



*Chartered Insurance  
Institute of Nigeria*

*Chief Examiners' Report  
October 2021*

*Foundation Level (F01 to F08)*

**F01**

**CHARTERED INSURANCE INSTITUTE OF NIGERIA**

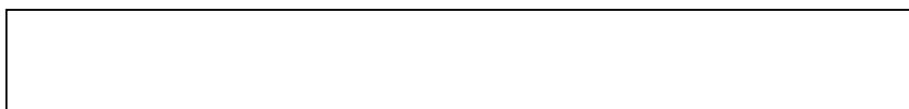
**FOUNDATION**  
F01 - INSURANCE, LEGAL AND REGULATORY  
YEAR 2021 OCTOBER DIET

LOGO

**All answers should be shaded on the answer form in accordance with the following instructions:**

- Two hours are allowed for this paper.
- Fill in the information requested on the answer form and attendance form.
- Handle the answer form with care and do not write notes on it.
- No marks are deducted for incorrect answers, so do not leave any questions unanswered.
- The answer form 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 answer form.
- Ensure that you write the full and correct candidate's number.
- If you bring a calculator into the examination room, it must be silent battery or solar powered non-programmable calculator. The use of programmable calculator is prohibited.
- No name should be written on the answer form.

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



**CHARTERED INSURANCE INSTITUTE OF NIGERIA**  
**FOUNDATION**

F01 - INSURANCE, LEGAL AND REGULATORY

**INSTRUCTIONS TO CANDIDATES**

**READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS**

**Section A**

The questions 1 - 60 in this paper are numbered and four options follow each question. The options are labeled a,b,c,d. Only one of these options is correct. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

**Example:**

A comprehensive motor insurance policy would provide cover for:

- (a) Accidental damage to the vehicle
- (b) Wear and tear and depreciation
- (c) Mechanical and electrical failure or breakdown
- (d) Damage to tyres caused by road punctures or burst

The correct option is (a).

**Section B**

Questions 61 - 85 are to be answered as either True (T) or False (F). Select your chosen option and indicate it on the answer form by filling in the appropriate box.

**Example:**

A comprehensive motor insurance policy would provide cover for all types of accidental damages without any exclusion (True or False).

The correct option is False (F).

**Section C**

Questions 86 - 100. This section contains four (4) case studies each followed by some questions. The case studies are not numbered and appear at the top of the page. Each of the questions following a case study is numbered. Four options follow each question. The options are labelled, a, b, c, d. Only one of these options is correct or best. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

**Chief Examiner's Comment**

Overall performance of the candidates was below average.

**Comments on Overall Performance**

The performance was generally below average. The questions were strictly from both the coursebook and regulations from the regulatory/supervisory bodies and associations, which candidates are required to familiarise themselves with.

From the very dismal performance, candidates did not study in-depth and were very unknowledgeable in regulations and legal requirements for the profession.

**Suggestion(s) on Improvement (If any)**

For objective questions, candidates need to read all the chapters in the course book and master the principles. They should also involve themselves in group discussions and review of past questions.

## SECTION A - ATTEMPT ALL QUESTIONS (Questions 1 - 60)

1. One of the following is not an example of pure risk.
  - (a) The risk of fire
  - (b) The risk of machinery breakdown
  - (c) The risk of injury to employees at work
  - (d) The risk of depreciation of stock value
  
2. An insurable risk has the following features EXCEPT ...
  - (a) financial
  - (b) speculative
  - (c) particular
  - (d) pure
  
3. Uninsurable risks are not acceptable to insurance companies even at additional premium payment. The following options are not uninsurable risks except ...
  - (a) fortuitous event
  - (b) insurable interest
  - (c) no insurable interest
  - (d) homogeneous exposure
  
4. In your discussion of level of risk as a component of risk, you will mention ...
  - (a) frequency
  - (b) severity
  - (c) (a) only
  - (d) (a) and (b) only
  
5. ... of the Insurance Act 2003 categorises life insurance in Nigeria.
  - (a) Section 1
  - (b) Section 2
  - (c) Section 3
  - (d) Section 67
  
6. According to the Insurance Act 2003, insurance is classified into how many main classes?
  - (a) 2
  - (b) 3
  - (c) 4
  - (d) 8
  
7. By the provisions of Insurance Act 2003, general insurance is classified into ... categories.
  - (a) 6
  - (b) 7
  - (c) 8
  - (d) 9
  
8. One of the alternatives below is not true of glass insurance.
  - (a) Available for all glass
  - (b) Covers destruction of or damage to fixed glass
  - (c) All risks cover
  - (d) Extension of cover to contents of the window
  
9. When discussions relate to the overflow of water tanks, such discussions may be centred on ...
  - (a) peril
  - (b) hazard
  - (c) frequency
  - (d) severity
  
10. Marine hull insurance covers the following except
  - (a) Physical damage to the ship
  - (b) Machinery and equipment
  - (c) Some liability insurance in case of contact with other vessels
  - (d) Physical theft of the cargo

11. The insurance market is made up of five main components and one of the following is the odd one out.
- (a) Buyers
  - (b) Sellers
  - (c) Intermediaries
  - (d) Repairers
12. ... provides cover for buildings and/or contents against a wide range of perils, including fire, additional perils and theft.
- (a) Standard Fire Policy
  - (b) Standard Burglary Policy
  - (c) Commercial Combined
  - (d) Household
13. One of the following is not true of a proprietary company.
- (a) Are owned by shareholders
  - (b) Are limited liability companies
  - (c) Must be registered under the Royal Charter
  - (d) Must be registered under the Companies and Allied Matters Act
14. A company whose owners are policy holders is an example of:
- (a) Proprietary Companies
  - (b) Mutual Companies
  - (c) (a) and (b)
  - (d) (a) only
15. One of the following is not a type of insurer as defined by function.
- (a) Composite Insurer
  - (b) Health Insurer
  - (c) General Business Insurer
  - (d) Life Insurer
16. A broker is a professional insurer who understands the market and the type of risks confronting the client. Thus, a broker can perform an array of functions but not ...
- (a) decide the best market in which to place the risk
  - (b) negotiate terms and conditions initially and for mid-term changes
  - (c) advise the client on the validity of claims
  - (d) issue policy document to cover the risk insured against
17. The distribution channels used for insurance can be divided into ...
- (a) two main parts
  - (b) three main parts
  - (c) four main parts
  - (d) five main parts
18. One of the following is not the purpose of reinsurance.
- (a) Smooth peaks and troughs in the claims experience
  - (b) Provide loss adjusting support to original insured
  - (c) Protect the portfolio
  - (d) Provide support for insurers entering new areas of business
19. There is retrocession where ...
- (a) the original policy holder carefully transfers his risk to the cedant
  - (b) the insured carefully transfers his risk to the underwriter
  - (c) the reinsured transfers his risk to the cedant
  - (d) the reinsurer transfers his risk to another reinsurer.

20. Loss Adjusters, Actuaries, Underwriters and Claims personnel are all examples of ...  
 (a) insurance market organizations (b) professionals in insurance  
 (c) insurance intermediaries  
 (d) members of the Nigerian Insurers Association.
21. An insurance undergraduate approaches you to seek a clarification of who is a professionally qualified person that applies probability and statistical theory to problems of insurance, investment, financial and risk management, and demography; is. Your answer will be one of the following:  
 (a) Risk manager (b) Risk assessor  
 (c) Actuary (d) Independent loss adjuster.
22. All the functions below except one are performed by a risk manager.  
 (a) The systematic identification, analysis and economic elimination or control of risks that threaten the business  
 (b) Determining whether a car had previous damage before a fire occurred  
 (c) Providing guidance on best practices in these areas to management  
 (d) The transfer of appropriately identified risks by contract or insurance.
23. One of the following is a duty of the principal in an agency relationship.  
 (a) Obedience (b) Duty of care and skill  
 (c) Good faith (d) Remuneration
24. The consequences of an agent's actions on the principal depend on the agent's authority. One of the following is not an agent's authority.  
 (a) Actual authority (b) Acquired authority  
 (c) Implied authority (d) Ostensible authority
25. Lucky who was in love with his brother's laptop decides to insure it against fire but was told he could not insure same. This may be due to his not having ... on the laptop.  
 (a) utmost good faith (b) contribution  
 (c) insurable interest (d) contractual interest
26. The event or item insured in insurance is referred to as the ...  
 (a) subject matter of the contract (b) subject matter of the property  
 (c) subject matter of the relationship (d) none of the above
27. The financial interest a person has in the subject matter of the insurance is defined in the case of ...  
 (a) Cater v Boehm (b) Castle v St. Augustine Links  
 (c) Castellain v Preston (d) Bolton v Stone
28. Abel is the only son of a man of 99 years of age with a terminal disease lying critically ill who has an estate worth ₦500,000,000.00. The man is about to die and has not written a will. What is Abel's interest in the estate of the old man as the only son?  
 (a) Insurable interest (b) No interest  
 (c) Time bound interest (d) Anticipated interest

29. The insurance Act 2003 is the legal instrument which guides the operations of insurance business in Nigeria and insurable interest is provided for in Sections ...
- (a) 54 and 55 (b) 55 and 56  
(c) 56 and 57 (d) (a) and (b)
30. The leading case that explained the duty of disclosure in insurance contracts was ...
- (a) Carter v Bowen (1866) (b) Carter v Boehm (1866)  
(c) Carter v. Boehm (1766) (d) Carter v. Bowem(1766)
31. ... is the legal term used for a bar or impediment that precludes a person from asserting a fact or a right.
- (a) Alteration (b) Bar code  
(c) Estoppel (d) Proxima
32. Construction of the building, nature of use and heating are examples of material facts that concern physical hazards in ...
- (a) burglary insurance (b) fire insurance  
(c) motor insurance (d) accident insurance
33. One of the following is not an example of material fact relating to moral hazard.
- (a) Insurance history of the insured (b) Personal history of the insured  
(c) Attitude of the insured (d) Nature of the insured
34. Material facts should be disclosed by the insured whether asked for or not. However, there are some material facts which need not be disclosed. One of the alternatives is not true on the above.
- (a) Facts of law (b) Facts of public knowledge  
(c) Facts that lessen the risk  
(d) Facts specifically known to the insured
35. If a breach of duty was deliberate or reckless, insurers may do the following but not ...
- (a) refuse all claims (b) avoid the contract  
(c) do not have to return the premium (d) refuse premium payment
36. The classical definition of proximate cause is given in the case of ...
- (a) Pawsey v. Scottish Union and Nation (1907)  
(b) Pawsing v. Scottish Union and National (1907)  
(c) Pawsey v. Scottish Union and National (1907)  
(d) Pawsey v. Scottish Union and National (1908).
37. The perils named in the policy as covered are called ...
- (a) excepted perils (b) uninsured perils  
(c) insured perils (d) mentioned perils



