previous trainings. (2 marks for each correctly stated reason. Maximum of 5 to be graded. Sub-Total: 10 marks)

(b) The G.R.O.W. Model:

- **G Goal:** Identify the goal to be achieved. This must meet the SMART criteria.
- **R Reality:** This is a review stage that is looking at what the current situation is, talking about where things are.
- **O Options:** A brainstorming session to identify as many options as possible that could help achieve the goal.
- **W** What Will You Do?: All the options are considered and the best one selected so that an action plan can be developed.

(2 marks for each correctly stated factor word for the letters. 3 marks for correct explanation. Sub-Total per letter: 5 marks. Grand Sub-Total: 20 marks)

(Grand Total: 30 marks)

18. The competencies of a manager include customer focus and leadership.

(a) Give any five (5) examples of competencies of a manager under *customer focus and leadership.* (20 marks)

(b) State five (5) other areas of competencies of a manager.

Solution

(a) The examples of competencies under customer focus and leadership are:

 checks out whether customers are satisfied and their expectations are being met

(10 marks)

- takes customer problems away from them and take responsibility to solve them
- focuses on meeting customer expectations even if they are demanding
- takes actions beyond normal expectations
- takes proactive action to satisfy customer needs
- gets close to customer issues and needs to provide solutions, explains "no" positively, provides clear explanations behind decisions.

(4 marks for each correctly stated competency. Maximum of 5 to be graded. Sub-Total: 20 marks)

(b) The other areas of competencies of a manager are:

- sets clear roles and responsibilities amongst team members
- leads the team in a way that they want to follow, not because they have to
- applies motivational techniques to achieve quality and optimal performance
- encourages team members and creates open communication using active listening
- thinks proactively about the team and obtains resources
- encourages high performance from team
- demonstrates trust and confidence in team members and treats all fairly
- communicates openly about goals and performance issues
- gives team quick responses when they seek advice.
- (2 marks for each correctly stated competency. Maximum of 5 to be graded. Sub-Total: 10 marks) (Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA DIPLOMA

APRIL 2021 DIET EXAMINATION PAPER

SUBJECT D18 PROPERTY CLAIMS HANDLING

All answers are to be written on the answer booklet(s) supplied in accordance with the following instructions:

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Handle the answer booklet with care.
- Do not write on the question paper.
- The answer booklet should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the cover and flap of the answer booklet.
- Ensure that you write the full and correct candidate's number.
- No name should be written on any leaf of the book, or on any supplementary leaves that may be issued to the candidates.
- The answer to each question must be commenced on a separate page. Where however, a question consists of two of more parts, this instruction do not apply to the separate parts.
- Write in the ruled margin the number and question attempted.
- Leave no blank pages among your answers.
- Where supplementary leaves are used, the candidate's number should be written in the space provided on them and fastened at the end of the book inside the cover.

FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2021 DIET CANDIDATES' INSTRUCTIONS.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D18 – PROPERTY CLAIMS HANDLING

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

You should answer all questions in Part I and two (2) out of the four (4) questions in Part II.

The paper carries a total of 200 marks distributed as follows: Part I - 140 marks.

Part II - 60 marks.

You are advised to spend not more than two (2) hours on Part I. You are strongly advised to attempt ALL the required questions to score maximum possible marks.

Where a question is split into parts (a), (b), etc, marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

In attempting the questions, you may find it helpful in some places to make rough notes in the answer booklet. If you do this, you must 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.

Answer each question on a new page. If a question has more than one part leave several lines blank after each part.

Chief Examiner's Summarised Statistics

Highest Score:	71%
Lowest Score:	0%
Average Score:	44%

Breakdown Updates

Question 1

The knowledge of the candidates about the Institute is still low. Only a handful of them got the answers correctly. Candidates should be tutored on this at tutorial centres. Attempt was good (80%) but good performance was average (55%).

Question 2

The question was on the power or extent of insurers' liability to plead for nondisclosure arising from the completion of the proposal form. Attempt was 90% and above average performance was 70%.

Question 3

The question tested candidates' knowledge on types of average. Performance was excellent as majority of the candidates got it correctly.

Question 4

This was a very difficult question as candidates were tested on frost damage in property insurance. Attempt was poor (10%) so also was the performance.

Question 5

This question tested candidates on their knowledge on fraud. All the candidates attempted it but only few of them answered the question correctly.

Question 6

This question tested candidates' knowledge about ex-gratia payments. Performance was average even though it was a straightforward question.

Question 7

Candidates were tested on the different risks that form the exclusion clause. Candidates had fair understanding; hence the performance was above average.