38. Those perils that are not mentioned in the policy are called ...
- (a) excepted perils
  - (b) uninsured perils
  - (c) insured perils
  - (d) unmentioned perils
39. The importance of the principle of indemnity was emphasized by Bret L. J. in the case of ...
- (a) Castellian v. Preston (1883)
  - (b) Castellain v. Prestin (1883)
  - (c) Castelain v. Preston (1883)
  - (d) Castellain v. Preston (1883)
40. There are a number of settlement options to an insurer which will provide the insured with necessary indemnity. One of these is not true of the above statement.
- (a) Replacement
  - (b) Reinstatement
  - (c) Investment
  - (d) Repairs
41. One of the various means of providing indemnity which is more peculiar to building and machinery is ...
- (a) repairs
  - (b) reinstatement
  - (c) replacement
  - (d) cash payment
42. Agreed value policy is common in ...
- (a) building insurance
  - (b) liability insurance
  - (c) marine insurance
  - (d) reinstatement insurance
43. A policy where the value of the subject-matter of insurance is agreed at the start of the contract and the sum insured is fixed accordingly is called ...
- (a) agreed value policy
  - (b) indemnity policy
  - (c) agreed value indemnity policy
  - (d) reinstatement policy
44. New for old cover usually applies to ...
- (a) marine policies
  - (b) accident policies
  - (c) household contents policies
  - (d) public liability policies
45. If there is underinsurance or any other policy term that limits or reduces loss and an excess or deductible applies to the same loss, how is the excess or deductible taken care of?
- (a) It is deducted last of all
  - (b) It is deducted first of all
  - (c) It is never deducted.
  - (d) None of the above
46. One of these is not an example of double insurance.
- (a) The household contents policy and the personal effects section of a motor policy both covering personal effects whilst in a motor vehicle.
  - (b) A homeowner taking out a household buildings policy and not remembering that among the items agreed with the mortgage lender was the effecting of a policy with another insurer.
  - (c) A specific warehouse contents policy and the personal effects section of a motor policy both covering personal effects while in a motor vehicle.
  - (d) A content policy in a building insured against fire insurance.

47. At common law, the following requirements except one must be satisfied before contribution can arise.

- (a) There must be two or more policies of insurance
- (b) The policies must cover a common insurable interest
- (c) The policies must cover a common peril
- (d) The policies must cover a common subject matter

48. Another name by which the case establishing common interest in the principle of contribution is ...

- (a) King and Prince Granaries
- (b) King and Quin Granaries
- (c) King and Queen Grantries
- (d) King and Queen Granaries

49. The method that calculates the amount payable under each policy as if no other policy existed and the insurer was alone in indemnifying the insured is called ...

- (a) ratable proportion
- (b) sum insured
- (c) independent liability
- (d) none of the above

50. Modification of the principle of contribution can come in all but one of the following.

- (a) Non-Contribution Clause
- (b) More Specific Insurance Clause
- (c) Market Agreements
- (d) Non-Market Agreement

51. Subrogation right arise in the following ways EXCEPT

- (a) Through Tort
- (b) Through Contract
- (c) Through State
- (d) Through Statute

52. One of the following is not a tortious act.

- (a) A lorry driver negligently loses control of their vehicle and crashes through your kitchen wall
- (b) Your neighbour, practicing their golf shots hits a ball into your garden and it smashes your house
- (c) A fully armed robber broke into and carted away the properties of your neighbour
- (d) A workman knocks over a road sign causing your car to hit a road user.

53. In the event of a loss leading to damage of the subject matter, there may be a residual value called ...

- (a) subrogation
- (b) tort
- (c) average
- (d) salvage

54. One of the following is a reason for compulsory insurance(s).

- (a) To ensure that the insureds pay their premium adequately
- (b) To ensure that the insurance companies have money for investment
- (c) To provide funds for compensation
- (d) None of the above

55. According to the Insurance Act 2003, section 64 provides for
- (a) Insurance of public buildings
  - (b) Insurance of building under construction
  - (c) Insurance of importation
  - (d) All of the above
56. The aspect of Marine Insurance made compulsory by the Insurance Act 2003 is ...
- (a) the insurance of imports
  - (b) the insurance of exports
  - (c) the insurance of the chattel
  - (d) all of the above
57. Aviation third party liability insurance which is compulsory does not cover ...
- (a) third party property damage
  - (b) airport facilities damage
  - (c) passengers' liability
  - (d) all of the above
58. Concealing the origins of the money, in a money laundering process, by creating a series of complex transactions is known as ...
- (a) legitimization
  - (b) integration
  - (c) layering
  - (d) placement
59. The CIIN Code of Ethics is a series of overlapping requirements. However, one of the following is not an ethical behaviour.
- (a) Integrity
  - (b) Compliance
  - (c) Extremity
  - (d) Clients' interest
60. The purpose of the Code of Ethics of the CIIN is ...
- (a) meeting the standards and maintaining the reputation of the CIIN
  - (b) meeting the standards of members of the NCRB and not more
  - (c) to bind all chief executive officers of the underwriting firms only
  - (d) to appoint auditors to audit the books of all companies carrying out insurance business in Nigeria.

**SECTION B - ATTEMPT ALL QUESTIONS (Questions from 61 to 85)  
Answer True (T) or False (F).**

61. Insurable risks include speculative, one-offs and particular risks.
62. In the context of insurance, peril means hazard.
63. A peril is a factor that influences the happening of a loss.
64. The primary function of insurance is risk retention.
65. Self-insurance means that an individual or firm has decided to use an insurance as the risk transfer mechanism to carry the risk.
66. Unexplained disappearance is a standard cover under livestock insurance.
67. In money insurance, cover may be provided where members of staff suffer injury or damage to their clothing when robbery takes place.
68. The term freight can also mean the goods being carried by the ship.
69. Insurers may be distinguished from one another in terms of location.
70. When an insurance company is established by a parent company or group and provides insurance coverage primarily to that parent company, it is a proprietary company.
71. A broker is a professional in insurance and so brokers cannot be sued for professional negligence in the discharge of their duties.
72. Reinsurance is an international business and insurers usually spread their risks over a number of reinsurance companies abroad only.
73. An independent intermediary is considered to be the agent of the insurer when he authorises the insurer to receive and handle proposal forms on his behalf and confirm cover.
74. Without insurable interest an insurance contract is void ab-initio.
75. A joint owner can insure the property up to the limit of his financial interest and never for the full amount.
76. Bailees have insurable interest in the property of the legal owner.
77. Under the common law, the duty of disclosure starts when negotiations begin and ends when the contract is formed.

78. The court tests whether a fact is material by looking at it from a prudent insured's point of view.
79. Section 54(4) of the Insurance Act 2003 provides that where an insurer requires an insured to complete a proposal form or other application form for insurance, the form shall be drawn up in such manner as to elicit such information as the insurer considers material.
80. The proximate cause of an occurrence is always the dominant cause and there is a direct between it and the resulting loss.
81. Replacement is often used as a means of settling household property losses.
82. In measuring stock losses, one of the difficulties is that the stock may not have a definite constant re-sale value.
83. Excess is a form of penalty for under insurance.
84. Contribution condition supports the principle of indemnity and so it exists whether stated in a policy document or not.
85. Due to the amount of money involved, money laundering only applies to large criminal organisations.

**SECTION C - ATTEMPT ALL QUESTIONS (Questions 86 - 100)**

**Read the cases below carefully and answer the questions which follow.**

Ade is desirous of purchasing a property for use as an insurance provider. Titi offers to help him search for and pull the purchase through and Ade accepted that Titi should act on his behalf. Titi successfully got the property for Ade from Olu.

86. What is the underlying relationship in the above scenario?

- (a) Associateship
- (b) Master-Servant
- (c) Agency
- (d) Relational

87. Who is Titi in the scenario?

- (a) The Principal
- (b) The Purchaser
- (c) The Assignor
- (d) The Agent

88. Who is Ade in the scenario?

- (a) The Principal
- (b) The Purchaser
- (c) The Assignor
- (d) The Agent

89. One of the following is Ade's duty?

- (a) Duty of care and skill
- (b) Good faith
- (c) Remuneration
- (d) Accountability

90. The consequence of Titi's action on Ade is determined by her extent of ...

- (a) authority
- (b) loyalty
- (c) professionalism
- (d) discipline

There was a heavy fire damage to the property of Ntong. The loss was ~~N~~50,000.00 and was adjusted to ~~N~~40,000.00. It was insured with Bogus insurance company at ~~N~~60,000.00 while the value of the property was ~~N~~70,000.00.

91. What concept of insurance lies in the scenario?

- (a) Double insurance
- (b) Half insurance
- (c) Reinstatement
- (d) Under insurance

92. The insurer's liability is limited to .....

- (a) ~~N~~40,000.00
- (b) ~~N~~50,000.00
- (c) ~~N~~60,000.00
- (d) ~~N~~70,000.00

93. In order to provide indemnity, Bogus will employ ..... condition

- (a) franchise
- (b) excess
- (c) limit
- (d) average

94. In order to employ the condition mentioned in (93) above, one of these amounts in the scenario is not considered

- (a) ~~N~~40,000.00
- (b) ~~N~~50,000.00
- (c) ~~N~~60,000.00
- (d) ~~N~~70,000.00

95. In the formula to calculate the condition, which of the following forms the denominator?

- (a) ~~N~~40,000.00
- (b) ~~N~~50,000.00
- (c) ~~N~~60,000.00
- (d) ~~N~~70,000.00

Plato was in the course of selling his house to Slikzy when it was damaged by fire. Plato recovered the money for the damage from his insurers but did not carry out any repairs. Subsequently Plato received the full purchase price for the house even though the building had not been repaired.

96. What principle of insurance lies in the scenario?

- (a) Subrogation
- (b) Insurable interest
- (c) Utmost good faith
- (d) Proximate cause

97. State the applicable case for the scenario.

- (a) Yorkshire Insurance Co. v. Nisbet Shipping Co. Ltd (1961)
- (b) Castellain v. Preston (1883)
- (c) Roselodge v. Castle (1966)
- (d) None of the above

98. The definition of the principle in the scenario is ...

- (a) The right of an insurer who has paid a claim
- (b) The right of the insurer who makes no claim payment
- (c) The right of an insured who has paid a claim
- (d) The right of an insured who has received a claim

99. The identified principle is a corollary of ...

- (a) utmost good faith
- (b) indemnity
- (c) subrogation
- (d) proximate cause

100. What should Plato do regarding the payment received from both sides?

- (a) To invest both money
- (b) To carefully save them in a bank
- (c) To return the insurance money
- (d) To simply do nothing

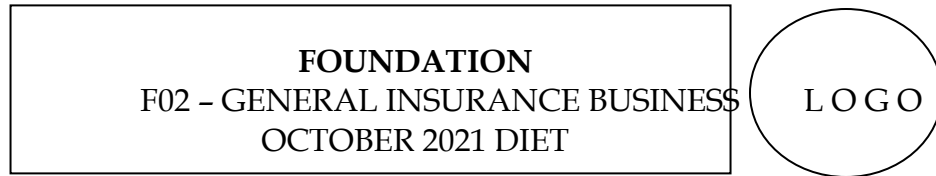


**F01 - INSURANCE, LEGAL & REGULATORY**

1	D	21	C	41	B	61	F	81	T
2	B	22	B	42	C	62	F	82	T
3	C	23	D	43	A	63	F	83	F
4	D	24	B	44	C	64	F	84	T
5	B	25	C	45	A	65	F	85	F
6	A	26	D	46	D	66	T	86	C
7	C	27	C	47	A	67	T	87	D
8	A	28	D	48	D	68	T	88	A
9	A	29	C	49	C	69	F	89	C
10	D	30	C	50	D	70	F	90	A
11	D	31	C	51	C	71	F	91	D
12	D	32	B	52	C	72	F	92	C
13	C	33	D	53	D	73	F	93	D
14	B	34	D	54	C	74	T	94	B
15	B	35	D	55	B	75	F	95	C
16	D	36	C	56	A	76	T	96	A
17	A	37	C	57	C	77	T	97	B
18	B	38	B	58	C	78	F	98	A
19	D	39	D	59	C	79	F	99	B
20	B	40	C	60	A	80	T	100	C

F02

CHARTERED INSURANCE INSTITUTE OF NIGERIA



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**FOUNDATION**

**F02 – GENERAL INSURANCE BUSINESS**

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**Section A**

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**Example:**

A comprehensive motor insurance policy would provide cover for:

- (a) Accidental damage to the vehicle
- (b) Wear and tear and depreciation
- (c) Mechanical and electrical failure or breakdown
- (d) Damage to tyres caused by road punctures or

The correct option is (a).

**Section B**

Questions 61 – 85 are to be answered as either True (T) or False (F). Select your chosen option and indicate it on the answer form by filling in the appropriate box.

**Example:**

A comprehensive motor insurance policy would provide cover for all types of accidental damages without any exclusion (True or False).

The correct option is False (F).

**Section C**

Questions 86 – 100. This section contains three (3) case studies each followed by five questions. The case studies are not numbered and appear at the top of the page. Each of the five questions following a case study is numbered. Four options follow each question. The options are labelled, a, b, c, d. Only one of these options is correct or best. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

**Chief Examiner's Comment**

The general performance of the candidates is above average.

**Comments on Overall Performance**

Generally, the performance of the candidates can be better if they study a little bit more seriously.

**Suggestions on Improvements (If any)**

Candidates should give themselves to preparing early so they can have deeper understanding of the course.

**SECTION A - ATTEMPT ALL QUESTIONS (Questions 1 - 60)**

1. Which of these is not an example of the main classes of motor insurance?  
(a) Private cars (b) Goods-in-transit  
(c) Motorcycle (d) Commercial vehicles
2. Generally speaking, which of these levels of motor insurance provides the minimum cover to a vehicle owner?  
(a) Road Traffic Act only (b) Third Party only  
(c) Third Party, Fire and Theft (d) Comprehensive
3. The widest cover in motor insurance is provided by  
(a) Road Traffic Act only (b) Third Party only  
(c) Third Party, Fire and Theft (d) Comprehensive
4. The minimum cover available in the Nigeria motor insurance market is ...  
(a) Road Traffic Act only (b) Third party insurance only  
(c) Third party, fire and theft only (d) Comprehensive
5. The minimum sum for third party property damage in motor insurance in Nigeria is .....  
(a) ₦100,000.00 (b) ₦500,000.00  
(c) ₦1,000,000.00 (d) ₦1,500,000.00
6. ... includes any kind of cycle propelled mechanically.  
(a) Bicycles (b) Motorcycle  
(c) Cars (d) Crane
7. The main factor for rating sickness insurance is ...  
(a) Sum insured (b) Occupation  
(c) Driving experience (d) Morbidity risk
8. Accident insurance usually provides a weekly benefit of up to ... weeks  
(a) 4 (b) 10 (c) 104 (d) 401
9. Which of these benefits will the insurer pay a maximum of 104 weekly benefits?  
(a) Temporary total disablement  
(b) Temporary partial disablement  
(c) Medical expenses (d) Death
10. The insurance policy that will pay for cost of hospital treatment is ...  
(a) accident insurance (b) sickness insurance  
(c) medical expenses insurance (d) fidelity guarantee insurance
11. The class of insurance that cover legal liability to a third party for injury or property damage caused by goods consumed is?  
(a) Employers' liability (b) Public liability  
(c) Professional indemnity (d) Product liability

12. Abandonment is commonly applicable to ...  
(a) fire insurance (b) theft insurance  
(c) marine insurance (d) fidelity guarantee
13. One of the information contained in a motor insurance cover note is the ...  
(a) behaviour of the insured  
(b) occupation of the insured  
(c) commencement date  
(d) previous insurance history
14. Which of the following perils is covered by the standard fire policy?  
(a) Lightning (b) Storm  
(c) Civil commotion (d) Escape of oil
15. Which of these is not a main class of motor insurance?  
(a) "Act only" (b) Private cars  
(c) Motor cycle (d) Commercial vehicles
16. Which of the following do not form part of the standard cover that is provided under a comprehensive private motor insurance policy?  
(a) Accidental damage to the insured vehicle  
(b) Driver's personal accident benefit  
(c) Recovery of a vehicle after breakdown  
(d) Recover of a vehicle to a repairer after an accident
17. Which of these is an example of a benefit policy?  
(a) Money insurance (b) Fidelity guarantee  
(c) Business interruption (d) Life assurance
18. In specified motor cycle insurance, what is the subject of the insurance?  
(a) The motor cycle for a particular rider  
(b) The owner for his motor cycle  
(c) The motor cycle for all rider  
(d) The owner for all motor cycles
19. Which of these will not be paid for under medical expenses insurance?  
(a) Disablement benefit (b) Hospital charges  
(c) Specialist fees (d) Additional cost
20. The insurance product commonly sold to small businesses are ...  
(a) Composite policies (b) Specialist policies  
(c) Mutual policies (d) Packaged policies
21. Under which circumstances will benefits from a medical expenses policy become payable?  
(a) On diagnosis of a critical condition  
(b) On undergoing minor surgery  
(c) When unable to work due to work due to illness  
(d) When unable to work due to accident

22. The standard fire policy will NOT cover?  
(a) Fire (b) Storm  
(c) Limited explosion (d) Lightning
23. One of the following is an example of perils of chemical type.  
(a) Aircraft (b) Earthquake  
(c) Explosion (d) Ground heave
24. For a theft shop to be covered under a standard theft policy, there would only usually be needed to have:  
(a) forcible and violent entry or exit  
(b) forcible and violent entry and exit  
(c) forcible or violent entry or exit  
(d) forcible or violent entry and exit
25. An example of miscellaneous peril is ...  
(a) heating (b) riot  
(c) escape of water (d) subterranean fire
26. If an excess of ₦250.00 applies to a policy, how much will the insurer pay for a loss of ₦250.00?  
(a) ₦0.00 (b) ₦250.00  
(c) ₦500.00 (d) ₦700.00
27. Which of these is not included in a standard money policy?  
(a) Bank and currency notes (b) Lottery tickets  
(c) Luncheon vouchers (d) Postage stamps
28. Materials Damage Warranty is used in ...  
(a) theft insurance  
(b) business interruption insurance  
(c) fidelity guarantee insurance (d) marine insurance
29. The key cover under liability policies is ...  
(a) contract (b) negligence  
(c) turnover (d) fermentation
30. The liability policy that covers injury or death of a staff while at work is ...  
(a) public liability insurance  
(b) directors' and officers' liability insurance  
(c) product liability insurance  
(d) employers' liability insurance
31. "Any person who is under a contract of service or apprenticeship" is called?  
(a) A contractor (b) A sub-contractor  
(c) An employee (d) A promoter