Question 8

This question tested candidates on efficiency of the use of call centres by insurers to achieve further efficiencies in their operations. Candidates had a below average knowledge of this question; hence the responses were muddled up leading to a poor performance.

Question 9

This question tested candidates on why insurers dispense with proposal form for large risks in fire insurance. Candidates seemed not to understand the meaning of "dispense with" hence the question was fairly answered with an overall average good performance.

Question 10

This question tested candidates on the requirement for assessing intellectual property risk. This was a straight forward question and almost all the candidates performed well in it with 80% rating.

Question 11

The test was on the knowledge of Rehabilitation of Offenders Act 1974. Attempt was good (80%) while performance was also good at 75%.

Question 12

Candidates were tested on the need for adequate reserve creation and its importance to insurers. Most of the candidates failed this question woefully.

Question 13

Candidates were tested on Data Protection Act (1988) for insurance claims handling. They did not display understanding of the question hence loosing a lot of marks.

Question 14

Candidates were tested on how liability arise in tort and requirements needed to make a successful claim on negligence. The performance was high as the candidates understood the question.

Question 15

The question tested candidates on salvage and its disposal. Very few candidates attempted this question and those who did, scored good grades in it.

Question 16

The "A" part tested candidates on "why" it is necessary to examine a claim from the operative clause; while the "B" part tested their knowledge on some Acts influencing recovery from third parties. Candidates' performance on "A" part was over 70% performance while part "B" was not understood, so the performance there was not encouraging.

Question 17

This question tested candidates on the concept of reserving and property insurance. It appears to be a difficult question for most candidates that attempted it. Only a few of them performed above average.

Question 18

This question tested candidates on express duties/conditions. Many candidates attempted the question with the idea of knowledge which ended up not being so. A lot of them wrote answers that were not related to the question.

Chief Examiner's Comments on Overall Performance

The overall performance was 45% which is a relatively poor performance.

Chief Examiner's Suggestion on Improvement

It is recommended that candidates should study their text materials/coursebooks for maximum understanding. Regular communication and reminders to candidates to study the coursebook deeply is encouraged.

Part I Answer ALL questions in Part I. Each question carries 10 marks.

1. As a member of the Chartered Insurance Institute of Nigeria, what is the vision of the institute? what are the Institute's core values? **Solution**

CIIN Vision: - To remain a world class professional body committed to the provision of an efficient and effective manpower for the insurance industry

(4 marks) CIIN Core Values: * Members' Satisfaction * Knowledge * Trust * Efficiency. (2 marks for each correctly stated value. Maximum of 3 to be graded. Sub-Total: 6 marks) (Grand Total: 10 marks)

2. It is said that claims handlers must be aware that proposal forms can limit an insurer's liability to plead non-disclosure. Briefly explain this statement. **Solution**

Claims handlers must be aware that proposal forms can limit an insurer's liability to plead because if questions are asked, with no response from the proposer; and there is no final question asking if any other material information available should be disclosed, insurers may be deemed to have waived the rights to repudiate the claim for non-disclosure of any fact or misrepresentation if later realised to be material but which was not specifically asked for.

(5 marks for each correctly stated point. Maximum of 2 to be graded. Sub-Total: 10 marks)

3. List the four (4) types of average found in commercial insurance practice.

Solution

The four (4) types of average found in commercial insurance practice are:

* pro-rata average * reinstatement average

* day-one average * public authorities clause average (2¹/₂ marks for each correctly stated type. Total: 10 marks)

4. Concisely, but briefly, explain frost damage in a typical property insurance policy, stating at least four (4) points.

Solution

Frost damage in a typical property insurance policy is explained below:

- in most policies, only frost damage covered is the bursting by freezing of water pipes
- a frost pipe is evidenced by a longitudinal splitting of the pipe

- an examination of the affected pipe should easily reveal whether it failed as a result of freezing as a result of other causes
- the coast of repairing other bursts will not be covered but damage by water is covered
- no matter the urgency, the insured must adhere to instructions not to embark on repairs of the defective section of the pipes before the inspection or examination is carried out.

(2¹/₂ marks for each complete and correctly stated point. Maximum of 4 to be graded. Total: 10 marks)

5. Define fraud in insurance and concisely, but briefly, explain fraud in the context of insurance claims.

Solution

Fraud has been defined as intentional deception of one party by another for the purpose of gaining an advantage or benefit that, were the actual facts known, would not be available. (2 marks)

- The deception may relate to the whole of the claim presented
- If the event did not occur and it is a result of an insured peril, the deception may relate to the quantum of the claim presented
- Fraudulent claims could include items not lost or damaged or is exaggerated intentionally for the purpose of increasing the claim value
- Mistake, innocent misstatement or lack of care is not fraud as there is no intention to deceive
- A claim that is not fully accurate does not necessarily amount to fraud unless there is an intention to deceive
- Most exaggeration of the claim is for the purpose of negotiation and not fraud
- The insurer must be entirely certain that there has been fraud before accusing the policyholder
- The degree of proof required to justify fraud accusation is usually higher than that applicable to civil matters but not weightier than that for criminal matters
- The insurer must be able to prove fraud on the balance of probabilities.