32. Which of these will the proposer disclose to the insurer when proposing for insurance?
- (a) Facts of law
  - (b) Facts of public knowledge
  - (c) Facts that increase the risk
  - (d) Facts where the insurer has waived its right
33. Which of these policies will a doctor need to protect himself against his liability to his patients?
- (a) Employers' liability policy
  - (b) Product liability policy
  - (c) Personal accident and sickness policy
  - (d) Professional indemnity policy
34. The factor that could influence the occurrence of risk is called ...
- (a) loss
  - (b) perils
  - (c) risks
  - (d) hazard
35. The cover note is issued in ...
- (a) employers' liability insurance
  - (b) theft insurance
  - (c) product liability insurance
  - (d) travel insurance
36. What is the premium base for liability proposal?
- (a) Sales receipts
  - (b) Sum insured
  - (c) Total salary bill
  - (d) Turnover
37. The document used in altering an entry in a policy document is called ...
- (a) endorsement
  - (b) proposal form
  - (c) warranties
  - (d) excess
38. Which of these will cover accidented and malicious damage to the insured's vehicle?
- (a) Road Traffic Act only
  - (b) Third party only
  - (c) Third party, fire and theft
  - (d) Comprehensive
39. Which of these is an optional extension in a travel insurance?
- (a) Additional hotel/travelling expenses
  - (b) Loss of deposit
  - (c) Legal expenses
  - (d) Personal liability
40. Which of these is not an exclusion in a household insurance?
- (a) Property more specifically insured
  - (b) Kitchen utensils
  - (c) Medals and coins
  - (d) Livestock
41. The aim of customer service policies that is introduced by insurers should not be to ...
- (a) attract new customers
  - (b) make the insurer more competitive
  - (c) promote customer loyalty
  - (d) reduce the number of claims from customers



42. Escape of water is an example of ...
- (a) perils of chemical type (b) social perils  
(c) perils of nature (d) miscellaneous perils
43. The definition that a person is guilty if they dishonestly appropriate property belonging to another with the intention of permanently depriving the other of it specifically apply to ...
- (a) fidelity guarantee insurance (b) business interruption insurance  
(c) theft insurance (d) money insurance
44. The liability which the employer assumes where an employee negligently injures a fellow employee is known as ...
- (a) absolute liability (b) vicarious liability  
(c) employment liability (d) strict liability
45. All sellers of goods, whether they are manufacturers, intermediaries or retailers, may incur liability to their customers and others for injury, illness, loss or damage arising from the supply of goods. Which of these policies is appropriate for such risks?
- (a) Public Liability Insurance (b) Product Liability Insurance  
(c) Professional Indemnity Insurance (d) Employers' Liability Insurance
46. Which of these is a peril?
- (a) Subterranean Fire (b) Storage of Inflammable Materials  
(c) Thatched Roof : for Fire Insurance (d) High Valued Sports Car
47. The cause of loss in insurance is referred to as ...
- (a) hazard (b) uncertainty  
(c) risk (d) peril
48. The circumstance which will influence a prudent underwriter in deciding whether to accept a risk or not to is called ...
- (a) hazard (b) peril  
(c) non-disclosure (d) material facts
49. Proposal forms are used by underwriters as a means of obtaining material facts because ...
- (a) it is a regulatory requirement  
(b) it is convenient and cost effective  
(c) it prevents misrepresentation by the proposer  
(d) it provides an opportunity for collecting products design information
50. Which of these is not a general question in a proposal form?
- (a) Details of previous claims  
(b) Subject matter of insurance  
(c) Details of other insurance (d) Nature of construction

51. In which policy is the certificate of insurance expected to be kept for 40 years after expiration?
- (a) Marine Insurance (b) Aviation Insurance  
(c) Directors' and Officers' Liability Insurance  
(d) Employers' Liability Insurance
52. Johnson Manufacturing Company produces soft drinks. Its turnover is ₦28million per year. Adequate Insurance Plc offers product liability insurance for a limit of ₦ 5million for 0.7 per mille. What is the premium payable?
- (a) ₦14,000.00 (b) ₦19,600.00  
(c) ₦140,000.00 (d) ₦ 196,000.00
53. The part of the policy that introduces the parties to the contract is the ...
- (a) recital clause (b) operative clause  
(c) exception (d) conditions
54. Flat premium is more applicable to ...
- (a) employers' liability insurance (b) stock declaration policy  
(c) motor insurance policy (d) theft insurance
55. An essential promise made by the insured relating to facts or performance concerning the risk is called ...
- (a) inner limit (b) representation  
(c) warranties (d) disclosure
56. Which of these is not found in the policy schedule?
- (a) Insured's name (b) Insured's address  
(c) Territorial limit (d) Sum insured
57. The penalty for underinsurance is called ...
- (a) average (b) subrogation  
(c) arbitration (d) cancellation
58. A franchise is a policy term where ...
- (a) the insured always pays an agreed amount towards a claim  
(b) the insured never has to contribute towards a claim  
(c) the insurer pays the full value of any claim under an agreed amount  
(d) The insurer pays the full value of any claim when the claim exceeds an agreed amount
59. The fees of a loss assessor is paid by the ....
- (a) broker (b) insurer  
(c) third party (d) insured
60. ... are used to define the extent of policy cover.
- (a) Policy exclusions (b) Policy schedule  
(c) Recital clause (d) Proposal form

**SECTION B - ATTEMPT ALL QUESTIONS (Questions from 61 to 85)**

**Answer True (T) or False (F).**

61. A motorist travelling with his vehicle from Nigeria to Mali will be required to have an ECOWAS Brown Card.
62. Aggregators have made use of deep expertise and investment in online systems to optimise user experience, customer insight and search engine performance.
63. The Nigerian Insurance Industry Database helps in the identification of insured cars.
64. Straightforward small claims are commonly negotiated and settled through a loss adjuster.
65. The risk underwriter is an expert in processing claims from start to finish.
66. The accident report form will not seek information for the details of the insured.
67. The onus of proof of a loss rests with the insurer.
68. A warranty is a stipulation made in the policy that certain things are so, and remain so, or that a certain thing will or will not be done.
69. Implied conditions are written into the policy.
70. Monetary franchises are not in common use, but time franchises are sometimes found in engineering business interruption insurance.
71. There is no obligation on either the insurer or the insured to renew an expired policy.
72. Policy exclusions are used to define the extent of policy cover.
73. Conditions precedent to liability are conditions that must be complied with if there is to be a valid claim.
74. Marine policies exclusion is standard in all property insurance policies.
75. Insurance cover attached as soon as the insurer accepts the proposal and the proposer has paid the premium.
76. Insurance Premium Tax (IPT) applies to most general insurances in Nigeria.
77. Cover notes are used in Motor Insurance and Fire Insurance in Nigeria.
78. Flat premium is used in fire insurance.

79. The premium rate is intended to reflect the hazards associated with the particular insured.
80. Proposal forms are common methods by which the underwriter receives information on the risks to be insured.
81. The Market Reform Contract (MRC) carries full details of the risk in a recognised format and is often used in London Market placing.
82. Moral hazards relates to human aspects that may not influence the outcome of the risk.
83. Buildings of high-weight construction is an example of poor physical hazards.
84. An adjustable premium is used where at the start of the insurance it is only possible to estimate what the premium base might be.
85. Where insurance is compulsory by law, the law does not require that a certificate be issued to prove that the policy is in force.

**SECTION C - ATTEMPT ALL QUESTIONS (Questions 86 - 100)**

**Read the cases below carefully and answer the questions which follow.**

Ahmed's Personal Accident and Sickness contains a franchise of 6 days. The policy will pay the sum of ₦2,000.00 for each week to the owner was not at work as a result of accident or sickness. It will pay a lump of ₦50,000.00 in the events covered as benefit in the policy as insured. The weekly benefit is as is in a standard policy for that class of insurance.

86. What is the maximum weekly benefit payable by the policy?

- (a) 10 weeks (b) 56 weeks  
(c) 104 weeks (d) 208 weeks

87. In the event of death caused by accident, the policy will pay the sum of ...

- (a) ₦2,000.00 (b) ₦50,000.00  
(c) ₦52,000.00 (d) ₦52,104.00

88. Ahmed was out of work for six days, how much will the insurer pay to him?

- (a) ₦2,000.00 (b) ₦12,000.00  
(c) ₦14,000.00 (d) No payment

89. How much will the insurer pay to Ahmed if he was out of work for six days as the result of sickness?

- (a) ₦2,000.00 (b) ₦12,000.00  
(c) ₦14,000.00 (d) No payment

90. How much will the insurer pay to Ahmed if he had been out of work for ten days as a result of sickness?

- (a) ₦2,000.00 (b) ₦8,000.00  
(c) ₦10,000.00 (d) ₦20,000.00

Johnson Ete has a building where he let out to Eka as a tenant. Eka insured the building and the content with the view that in the event of a loss of the building the insurer will pay her so that she will use the money to build her own house moreso that she has a land that is undeveloped.

91. What insurance principle can prevent Eka from getting the benefits for the loss of the building?

- (a) Insurable interest
- (b) Proximate cause
- (c) Contribution
- (d) Subrogation

92. Which section of the household insurance will protect Johnson in insuring the house?

- (a) Content insurance
- (b) Building insurance
- (c) Building and content insurance
- (d) 'All risks' insurance

93. Which section of the household insurance will protect Eka for insuring her risk?

- (a) Content insurance
- (b) Building insurance
- (c) Building and content insurance
- (d) 'All risks' insurance

94. In the event that Eka is both the owner and occupier of the building, which section will protect her risks.

- (a) Content insurance
- (b) Building insurance
- (c) Building and content insurance
- (d) 'All risks' insurance

95. Which section of the household policy will cover Eka's diamond ring against losses?

- (a) Content insurance
- (b) Building insurance
- (c) Building and content insurance
- (d) 'All risks' insurance

During an aircraft loss at Iju, Lagos, Nigeria, the airplane landed and destroyed many buildings. It also killed some inhabitants of that area. One of the owners of the destroyed building Mr. Musa had gone out to visit his friend in another location with his family when the incident occurred.

96. What form of insurance would have covered the said aircraft against such losses?

- (a) 'All risks' insurance
- (b) Aviation insurance
- (c) Public liability insurance
- (d) Compulsory insurance

97. What personal line insurance would protect Mr. Musa against damage to his home from such scenario?

- (a) Motor insurance
- (b) Fidelity guarantee
- (c) Personal accident insurance
- (d) Fire and special perils insurance

98. The particular risk covered by the personal line insurance is called ...

- (a) collusion
- (b) aircraft and other aerial devices
- (c) subsidence
- (d) ground heave

99. The section of the insurance on the aircraft that provides cover for the loss of lives to members of the public is the ...