(2 marks for each correctly stated explanation on fraud. Maximum of to be graded. Sub-Total: 8 marks) (Grand Total: 2 marks) (b) Briefly explain, with two (2) reasons, why ex-gratia payment is not in the best interest of insurers. (6 marks)

Solution

(a) Ex-gratia payment is a payment made to the policyholder out of the benevolence of the insurer (2 marks) without admission of liability (2 marks).

(b) The reasons why ex-gratia payment is not in the best interest of insurers are:

- if there is no liability attaching to the insurers, they have no subrogation rights
- there is no right of recovery unless the policy holder assigns their rights to the insurers in writing
- The Board has to be informed and some of the members might perceive that avoidable expenses are being made by the management.
 (3 marks for each correctly stated point. Maximum of 2 to be graded. Sub-Total: 6 marks) (Grand Total: 10 marks)

7. Outline any five (5) different risks that form the exclusion clause in the typical property insurance policy.

Solution

a) The various risks that form the exclusion clause in the typical property insurance policy:

* war risk	* terrorism	* sonic bangs
* deliberate acts	* pollution	* contamination
(2 marks for each correctly stated risk. Maximum of 5 to be graded. Total: 10 marks)		

8. In a bid to improve efficiency of operation and access of insuring public to such efficiencies, insurers now use outsourced call centres to achieve this. Enumerate any four (4) activities of these call centres in relation to claims.

Solution

The activities of the call centres in relation to claims are:

- receipt of initial claim notification
- registration of claim
- provision of assistance to the policyholder on how to document the claim
- forward the information to the designated claim officer/unit
- following up with the policyholder as would be required by the claim handler
- for some insurers, handles the claims of the amount or value is little and the circumstances are quite straight-forward.

(2¹/₂ marks for each correctly stated activity. Maximum of 4 to be graded. Total: 10 marks)

9. Enumerate two (2) standard reasons why some insurers usually dispense with proposal forms for large risks in fire insurance.

Solution

Some insurers usually dispense with proposal forms for large risks in fire insurance because:

- there is usually insufficient space on the standard proposal form to describe all the risks being proposed for cover
- the relevant information would have been summarised by the Broker on the broking slip
- there is also a survey report which will be produced by the appointed loss surveyor on the risk, at the expense of the insurer.

(5 marks for each correctly stated reason. Maximum of 2 to be graded. Total: 10 marks)

10. List five (5) principal players in the property insurance market.

Solution

The principal players in the property insurance market are the:

- * broker/intermediary * insurer * reinsurer
- * third party claims administrator * assessors
- * trade and market associations

(2 marks for any correctly stated player. Maximum of 5 to be graded. Total: 10 marks)

11. The Rehabilitation of Offenders Act 1974 provides that once the rehabilitation expires, certain convictions need not be disclosed. List five (5) of the principal rehabilitation periods and what it affects.

Solution

The principal rehabilitation periods and what it affects are:

- six months: absolute discharge;
- date of ceasing of order: probation order, conditional discharge or bond
- five years: a fine
- **five years:** detention in respect of a conviction in service disciplinary
- seven years: prison sentence not exceeding six months
- **ten years:** prison sentence not exceeding thirty months
- **ten years:** cashering, discharge with ignominy or dismissal with disgrace from her Majesty's service
- seven years: dismissal from her Majesty's service
- never: any offender punished with a prison sentence exceeding 30 months.
 (2 marks for each correct and completely stated period/what it affects. Maximum of 5 to be graded. Total: 10 marks)

12. Briefly list any four (4) reasons why creation of adequate reserves is not only important but also usually done by insurance companies.

Solution

The reasons why creation of adequate reserves is not only important but also usually done by insurance companies are:

- it is calculated for internal management purposes
- it is for external reporting
- it is done for statutory purposes
- it provides insurers opportunity to adjust premiums at renewals and for new businesses
- it will help insurers determine whether or not to pull out of a particular class of business
- helps to point to the profitability or otherwise of the business
- helps to make adjustments in response to experience in the year of account to reflect the experience of that year.
 (2¹/₂ marks for each correctly stated reason. Maximum of 4 to be graded. Total: 10 marks)

13. What awareness does the Data Protection Act (1998) create for the insurance claims handler?

Solution

The awareness that the Data Protection Act (1998) create for the insurance claims handler is that it calls the handler to two crucial aspects of the claim task (4 marks). These are that the claims handler must:

- ensure that data is accurate and that security of the data is maintained at all times (3 marks)
- maintain tact in obtaining data necessary for claims handling. It may be necessary to obtain consent from the relevant party before data is released

(Grand Total: 6 marks)

14. (a) How does liability arise in tort?

(b) State the three (3) requirements needed to make a successful claim in negligence. (4 marks)

Solution

a. Liability in tort arise from the breach of a duty primarily fixed in law. It does not include liability out of a contract or Statute. Tort include negligence, nuisance, trespass and defamation.

(2 marks for each correctly stated point. Maximum of 2 points to be graded. Sub-Total: 4 marks)

(4 marks)

(3 marks).

b. The three requirements needed to make a successful claim in negligence are:

- there must exist a duty of care
- there must be a breach of that duty of care
- the claimanat must suffer damage as a result of that breach.
 (2 marks for each correctly stated requirement. Sub-Total: 6 marks)
 (Grand Total: 10 marks)

Part II Answer TWO (2) out of the following FOUR (4) questions. Each question carries 30 marks.

15. List and explain six (6) ways of how goods that are no longer regarded as acceptable to the policyholder can be disposed or reclaimed under salvage. **Solution**

Goods that are no longer regarded as acceptable to the policyholder can be disposed or reclaimed under salvage in the following manner:

- **cleaning:** chemical deodorization to remove the smell of smoke and professional cleaning may restore goods to a condition approaching that prior to the loss. Prompt action has to be taken in order to reaslise a good salvage.
- **trimming:** goods sold by the piece in standard sizes could be trimmed to the next for faster and easier disposable by way of sales.
- **refinishing:** this is of importance to textiles. Bale clothes which have been wet can be refinished; provided it can be returned to the mill before it is completely dried out. This will enhance salvage realisation.
- **damage allowance:** this is netting off an agreed cost with the policyholder from the final amount payable. Skilled negotiation is required here as many policyholders will be reluctant, especially if the sale of damaged goods may be thought likely to damage the mage for their normal undamaged goods.
- **repacking:** sometimes the stocks might have been packaged so well that whilst its packing is damaged, the products itself may be undamaged. In such instances, the goods can be repacked which can then be sold in the usual manner. Care should be taken to ensure that the repacking and the attendant cost do not exceed the usual value of the stock.
- **sales by public auction:** there is no reason why goods should not be disposed of through an auction. In this way, the market value can be obtained which may be higher than the offer from salvage dealers.

use of salvage dealer as an agent: if dealing with particularly unusual items where the value may be difficult to ascertain, instead of asking salvage dealer to bid for the goods, there is no reason why the dealer should not be asked to act as agent in return for negotiated commission.
 (3 marks for correctly stated manner. 2 marks for correct and completely stated explanation under each manner. Sub-Total per manner: 5 marks. Maximum of 6 to be graded. Sub-Total: 30 marks)

16. (a) As a claim handler, carefully explain, with three (3) reasons why it is necessary for you to start examining a claim from the operative clause. (14 marks)

(b) The following Acts influence recovery from third parties. Briefly explain how.

- (a) Civil Aviation Act 1983
- (c) Defective Premises Act 1972
- (b) Animal Act 1971
- (d) Public Order Act 1986

(16 marks)

Solution

(a) Operative clause is the statement in the policy that fully summarises what the cover encompasses (2 marks).

As a claim handler, it is necessary for you to start examining a claim from the operative clause because by doing that the claim handler is ensuring that:

- the premium was paid at policy inception; or at renewal; or in line with agreed/regulatory terms. In instances where installments are allowed, ensures that there is no omission.
- the property damaged or destroyed and being presented for indemnity is that same property described in the policy schedule. When the schedule states that it covers "all buildings at the above address" for instance, the claims handler must satisfy himself of the item that was affected.
- the damage to the property being presented for claims arose from an insured peril and is in line with the principle of proximate cause
- the loss occurred during the policy period even if the date of the discovery of the damage is not the same date of the loss.
 (4 marks for each complete and correctly stated/orplained explanation. Maximum of 3 to be

(4 marks for each complete and correctly stated/explained explanation. Maximum of 3 to be graded. Sub-Total: 12 marks. Grand Sub-Total: 14 marks)

a) **Civil Aviation Act 1982:** this Act creates a strict liability for damage by anything following from or impact by an aircraft. The owner of the aircraft will be liable. Recovery is easy.