- (a) control tower section
- (b) public liability section
- (c) passenger liability section
- (d) general risk section

100. The section of the insurance on the aircraft that provides cover for the loss of lives to the passengers is ...

- (a) control tower section
- (b) public liability section
- (c) passenger liability section
- (d) general risk section

**F02 – GENERAL INSURANCE BUSINESS**

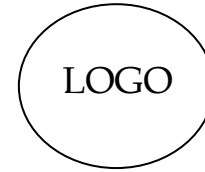
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2	A	22	B	42	D	62	T	82	F
3	D	23	C	43	C	63	T	83	T
4	B	24	A	44	B	64	F	84	T
5	C	25	C	45	B	65	F	85	F
6	B	26	A	46	A	66	F	86	C
7	D	27	B	47	D	67	F	87	B
8	C	28	B	48	D	68	T	88	D
9	A	29	B	49	B	69	F	89	B
10	C	30	D	50	A	70	T	90	D
11	D	31	C	51	D	71	T	91	A
12	C	32	C	52	B	72	T	92	B
13	C	33	D	53	A	73	T	93	A
14	A	34	D	54	C	74	T	94	C
15	A	35	A	55	C	75	T	95	D
16	C	36	C	56	C	76	F	96	B
17	D	37	A	57	A	77	F	97	D
18	A	38	D	58	D	78	F	98	B
19	A	39	C	59	D	79	T	99	B
20	D	40	B	60	A	80	T	100	C



**F03**

**CHARTERED INSURANCE INSTITUTE OF NIGERIA**

**FOUNDATION**  
F03 – LIFE ASSURANCE, ANNUITY  
AND PENSIONS ADMINISTRATION  
OCTOBER 2021 DIET



**All answers should be shaded on the answer form in accordance with the following instructions:**

- Two hours are allowed for this paper.
- Fill in the information requested on the answer form and attendance form.
- Handle the answer form with care and do not write notes on it.
- No marks are deducted for incorrect answers, so do not leave any questions unanswered.
- The answer form 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 answer form.
- Ensure that you write the full and correct candidate's number.
- If you bring a calculator into the examination room, it must be silent battery or solar powered non-programmable calculator. The use of programmable calculator is prohibited.
- No name should be written on the answer form.

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

**CHARTERED INSURANCE INSTITUTE OF NIGERIA  
FOUNDATION**

F03 - LIFE ASSURANCE, ANNUITY AND  
PENSIONS ADMINISTRATION  
OCTOBER 2021 DIET

**INSTRUCTIONS TO CANDIDATES**

**READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS**

**Section A**

The questions 1 - 60 in this paper are numbered and four options follow each question. The options are labeled a,b,c,d. Only one of these options is correct. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

**Example:**

A life assurance policy is on ...the life of a person and not on a property, tor insurance policy would provide cover for:

- |                          |                              |
|--------------------------|------------------------------|
| (a) the life of a person | (b) the life of a valued pet |
| (c) the life of a minor  | (d) all of the above         |

The correct option is (a).

**Section B**

Questions 61 - 85 are to be answered as either True (T) or False (F). Select your chosen option and indicate it on the answer form by filling in the appropriate box.

**Example:**

A life assurance policy can be issued on the life of a minor (True or False).

The correct option is False (F).

**Section C**

Questions 86 - 100. This section contains three (3) case studies each followed by five questions. The case studies are not numbered and appear at the top of the page. Each of the five questions following a case study is numbered. Four options follow each question. The options are labelled, a, b, c, d. Only one of these options is correct or best. Select your answer for each question and indicate it on the answer from by filling in the appropriate box.

**Chief Examiner's Comment**

The general performance of the candidates is well above average.

**Comments on Overall Performance**

Generally, the performance of the candidates can be better if they apply themselves to more study time.

**Suggestions on Improvements (If any)**

Candidates are encouraged to study deeper for better performance.

**SECTION A - ATTEMPT ALL QUESTIONS (Questions 1 - 60)**

1. A device that spread the risk of loss among a group of individuals who have contributed fund for the possibility of financial losses is called?

- (a) Mutual Fund
- (b) Pools
- (c) Insurance
- (d) Co-operative

2. The individual that buys protection from a life office is officially called as the ...

- (a) insured
- (b) assured
- (c) beneficiary
- (d) reinsurer

3. The first indigenous Life Assurance company in Nigeria is ...

- (a) Capital Express Assurance Limited
- (b) Leadway Assurance Company Limited
- (c) Mutual Benefits Life Assurance Limited
- (d) African Alliance Insurance Plc

4. Which of these is not a composite company in Nigeria?

- (a) AXA Mansard Insurance Plc
- (b) Capital Express Assurance Limited
- (c) Cornerstone Insurance Plc
- (d) Allianz Insurance Plc

5. Which of these companies will sell life Islamic products?

- (a) Spring Life Assurance Plc
- (b) Old Mutual Nigeria Life Assurance Company
- (c) Noor Takaful Insurance Plc
- (d) Industrial & General Insurance Plc

6. The first mortality table was constructed by ...

- (a) John Graunt
- (b) Rev. Dr Assheton
- (c) James Dobson
- (d) Edmond Halley

7. The technical term for the person who effects the policy and is the original owner is the ...

- (a) life assured
- (b) insured
- (c) assured
- (d) life insurance buyer

8. The person on whose life the policy depends and when the person dies, the policy will pay out the benefit assured against is called the ...

- (a) life assured
- (b) insured
- (c) assured
- (d) life insurance buyer

9. Mr Azu can take out a policy on the life of Mr Ajao, subject to having a valid insurable interest, what is this scenario called?

- (a) Simple Life Policy
- (b) Life of another policy
- (c) Joint life policy
- (d) First death policy

10. Policies can also be effected jointly by two assureds. For example, husband and wife. What is the technical term for this form of cover?

- (a) Simple Life Policy
- (b) Life of another policy
- (c) Joint life policy
- (d) First death policy

11. Which of these is not part of the basic types of life assurance policy?  
(a) Term assurance (b) Whole life assurance  
(c) Annuity (d) Endowment assurance
12. Which of the following will provide cover against death within a specified period?  
(a) Term assurance (b) Whole life assurance  
(c) Annuity (d) Endowment
13. An example of a type of term assurance will not include ...  
(a) renewable term assurance (b) convertible term assurance  
(c) decreasing term assurance (d) investment term assurance
14. The simplest form of term assurance is ...  
(a) renewable term assurance (b) family income protection  
(c) unit linked policies (d) level term assurance
15. The form of term assurance that gives the assured the option to upgrade to either whole life assurance or endowment assurance is called?  
(a) Family income protection (b) Decreasing term assurance  
(c) Convertible term assurance (d) Investment term assurance
16. Equity means ...  
(a) fixed interest fund (b) property fund  
(c) ordinary share (d) cash fund
17. The life policy that will pay out a sum assured whenever the life assured dies is called a ... ?  
(a) Term assurance (b) Whole life assurance  
(c) Annuity (d) Endowment assurance
18. Which of these with-profits whole life assurance are written with two sums assured and will pay the amount on death, whichever is greater, of (i) the basic sum assured plus bonuses; or the guaranteed death sum assured.  
(a) Non-profit whole life policies (b) Low-cost whole life policies  
(c) Simple premium unit-linked whole life policies  
(d) Regular premium unit-linked whole life policies
19. Which of these are referred to as bonds and are the simplest form of unit-linked policy?  
(a) Non-profit whole life policies (b) Low-cost whole life policies  
(c) Simple premium unit-linked whole life policies  
(d) Regular premium unit-linked whole life policies
20. Which of these will pay the sum either on a fixed death or the life assured's earlier death?  
(a) Term assurance (b) Whole life assurance  
(c) Annuity (d) Endowment assurance

21. Which of these policies address the drawbacks of the traditional endowment, namely its fixed maturity date and low surrender value?
- (a) Low-costs endowments (b) Flexidowments  
(c) Low-start endowment (d) Unit-linked endowments
22. Which of these is not truly a life policy since it provides no life cover?
- (a) Pure endowments (b) Universal life policies  
(c) Contingent policies (d) Flexidowments
23. Which of these policies are a development of regular premium unit-linked whole life policies?
- (a) Pure endowments (b) Universal life policies  
(c) Contingent policies (d) Flexidowments
24. ... are riders to the basic life policies.
- (a) Bolt-on policies (b) Partnership group life assurance  
(c) Income protection insurance (d) Proportionate benefit
25. Which of these will provide that if the assured dies as a result of an accident (as defined in the policy) an additional payment will be made equal to the death sum assured.
- (a) Total and Permanent Disability (TPD) Benefit  
(b) Waiver of Premium Offer (c) Double Accident Benefits  
(d) Contingent policies
26. Which of these is a type of assurance where payment is only made on the death of the life assurance if a certain other condition is also fulfilled?
- (a) Pure endowments (b) Universal life policies  
(c) Contingent policies (d) Flexidowments
27. Which if these will pay the sum assured on the diagnosis of a critical illness as well as death?
- (a) Increasing cover option (b) Critical illness cover  
(c) Terminal illness cover (d) Waiver of premium option
28. The policy that provides that sum assured is payable if the life assured is diagnosed as suffering from an advanced or rapidly progressing incurable disabling terminal illness where the life expectancy will be less than twelve months is ...
- (a) increasing cover option (b) critical illness cover  
(c) terminal illness cover (d) waiver of premium option
29. ... is the name given to the procedure of assessing a proposal and deciding whether to accept the risk.
- (a) Premium selection (b) rating  
(c) underwriting (d) assessment
30. The basis of the life assurance contract is ...
- (a) policy (b) endorsement  
(c) renewal notice (d) proposal form

31. Life insurers place limits on the maximum losses they are prepared to risk, over this limit, the office must then spread the risk by funding other insurers to accept the excess. The process is known as ...