b) **Defective Premises Act 1972**: a person who undertakes work for or in connection with dwelling has a statutory duty to see that the work is done in a

workmanlike and professional manner with proper material so that the dwelling will be fit for habitation when complete. Recovery is easy.

c) **Animal Act 1971:** there is a strict liability for damage by trespassing livestock. The only defense available are contributory negligence and escape wholly due to the fault of the person suffering the loss. There is also liability for damage by dangerous species. Recovery from the negligent person is easy.

d) Public Order Act 1986: when two or more persons who are present together use or threaten in lawful violence for a common purpose and the conduct of them is such as would cause a person of reasonable firmness present at the scene to fear personal safety, each of the persons using unlawful violence for the common purpose is guilty of riot and recover is possible/available.
 (2 marks for each correct and completely stated explanation. Maximum of 2 explanations to be graded under each Act. Sub-Total per Act: 4 marks. Grand Sub-Total: 16 marks) (Grand Total: 30 marks)

17. Explain, with five (5) explanations, the concept of reserving in property insurance.

Solution

Reserving is the art of creating adequate amount on a claim that is lodged by the policyholder in the books of the insurance company (5 marks). The concept of reserving is as follows:

- the need for any insurance company to hold reserves is obvious but specific reserves ought to be made for particular known liabilities or contingencies or claims
- in order to ensure that sufficient funds are available to meet the expected claims cost, insurers need to maintain adequate reserves by deliberating creating such reserves
- the purpose of claim reserving is to estimate the costs of claims which will eventually be paid out
- reserving is done to meet statutory obligations, internal management purpose and for external reporting
- accurate reserving needs to be set for every claim notified
- there are some factors to be taken into consideration when assessing reserves include:
 - IBNR Incurred But Not Reported claims
 - IBNER Incurred But Not Enough Reported claims
 - Adjustment for unearned premiums.

(5 marks for each complete and correctly stated/explained explanation. Maximum of 5 to be graded. Sub-Total: 25 marks)

(Grand Total: 30 marks)

18. Claims conditions in a typical property policy imposes express duties/conditions on the insured to notify the insurer immediately upon the happening of an insured event which may lead to a claim. Explain in detail these express duties/conditions.

Solution

Express Conditions are those conditions specifically stated out in the policy and these are divided into two categories, namely general conditions and special conditions. The claim handler is required to be very familiar with these express conditions in order to be able to administer the claim efficiently and professionally. (5 marks)

These conditions are explained below:

- it is essential that the insurer is notified immediately in order that a full investigation of the circumstances of the loss can be made. If this is not done speedily, certain evidence may not be available or witnesses to the event may not recall clearly. It is to be noted that notification to brokers s not acceptable unless they are acting as gent to the insurers
- at common law, the policyholder's duty is to mitigate their losses. The insured must take reasonable action to prevent further damage and must not hinder the insurer should the insurer wish to take any action. It should be noted that the insurer would by virtue of this condition be entitled to repudiate the liability for the claim or a part of the claim resulting from the policyholder's failure to mitigate
- the condition stresses that all information to be provided by the insured to the insurer will be at the insured's expense
- the insured is expected to provide full particulars of the claim within a stipulated period. For example, within seven days in the case of damage caused by riot and in general, within thirty days of the loss.
- it ensures that the insured delivers proofs, information and documents relating to the claim
- the insured is also required not to use fraudulent means to obtain benefit
- the insured must allow the insurers to exercise subrogation rights if requested to do so.
 (5 marks for any correct and completely stated point. Maximum of 5 to be graded. Sub-Total: 25

marks) (Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA DIPLOMA

APRIL 2021 DIET EXAMINATION PAPER

SUBJECT D19 SUBSIDENCE CLAIMS HANDLING

All answers are to be written on the answer booklet(s) supplied in accordance with the following instructions:

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Handle the answer booklet with care.
- Do not write on the question paper.
- The answer booklet should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the cover and flap of the answer booklet.
- Ensure that you write the full and correct candidate's number.
- No name should be written on any leaf of the book, or on any supplementary leaves that may be issued to the candidates.
- The answer to each question must be commenced on a separate page. Where however, a question consists of two of more parts, this instruction do not apply to the separate parts.
- Write in the ruled margin the number and question attempted.
- Leave no blank pages among your answers.
- Where supplementary leaves are used, the candidate's number should be written in the space provided on them and fastened at the end of the book inside the cover.

FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2021 DIET CANDIDATES' INSTRUCTIONS.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D19 – SUBSIDENCE CLAIMS HANDLING

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

You should answer all questions in Part I and two (2) out of the four (4) questions in Part II.

The paper carries a total of 200 marks distributed as follows: Part I - 140 marks.

Part II - 60 marks.

You are advised to spend not more than two (2) hours on Part I. You are strongly advised to attempt ALL the required questions to score maximum possible marks.

Where a question is split into parts (a), (b), etc, marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

In attempting the questions, you may find it helpful in some places to make rough notes in the answer booklet. If you do this, you must 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.

Answer each question on a new page. If a question has more than one part leave several lines blank after each part.

Chief Examiner's Summarised Statistics

Highest Score:	63%
Lowest Score:	63%
Average Score:	63%

Breakdown Updates

Question 1

An average performance by the candidate.

Question 2

A good performance by the candidate.

Question 3

A good performance by the candidate.

Question 4

A below average performance by the candidate.

Question 5

A below average performance by the candidate.

Question 6

A very woeful performance by the candidate.

Question 7

An average performance by the candidate.

Question 8

An average performance by the candidate.

Question 9

An average performance by the candidate.

Question 10

An excellent performance by the candidate.

Question 11

A very woeful performance by the candidate.

Question 12 A good performance by the candidate.

Question 13 A good performance by the candidate.

Question 14 A very good performance by the candidate.

Question 15 A good performance by the candidate.

Question 16 Not Applicable.

Question 17 Not applicable.

Question 18 Not applicable.

Chief Examiner's Comments on Overall Performance

The course is not popular but it is useful taking into consideration the challenges of earth movements. The performance of the candidate is adequate.

Chief Examiner's Suggestion on Improvement

More candidates could have been encouraged to take the course but it will no longer be examined in the new syllabus.

Part I Answer ALL questions in Part I. Each question carries 10 marks.

1. The NAICOM Act 1997 has some statutory functions for the National Insurance Commission when it was established. List any five (5) of these functions.

Solution

The statutory functions of the National Insurance Commission as established by NAICOM Act 1997 are:

- establish standards for the conduct of insurance business in Nigeria
- approve rates of premium to be paid in respect of all classes of insurance business
- approve rates of commission to be paid in respect of all classes of insurance business
- ensure adequate protection of strategic government assets and other properties
- regulate transactions between insurers and reinsurers in Nigeria and those outside Nigeria
- act as adviser to the Federal Government on all insurance related matters
- approve standards, conditions and warranties applicable to all classes of insurance business
- protect insurance policyholders, beneficiaries and third parties to insurance contracts
- publish, for sale and distribution to the public, annual reports and statistics of insurance industry
- liaise with and advice Federal Ministries, parastatals, statutory bodies and other government agencies on all matters relating to insurance contained in any technical agreements to which the country is a signatory to
- contribute to educational programmes of the Chartered Institute of Nigeria and the West African Insurance Institute
- carry out other activities connected or included to its other functions. (2 marks for each correctly stated function. Maximum of 5 to be graded. Total: 10 marks)

2. Complaints are allowed to be recorded by insurers subject to certain requirements. List the four (4) requirements attached to this action. **Solution**

The four requirements attached to the recording of complaints by insurers are:

- a file must be kept with details of the complaints when made
- a file stating the actions taken on the complaints
- all communications on the complaint must be logged
- the file(s) must be kept for three years.
 - (2¹/₂ marks for each correctly stated requirement. Total: 10 marks)

3. In subsidence claims handling, on what basis should an insurer deal with settlement where no repairs are to be undertaken?

Solution

The basis that an insurer will deal with settlement where no repairs are to be undertaken are that **subject to the precise policy wording** 2½ marks and **the reason for not carrying out the works then**, (2½ marks) settlement reverts to one of indemnity with deductions (if appropriate) from the repair costs for betterment, wear and tear. (2½ marks). Alternatively, dependent upon the nature of cover, the insurer may opt to consider diminution in market valve if more economic. (2½ marks).

(2¹/₂ marks for each correctly stated point. Maximum of 4 points to be graded. Total: 10 marks)

4. Briefly explain what constitutes customer care.

Solution

Customer care can be explained to that apart from technical knowledge that the claims handler must possess (2 marks), such a person must demonstrate first class inter-personal skills (3 marks) whereby the policy holder feels someone cares for their claim situation (3marks) and is dealing with them fairly and expeditiously (2 marks).

(Grand Total: 10 marks)

5. Complaints on a claim, leaving aside declaration, mainly arise in respect of four elements of the claims handling process. Enumerate these four (4) elements.