- (a) underwriting
- (b) reinsurance
- (c) catastrophic protection
- (d) rating

32. In medical underwriting, the underwriter can use ...

- (a) general practitioner's report only
- (b) medical examination only
- (c) (a) and (b) only
- (d) Neither (a) nor (b)

33. Which of these medical conditions need not be investigated in medical underwriting?

- (a) Overweight
- (b) Malaria
- (c) Eye diseases
- (d) Glandular disorders

34. Which of these is not part of occupations with above average risk of death by accident?

- (a) Scaffolders
- (b) Trawlerman
- (c) Professional boxers
- (d) Publicians

35. Which of these is not part of occupations with above average risk of a particular disease?

- (a) Miners
- (b) Steel erectors
- (c) Chemical workers
- (d) Asbestos

36. Which of these is not a method for handling substandard risks?

- (a) Decreasing the extra risk
- (b) Ordinary rates for limited types of policy.
- (c) Exclusion
- (d) Monetary extra

37. ... is an extra premium expressed in terms of a specific amount per ₦1,000.00 sum assured.

- (a) Monetary extra
- (b) Rating up
- (c) Postponement
- (d) Declinature

38. In which of the following is it assumed that the life of a x-years-old-man with chronic bronchitis might be rated 'plus 5' and be charged the normal premium rate for a 50-year-old man.

- (a) Monetary extra
- (b) Rating up
- (c) Postponement
- (d) Declinature

39. ... method can be used where the initial risk is such as to render the life virtually uninsurable, but, where once the danger period is survived, prospects will improve substantially, so that acceptance at ordinary rates might be possible.

- (a) Monetary extra
- (b) Rating up
- (c) Postponement
- (d) Declinature

40. The earliest form of premium calculation was called ...

- (a) rating premium
- (b) equality premium
- (c) level premium
- (d) natural premium

41. The document that evidences the contract of insurance is called ...
- (a) policy
  - (b) endorsement
  - (c) proposal form
  - (d) renewal notice
42. Which of these is not found in a policy document?
- (a) Preamble
  - (b) Declaration
  - (c) Operative clause
  - (d) Schedule
43. Which of these states that benefit will be payable by the life office, subject to payment of premiums, proof of claim and proof of ownership, where the benefit is payable in the stated currency?
- (a) Preamble
  - (b) Declaration
  - (c) Operative clause
  - (d) Schedule
44. ... shows the individual details of the contract, policy number, life assured, e.t.c.
- (a) Preamble
  - (b) Declaration
  - (c) Operative clause
  - (d) Schedule
45. Which of these is not an additional benefit in life assurance?
- (a) Waiver of premium
  - (b) Terminal illness cover
  - (c) Health care benefit
  - (d) Recital benefit
46. Once a policy has been issued, its ownership can be changed in a number of ways, except through ...
- (a) absolute assignment
  - (b) endowment
  - (c) mortgage
  - (d) bankruptcy
47. The means of bringing back a lapsed policy is called?
- (a) Renewal
  - (b) Reinstatement
  - (c) Resurrection
  - (d) Review
48. ... is a transfer of ownership from one person to another.
- (a) Alternation
  - (b) Reinstatement
  - (c) Assignment
  - (d) Paid-up policies
49. If a policyholder can no longer afford to pay premiums, they may request that the policy be made ...
- (a) revived
  - (b) postponed
  - (c) paid-up
  - (d) suspended
50. In exercising the rights of a mortgagee, if the borrower fails to repay, the lender will have all the following remedies, except ...
- (a) repayment
  - (b) reinstatement
  - (c) power of sale
  - (d) foreclosure
51. Maturity claim will be made in ...
- (a) term assurance
  - (b) annuity
  - (c) whole life assurance
  - (d) endowment assurance



52. Death benefit will not be paid in ...

- (a) term assurance
- (b) annuity
- (c) whole life assurance
- (d) endowment assurance

53. Which of these is not a method of reinsurance?

- (a) Original terms reinsurance
- (b) Morbidity reinsurance
- (c) Quota premium reinsurance
- (d) Quota share reinsurance

54. ... is a type of treaty reinsurance whereby the principal office reinsures a fixed percentage of energy every in a particular class of business.

- (a) Original terms reinsurance
- (b) Morbidity reinsurance
- (c) Quota premium reinsurance
- (d) Quota share reinsurance

55. Which of this is a contract to pay a set amount every year while the person on whose life the contract depends on is still alive?

- (a) Term assurance
- (b) Annuity
- (c) Whole life assurance
- (d) Endowment assurance

56. The person that buys an annuitant from in life assurance company is called the ...

- (a) assured
- (b) life assured
- (c) annuitant
- (d) policyholder

57. ... provides, in return for a single premium, annual payment starting immediately and continuing for the rest of annuitant's life.

- (a) Immediate annuity
- (b) Deferred annuity
- (c) Temporary annuity
- (d) Annuity certain

58. ... is an annuity which guaranteed to be payable for a minimum period regardless of when the annuitant dies.

- (a) Joint life and last survivor annuity
- (b) Increasing annuity
- (c) Equity-linked annuity
- (d) Guaranteed annuity

59. ... is an annuity where the total payment is guaranteed to be at least as much as the premium.

- (a) Guaranteed annuity
- (b) Capital protected annuity
- (c) Impaired life annuity
- (d) Reversionary annuities

60. ... may be defined as a lump sum of money payable to an employee by his employer after putting in a minimum qualifying period of years with a particular employer following his or her resignation or retirement.

- (a) Annuity
- (b) Group life benefit
- (c) Pension
- (d) Gratuity

**SECTION B - ATTEMPT ALL QUESTIONS (Questions from 61 to 85)**  
**Answer True (T) or False (F)**

61. Gratuity payment is compulsory in Nigeria presently.

62. Under average salary scheme, pension's benefit is expressed as an average of say three to five years' salvages of each employee prior to retirement.

63. The legal definition of a trust is an equitable obligation binding the trustee to deal with property over which he has control for the benefit of certain persons.

64. Resulting trust is not a type of trust.

65. Life assurance policies may be affected under trust either under the Married Women's Property Act 1822 or under a non-statutory trust.

66. Under the Married Women's Property Act 1882, a woman can buy a life assurance on the life of her husband for her own benefit.

67. National Insurance Commission is the sole regulator of pension business in Nigeria.

68. The life assured is the beneficiary in whole life assurance.

69. Term assurance is the most expensive type of life assurance.

70. Family income policies is a form of whole life assurance.

71. Endowment assurance is an investment policy.

72. Government index-linked securities are forms of index-linked gilt fund.

73. Whole life assurance will pay maturity benefit.

74. Total and Permanent Disability (TPD) benefit is a lump sum benefit.

75. Group life assurance is not compulsory in Nigeria.

76. Income Protection Insurance is also known as Permanent Health Insurance.

77. Key Person Insurance is the insurance taken out by a company on an employee who is vital to the continued profitability of the business.

78. Proposal forms are not used in life insurance.

79. If the proposal form reveals any medical factor the underwriter will automatically waive it.

80. Disclosure of HIV/ AIDS are not investigated in life assurance proposal.
81. Boxing is not seen as potentially hazardous activity.
82. Where the extra risk is very heavy and there is little prospect of improvement later, the proposal may be declined outright.
83. The premium calculated for mortality and interest factors is a net premium.
84. Premiums are often calculated on a yearly basis, although in practice most premiums are paid monthly.
85. The heading in a policy document shows the individual details of the contract.

**SECTION C - ATTEMPT ALL QUESTIONS (Questions 86 - 100)**

**Read the cases below carefully and answer the questions which follow.**

Micheal Ojo works with Capital Manufacturing Company in Osogbo and has approached an insurance agent to buy life assurance cover. He has three children aged between 6 years and twelve years and wants a life assurance policy that will be used in school fees payments. He selected the sum of N6million as the sum assured and was exempted from going for medical examination by the life office. He had also approached another insurer for cover without disclosing the first cover.

86. The traditional form of life assurance that will help Ojo pay his children's school is?

- (a) Term assurance
- (b) Endowment
- (c) Whole life assurance
- (d) Annuity

87. The exemption from going to see a doctor for medical examination in life assurance proposal is called?

- (a) Non-medical underwriting
- (b) Medical underwriting
- (c) Occupational underwriting
- (d) Financial underwriting

88. The amount of cover where the proposal is exempted from medical examination is?

- (a) Free cover limit
- (b) Underwriting limit
- (c) Paid-up limit
- (d) Surrender value

89. The best cover for the Micheal Ojo's need is?

- (a) Flexidowment
- (b) Annuity certain
- (c) Pure endowment
- (d) Educational endowment

90. The non-disclosure of the other policy is against the insurance principle of ...

- (a) insurable interest
- (b) contribution
- (c) subrogation
- (d) utmost good faith.

Snopake Limited is a company that produces life jackets and has 165 workers working at different locations in the country. Although, the company had maintained good house keeping in its risk management approach, there had been incidents of industrial accidents leading to losses of lives and injuries. The Board had directed Management of the company to put in place an insurance that will cover the risk.

91. What type of cover will protect the losses because of accidental injuries in the company?

- (a) Group life assurance
- (b) Group personal accident insurance
- (c) Group medical insurance
- (d) Group travel insurance

92. Which of these policies will be required to meet requirement of the Pension Reform Act 2014?

- (a) Whole life assurance
- (b) Group life assurance
- (c) Group personal accident
- (d) Employee compensation insurance.

93. The minimum number of staff that the company should have to compulsorily buy life assurance for its employees are?

- (a) 3
- (b) 10
- (c) 14
- (d) 15

94. The policy that the company should buy to protect its directors is a?

- (a) Group life assurance
- (b) Directors- share protection
- (c) Group income protection insurance
- (d) Group credit insurance

95. The company could buy life assurance on the lives of its employees because of the principle of

- (a) Utmost good faith
- (b) Insurable interest
- (c) indemnity.
- (d) Proximate cause.

Alhaji Nawa lent the sum of ~~₦~~60,000.00 to Hajia Aminatu for her to restock her provision stock. The loan was to be repaid over a period of two years in equal instalmental repayments. Alhaji Nawa has approached a life office for a life policy on the life of his debtor for the sum of ~~₦~~100,000.00.