Solution

The four of these elements are complaints commonly related to:

- delays in progress
- lack of communication from the insurer or appointed agent;
- the scope of the works;
- the quality of the completed works, where a network contractor has been used.

(2¹/₂ marks for each correctly stated element. Total: 10 marks)

6. Cosmetic repairs to internal plaster cracks and associated decorations are required and the policyholder seeks temporary accommodation of the period of the work. What criteria would you adopt in determining whether the policy should cover the costs of the alternative accommodation?

Solution

For insurer to pay for alternative accommodation, the damage or the appropriate repair works must render the property uninhabitable. This requires an absence of drainage and/or cooking facilities. Insurers may, however consider payment if a medical condition such as asthma makes it impossible for the policyholder to remain in residence during the works.

(5 marks for each complete and correctly stated statement. Maximum of 2 to be graded. Total: 10 marks)

7. A two (2) year old house suffers subsidence damage and it is found through investigation that the foundations contain insufficient cement in the concrete. State with reason(s) if the policy covers the loss.

Solution

Since the foundations contain insufficient cement in the concrete, the loss will not be covered by the policy (5 marks). This is because the exclusion relating to defective workmanship would debar the claim (5 marks). (Grand Total: 10 marks)

8. Enumerate the two (2) torts that can take place as liability for subsidence damage on a third party and provide an example on each of the torts. **Solution**

The two torts that can take place as liability for subsidence damage on a third party are **negligence** (3 marks) and **nuisance** (3 marks). For example, a surveyor who fails to spot subsidence or symptoms of subsidence in a building in a prepurchase survey may be considered negligent and have a liability to the purchase (2 marks); while tree roof trespass where damage is occasioned to a property constitute nuisance for which a liability in tort arises (2 marks). (Any other correctly stated example suffices for the allotted marks)

(Grand Total: 10 marks)

9. Following the first visit, explain the types of investigation that you would commission, the reasons for such commission and the answers you are looking for.

Solution

The types of investigation that should be commissioned, the reasons for such commissioning and the answers to be looked for are:

• a trail hole to determine the nature and depth of the foundation;

- a trial bore to extract soil samples for analysis to determine the susceptibility of the soil to shrinkage.
- the extraction of any tree roots found for analysis to see whether the tree may be contributing to the movement.
- a test and survey on the drainage system to establish any leakage that might be causing movement.
- the trial hole and bore are relevant if sub-structural movement is later found as necessary as they indicate the type of underpinning and the depth to which such should go.
- tree management can flow from the establishment of tree causation and may remove the cause and the same applies to repair of any leaking drainage.

(2 marks for each correctly stated point from any of the above. Maximum of 5 to be graded. Total: 10 marks)

10. Explain what delegated authority is with regards to the appointment of loss
adjusters.C6/P2

Solution

The loss adjuster under a delegated authority scheme takes on the mantle of and becomes the insurer with regard to decisions taken on the claim. No instructions are sought from the insurer but updates on the current position are given as are instructions for payments. There is a financial limit to this authority.

(5 marks for each complete and correctly stated statement. Maximum of 2 to be graded. Total: 10 marks)

11. A builder is installing new drains through the foundation wall of a house and disturbs to bearing resulting in subsidence to the property. With reasons, would the policy cover such damage?

Solution

The policy will not cover such damage (5 marks). This is because the exclusion relating to the building undergoing structural alteration would debar the claim (5 marks). (Grand Total: 10 marks).

12. What is the guiding principle in the decision whether a property requires underpinnings?

Solution

For underpinning to be considered under a policy unacceptable instability must first need to be established (5 marks). Where it is considered that super structural repairs would need to be repeated on a regular basis and it is more cost efficient to underpin; then underpinning can be adopted (5 marks).

(Grand Total: 10 marks).

13. With reasons for their selection, enumerate and explain any three (3) potential parties for a recovery action in a subsidence claim.

Solution

The potential parties for a recovery action in a subsidence claim are:

- the builder of a property, if defectively constructed and where such defects caused or contributed to the subsidence is a party for potential recovery;
- the vendor of a subsidence affected property may have a liability if it can be proved they knew of the problem and failed to notify the purchases of the defect.
- a surveyor carrying out a pre-purchase survey or a mortgage valuation inspection failing to identify subsidence is also a potential party for a recovery action.

(3 marks for correctly stated party. 2 marks for correctly stated reason. Sub-Total per party: 5 marks. Maximum of 2 stated parties to be graded. Grand Sub-Total: 10 marks)

14. Enumerate any five (5) parties on a claim involving a potential recovery who may become involved on behalf of the insurer or adjuster.

Solution

The parties on a claim involving a potential recovery who may become involved on behalf of the insurer or adjuster are the:

- * insurer * policy holder * adjuster/engineer
- * drain and site investigators * arboriculturists/tree surgeons

* network contractors * solicitors.

(2 marks for each correctly stated party. Maximum of 5 to be graded. Total: 10 marks)

Part II

Answer TWO (2) out of the following FOUR (4) questions. Each question carries 30 marks.

15. (a) What is a reportable complaint and if not resolved, what follows?

(16 marks)

(b) Briefly explain the characteristic differences between cracks from subsidence, heave and thermal causes. (12 marks)

(c) Is this statement true or false: immediate reparation is not automatically applicable to subsidence claims. (2 marks)

Solution

(a) A complaint is defined as an expression of dissatisfaction, oral or written, justified or not, for or on behalf of the policyholder (4 marks) and where this alleges financial loss, material distress or inconvenience and not possible to resolve within 24hours is deemed a reportable complaint (4 marks).

If the complaint is not resolved by the insurers (4 marks) then the matter is referred to the financial ombudsman service for adjudication to which the insurer becomes bond (4 marks).

(Sub-Total: 16 marks)

(b) Cracks from subsidence tend to taper down being wider at the head (4 marks); while heave cracks taper upward being wider at their base (4 marks); and thermal cracking tends to be of constant width (4 marks).

0	(Sub-Total: 12 marks)
(c) True	(Sub-Total: 2 marks)
	(Grand Total: 30 marks)

16. (a) Define the two (2) types of sub-soil that can cause subsidence and the major differences between the two (2) in the context of instability. (22 Marks)
(b) Under the ABI/CILA protocol, state what a surge plan is. (8 Marks)
Solution

(a) The two types of soil are cohesive (2 marks) and non-cohesive (2 marks). Cohesive Soils such as clay can expand and contract dependent on the water content and can hold water. They are susceptible to seasonable variation in their volume. Subsidence and hear can occur.

Non-Cohesive Soils such as sand do not expand or contract. They are not susceptible to seasonal variation. Water running through such a soil can wash out fine particles and cause consolidation and subsidence in any building bearing on the soil. Non-cohesive soils that consolidate cannot recover in volume.

(3 marks for each correctly stated point. Maximum of 3 major differences to be graded under each type. Sub-Total per term: 9 marks. Grand Sub-Total: 18 marks) (Grand Sub Total: 22 marks)

(b) Under the ABI/CILA protocol, a surge plan is a written contingency plan reviewed annually detailing the extent to which service provision can be escalated. In the event of local emergencies adjusters must keep insurers and policy holders advised of arrangements in place during the emergency.

(4 marks for each correctly stated point. Maximum of 2 points to be graded. Sub-Total: 8 marks) (Grand Total: 30 marks)

17. (a) It is found with regard to a subsidence-damaged property that the decorations are 30 years old and the wiring is 20 years old. Explicitly but briefly explain with reasons, if this would constitute a property not in good repair in the context of the claim settlement clause. (24 marks)

(b) Notwithstanding the fact that it is important to diagnose damage caused by subsidence, it is equally important to be able to diagnose loses from other causes.

List any five (5) other causes of crack damage to buildings under subsidence claims handling. (10 marks)

Solution

(a) Decoration of this antiquity would not constitute a property not in good repair in the context of the basis of the claims/settlement clause (7 marks). This is because the decorations do not prejudice the risk (7 marks). If the electrical installation is dangerous given its age, then the clause would apply as the risk is increased, particularly with regard to the peril of fire (6 marks).

(Sub-Total: 20 marks)

(b) Other causes of crack damage to buildings under subsidence claims handling are:

- thermal movement
- lintel failure
- chemical attack
- roof spread
- cavity wall tie failure
- lack of lateral restraint
- degradation of the building fabric (2 marks for each correctly stated point. Maximum of 5 to be graded. Sub-Total: 10marks) (Grand Total: 34 marks)

18. Identify two (2) potential sources of contribution that the parties to a subsidence insurance contract can approach, with reasons.

Solution

Two potential sources of contribution that the parties to a subsidence insurance contract can approach are:

- the contents insurers (8 marks), who also cover the peril of subsidence and the costs of alternative accommodation expenses. This is because contribution can be sought from these insurers by the building insurers in respect of their outlay on alternative accommodation expenses (7 marks).
- the policyholder (8 marks); because if the policyholder also has a4nother building policy covering the same property and for the same perils then this insurer can be brought into contribution by the other building insurer meeting the loss (7 marks).

(Grand Total: 30 marks)