96. The principle that allows the insurance on the life of debtors is?

- (a) Utmost good faith
- (b) Proximate cause
- (c) Subrogation
- (d) Insurable interest

97. Which of these is true?

- (a) Hajia Aminatu has insurable interest on the life of Alhaji Nawa
- (b) Alhaji Nawa has insurable interest on the life of Hajia Aminatu
- (c) Both has insurable interest in each other's life
- (d) None of them has insurable interest in each other's life

98. The insurable amount in view of the above case is ...

- (a) ~~₦~~60,000.00
- (b) ~~₦~~100,000.00
- (c) ~~₦~~160,000.00
- (d) Unlimited

99. The best form of cover for the debt is ...

- (a) increasing term assurance
- (b) family income insurance
- (c) decreasing term assurance
- (d) endorsement

100. On repayment of the debt, Alhaji Nawa can still insure the life of Hajia Aminata for the sum of ...

- (a) ~~₦~~0.00
- (b) ~~₦~~60,000.00
- (c) ~~₦~~100,000.00
- (d) ~~₦~~160,000.00

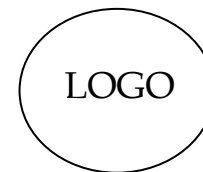
**F03 – LIFE ASSURANCE, ANNUITY AND PENSIONS ADMINISTRATION**

1	C	21	B	41	A	61	F	81	F
2	B	22	A	42	B	62	T	82	T
3	D	23	B	43	C	63	T	83	T
4	B	24	A	44	D	64	F	84	T
5	C	25	C	45	D	65	T	85	F
6	A	26	C	46	B	66	T	86	B
7	C	27	B	47	B	67	F	87	A
8	A	28	C	48	C	68	F	88	A
9	B	29	C	49	C	69	F	89	D
10	C	30	D	50	B	70	F	90	D
11	C	31	B	51	D	71	T	91	B
12	A	32	C	52	B	72	T	92	B
13	D	33	B	53	C	73	F	93	A
14	D	34	D	54	D	74	T	94	B
15	C	35	B	55	B	75	F	95	B
16	C	36	A	56	C	76	T	96	D
17	B	37	A	57	A	77	T	97	B
18	B	38	B	58	D	78	F	98	A
19	C	39	C	59	B	79	F	99	C
20	D	40	D	60	D	80	F	100	A

F04

CHARTERED INSURANCE INSTITUTE OF NIGERIA

FOUNDATION  
F04 - BUSINESS COMMUNICATION AND  
INFORMATION TECHNOLOGY  
OCTOBER 2021 DIET



**All answers should be shaded on the answer form in accordance with the following instructions:**

- Two hours are allowed for this paper.
- Fill in the information requested on the answer form and attendance form.
- Handle the answer form with care and do not write notes on it.
- No marks are deducted for incorrect answers, so do not leave any questions unanswered.
- The answer form 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 answer form.
- Ensure that you write the full and correct candidate's number.
- If you bring a calculator into the examination room, it must be silent battery or solar powered non-programmable calculator. The use of programmable calculator is prohibited.
- No name should be written on the answer form.

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



**CHARTERED INSURANCE INSTITUTE OF NIGERIA**

**FOUNDATION**

**F04 - BUSINESS COMMUNICATION  
AND INFORMATION TECHNOLOGY**

**INSTRUCTIONS TO CANDIDATES**

**READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS**

**Section A:** The questions 1 - 50 in this paper are numbered and four options follow each question. The options are labeled a,b,c,d. Only one of these options is correct. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

**Example:** One of the demerits of electronic communication bothers on its ...

- |              |                   |
|--------------|-------------------|
| (a) speed    | (b) coverage      |
| (c) security | (d) accessibility |

The correct option is (c).

**Section B:**

Questions 51 - 60 are to be answered by picking the correctly spelt word.

**Example:**

- |           |            |            |             |
|-----------|------------|------------|-------------|
| (a) Folow | (b) Follow | (c) Foloow | (d) Followw |
|-----------|------------|------------|-------------|

The correct option is False (b).

**Section C**

Questions 61 - 80. This section contains four (4) case studies each followed by five questions. The case studies are not numbered and appear at the top of the page. Each of the five questions following a case study is numbered. Four options follow each question. The options are labelled, a, b, c, d. Only one of these options is correct or best. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

**Section D**

Questions 81 - 90 are to be answered by picking the option that has the sentences with the correct expression.

- Example:**
- |                       |                                |
|-----------------------|--------------------------------|
| (a) See you soonestly | (b) I will see you sooner      |
| (c) Catch ya!         | (d) I hope to be with you soon |

The correct option is (d)

**Section E**

Questions 91 - 100 are to be answered by picking the option that best completes the sentence.

**Example:**

The meeting is scheduled to start ... 10.00a.m. prompt.

- |        |        |        |         |
|--------|--------|--------|---------|
| (a) at | (b) in | (c) on | (d) for |
|--------|--------|--------|---------|

The correct option is (a)

**Chief Examiner's Comments**

Generally, the performance of the candidates is good and evenly distributed.

**Comments on overall performance:**

Overall performance of the candidates was excellent.

**Suggestion(s) on Improvement (if any):**

Candidate(s) should be encouraged to put more efforts in order to continue to perform well and acquire pass grade(s).

## SECTION A - ATTEMPT ALL QUESTIONS (Questions 1 – 50)

1. Communication is said to be the lifeblood of every organisation because ...
  - (a) it is the key function of management
  - (b) it provides an avenue for staff socialization
  - (c) it enables an organisation to share information so as to promote its product(s) or service(s) to existing and potential customers
  - (d) none of the above
  
2. Ineffective communication is that which is ...
  - (a) sent to only one recipient
  - (b) sent to a group of staff
  - (c) sent to non-staff members
  - (d) misunderstood by its recipients
  
3. Business communication deals with all the following except ...
  - (a) ideas and opinions about a company's product(s) and services
  - (b) information between a business and another person or entity in a company's external environment
  - (c) issues relating to the advertisement of a company's product (s) and services
  - (d) all of the above
  
4. Which of the following is not true about business communication? It ...
  - (a) increases employees' inefficiency
  - (b) provides sense of direction to employees
  - (c) promotes cooperation among the various departments in an organisation
  - (d) attracts customers' patronage
  
5. Effective business communication must possess the following qualities except ...
  - (a) conciseness
  - (b) wordiness
  - (c) clarity
  - (d) accuracy
  
6. The response on acknowledgement of a decoder's message is best referred to as ...
  - (a) communication
  - (b) message
  - (c) feedback
  - (d) all of the above
  
7. Wrong choice of vocabulary is an example of ... barrier in communication.
  - (a) semantic
  - (b) syntactic
  - (c) stylistic
  - (d) phonological
  
8. Pick the odd one out.
  - (a) Grapevines
  - (b) Newsletters
  - (c) Meetings
  - (d) emails
  
9. Pick the odd one out.
  - (a) encoding
  - (b) decoding
  - (c) salutation
  - (d) the channel

10. Which of the following is not true about the communication process?
  - (a) The sender encodes the message
  - (b) The receiver provides the feedback
  - (c) The channel is the medium of transmission
  - (d) The receiver decides the message
11. One of the following is an example of audio-visual communication.
  - (a) Siren
  - (b) Hugging
  - (c) Facial expression
  - (d) Eye contact
12. All the following are advantages of written communication except ...
  - (a) it can be communicated to a large audience
  - (b) it can be filed for future reference
  - (c) it takes time to disseminate to its target audience
  - (d) it is taken more seriously than oral communication.
13. Communication among colleagues on the same level is an example of ...
  - (a) lateral communication
  - (b) internal-downward communication
  - (c) internal-lateral communication
  - (d) internal-internal communication
14. Attitudinal barriers to effective communication could result from all of the following except ...
  - (a) obsolete equipment
  - (b) poor management
  - (c) personality conflicts
  - (d) poor staff motivation
15. Physiological barriers to communication can result from all the following except ...
  - (a) poor linguistic ability
  - (b) ill health
  - (c) poor eyesight
  - (d) hearing difficulties
16. One of the merits of oral communication is that ...
  - (a) it is usually free from ambiguity
  - (b) it is easily documented
  - (c) it guarantees immediate feedback
  - (d) it gives the receiver(s) the opportunity of controlling the pace of communication
17. Oral communication is most suitable for issues that ...
  - (a) demand immediate feedback
  - (b) involve a large number of people
  - (c) require a lot of information
  - (d) involve non-members of an organisation
18. One of the following is a challenge to electronic communication.
  - (a) Speed
  - (b) Wide coverage
  - (c) Accessibility
  - (d) Confidentiality
19. Which of the following is not likely to be used currently?
  - (a) emails
  - (b) skype
  - (c) Faxes
  - (d) WhatsApp

20. Operational feedback refers to feedback given ...  
 (a) internally and externally (b) internally only  
 (c) externally only (d) none of the above
21. A major advantage of feedback is that it ...  
 (a) can expose staff inefficiency  
 (b) generates controversies among staff  
 (c) reduces staff strength  
 (d) increases productivity
22. Business reports differs from business letters in one of the following ways. A report ...  
 (a) does not contain official information (b) is not documented  
 (c) has no date (d) is void of courtesies
23. Which of the following is odd?  
 (a) Sales letter (b) Enquiry letter  
 (c) Personal letter (d) Complaint letter
24. Which of the following is not applicable to a memorandum?  
 (a) The addresser's name, initials or designation  
 (b) The date (c) Closing remarks  
 (d) The subject
25. A major difference between a circular and a memorandum is that a circular ...  
 (a) has no signature (b) is not dated  
 (c) does not necessarily require a reply unless otherwise demanded  
 (d) is longer than a memorandum
26. Which of these cannot be used for a business presentation?  
 (a) flip chats (b) siren  
 (c) white boards (d) projectors
27. Which of the following is not a means of advertising a company's product(s) and services?  
 (a) catalogues (b) brochures  
 (c) leaflets (d) memos
28. Formal reports are suitable for audiences that are ...  
 (a) within an organisation only  
 (b) within and outside an organisation  
 (c) outside an organisation only  
 (d) all of the above
29. Which of the following is optional in a business letter?  
 (a) The writer's address (b) The salutation  
 (c) The writer's signature (d) none of the above
30. Which of the following is an advantage of billboard advertisements?  
 (a) They are immobile  
 (b) They are placed at strategic locations  
 (c) They are usually expensive (d) They are not detailed

31. The expression "hoping to hear from you soon" is adjudged to be incorrect because it is ...  
(a) an incomplete sentence (b) short  
(c) indirect (d) personal
32. The best form of salutation for a female recipient of a business letter is ...  
(a) Dear Sir/Madam (b) Dear Ma  
(c) Dear Madam (d) Dear Ma'am
33. The most important part of a business letter is the ...  
(a) body (b) salutation  
(c) complimentary close (d) address of the writer
34. The core relevance of a report to an organisation is that it ...  
(a) is well researched  
(b) is demanded by an official of the organisation  
(c) contains definite information (d) guides decision makers
35. A business letter differs from a memorandum in that a memorandum can be ...  
(a) less clearly written  
(b) used for internal and external communication  
(c) more detailed than a business letter  
(d) much less formally written than a business letter
36. Which of the following is not a business report?  
(a) Auditors' report (b) Progress report  
(c) Inspection report (d) Medical report
37. Which of the following is not included in terms of reference of a report?  
(a) The name of the person who typed the report  
(b) Precise instructions given  
(c) The date of publication or dispatch  
(d) The name of the writer
38. Which of the following may not be included in a report?  
(a) Terms of reference (b) Additional materials  
(c) Findings (d) Title
39. Which of the following precedes a meeting?  
(a) Minutes (b) Apologies  
(c) Date of next meeting (d) Departmental meetings
40. Business meetings include all of the following except ...  
(a) board meetings (b) management meetings  
(c) family meetings (d) departmental meetings
41. The record of the proceedings of a meeting is referred to as ...  
(a) agenda (b) minute collection  
(c) addendum (d) minutes

42. A motion in a meeting refers to ...  
(a) the act of moving an item to be discussed to a later date  
(b) the act of re-scheduling a meeting  
(c) the act of re-arranging seats in a meeting venue  
(d) a proposal made by a member and seconded by another member
43. When a proposal receives approval during a meeting, it is said to have been ...  
(a) endorsed (b) moved by the committee  
(c) scheduled (d) documented
44. An additional material attached to the agenda of a meeting is known as ...  
(a) minutes of meeting (b) addendum  
(c) proposal (d) an annex
45. Which of the following applies to consecutive yearly numbering of minutes?  
(a) Each year's minutes are regarded as a single unit  
(b) Only the minutes of principal officers of an organisation counts  
(c) Only the first and the last minutes in a year count  
(d) Only the minutes of the first meeting in a year count
46. Sensors have the capacity to ...  
(a) perform clinical operations  
(b) respond to human voice  
(c) detect and respond to electrical and optical signals  
(d) control noise
47. The acronym "AI" in information technology stands for ...  
(a) Automated Intelligence (b) Artificial Intelligence  
(c) Accumulated Intelligence (d) Accredited Intelligence
48. Which of the following is in common use in the businesses today?  
(a) e-mails (b) WhatsApp  
(c) Skype (d) All of the above
49. Information stored on the cloud can be accessed through ...  
(a) radio (b) television  
(c) internet (d) all of the above
50. Which of the following is correctly spelt?  
(a) burecracy (b) bureaucracy  
(c) bureaucracy (d) biureaucracy

**SECTION B: (Questions 51 - 60) Pick the Word that is Correctly Spelt**

51. (a) Renumerason (b) Renumeration  
(c) Renumeration (d) Rinumeration
52. (a) Compesation (b) Compasation  
(c) Compensation (d) Compensasion
53. (a) Bankruptcy (b) Bankrupsy  
(c) Banckrupsy (d) Banckrupcy
54. (a) Collonel (b) Colonnell  
(c) Colonel (d) Colonell
55. (a) Recurrence (b) Reoccurrence  
(c) Reoccurrance (d) Recurreance
56. (a) Leftnant (b) Leftenant  
(c) Lieutenant (d) Leutenant
57. (a) Commensurate (b) Commesirate  
(c) Comesurate (d) Commiserate
58. (a) Inconsevable (b) Inconceivable  
(c) Inconseivable (d) Inconcievable
59. (a) Accomplishment (b) Accomplisment  
(c) Acompishment (d) Arcomplishment
60. (a) Armunition (b) Amunition  
(c) Amuniution (d) Ammunition



**SECTION C - ATTEMPT ALL QUESTIONS (Questions 61 - 80)**

**Read the cases below carefully and answer the questions which follow.**

Developments in electronic science have transformed the art of record keeping in the modern age. Traditionally, records of events were kept only on people's minds. It depended very much on the retentive power of human memory. This was extremely dangerous as people either forgot events wholly or in part, or deliberately falsified details to suit their interests, interminable arguments were thus the order of the day. Even writing which replaced mental recording was not entirely free from these shortcomings as untruths could be written as true record either willingly or inadvertently. With the advent of the electronic memory however, the record now shows not only what happened, but also who did or said what, including how and when.

61. The author believes that electronic recording is:
- (a) superior to mental recording
  - (b) inferior to both mental recording and writing
  - (c) superior to both mental recording and writing
  - (d) inferior to only writing
62. The writer believes that the art of record keeping has
- (a) improved over the years
  - (b) endangered the art of writing
  - (c) changed human memory
  - (d) overcome all the challenges facing record keeping
63. How many stages of development did the writer mention when discussing the art of record keeping?
- (a) Two                      (b) Three                      (c) Four                      (d) Five
64. According to the author, human memory is unreliable because people ...
- (a) die and we forget what they said
  - (b) forget events or tell lies
  - (c) do not always know when events happen
  - (d) do not always know who did what and when
65. From the passage, we gather that writing is almost ...
- (a) as unreliable as human memory
  - (b) as reliable as electronic memory
  - (c) more reliable than electronic recording
  - (d) not to be compared to any other recording systems

If we examine the opportunities for education of the female gender in developing nations, we usually find a dismal picture. In some nations, the ratio of male to female in secondary schools is more than seven to one. What happens to the females? Often, they are kept at home to look after younger siblings and to perform a variety of domestic chores. Their education not perceived in any way equal in importance to that of the males. When a non-literate or barely literate females reach adolescence, she has little or no qualification for employment even if her community provides any opportunity for the employment of females. The solution is to get her married as soon as possible, with the inevitable result that she produces children too soon, too often and too late. With no formal education, she is hardly aware that there is another alternative, in a study made in Thailand, it was noted that literate females married later and ceases childbearing earlier than their non-literate counterparts. The latter is so chained to (and in) her household by the necessities of gathering fuel, preparing food and tendering children that she is very difficult to reach, even if health services, nutrition education, maternal and child health centres are available in her community because she does not understand what they are intended to do.

66. According to the writer, most females in developing nations are not in school because ...

- (a) they refuse to be educated
- (b) they prefer getting married and having children
- (c) the education of males is rated higher
- (d) the females have no employment

67. The non-literate female is very difficult to reach because she ...

- (a) does not understand the value of education and health services
- (b) is too far from the city and from school
- (c) is not permitted to go out to attend clinics for health services
- (d) can only gather fuel and prepare food

68. The phrase "a dismal picture" means ...

- (a) a dull show
- (b) an interesting show
- (c) a sad situation
- (d) a dreadful appearance

69. The phrase "too late" as used in the passage implies that the woman ...

- (a) ought to have stopped producing children earlier
- (b) goes on producing children when she ought to have stopped
- (c) fails to marry early enough for her to produce children
- (d) had all her children at an advanced age

70. The writer emphasises that in developing countries,

- (a) the education of females is not important
- (b) the non-literate female has some advantages because she has more children
- (c) the literate female is a threat to the male counterpart in employment
- (d) there is the need to give males and females equal opportunities in education.

All over the world till lately and in most of the world till today, mankind has been following the course of nature; that is to say that, it has been breeding up the maximum. To let nature take her extravagant course in the reproduction of the human race may have made sense in an age in which we were also letting her take her course in decimating mankind to be casualties of war, pestilence and famine. Being human, we have at least revolted against that senseless waste. We have started to impose on nature's heartless play a humane new order of our own, but once man has begun to interfere with nature, he cannot afford to stop halfway. We cannot, with impunity, cut down the death rate and at the same time allow the birth rate to go on taking nature's course. We must consciously try to establish an equilibrium. Otherwise, sooner or later, famine will stalk aboard again.

71. The main idea in this passage is that
- (a) nature is heartless
  - (b) man should control birth rate
  - (c) man should change nature's course gradually
  - (d) mankind will soon perish of starvation
72. The author observes that ...
- (a) nature was heartless in its reproductive process
  - (b) war, pestilence and famine were caused by the extravagance of nature
  - (c) there was a time when uncontrolled birth made sense
  - (d) it was wise when mankind did not interfere with normal reproduction
73. Which of these statements does not express the opinion of the author?
- (a) Mankind has started to interfere with the work of nature
  - (b) Many people had died in the past through war and disease
  - (c) Mankind should have the maximum number of children possible
  - (d) Mankins should take care of its children
74. "Humane" as used in the passage means
- (a) sensible
  - (b) wise
  - (c) benevolent
  - (d) human
75. "We must consciously try to establish an equilibrium" in the passage implies that mankind must
- (a) realistically find an equation
  - (b) strive not to be wasteful
  - (c) purposely try to fight nature
  - (d) deliberately find a balance

Over the years, there has been this hue and cry by governments and public policy advisers against the phenomenon of the rural-urban drift. Research have been conducted on various aspects of this phenomenon, which have resulted in the identification of the various causes and consequences of it. In addition, prescriptions have been given for pressure in some rural-urban drift. Among the causes most often mentioned are populations and the resultant rise in educational levels which qualified many people for urban employment, higher wages in the urban centres relative to rural centres and the rather naive one of the “bright lights” in the cities so much touted by early foreign sociologists. The most often mentioned consequences of this rural-urban migration include depopulation of rural areas leading to overcrowding of the cities and the resultant housing and sanitation challenges, decline in agricultural population resulting in less food crops being grown and high food prices in the cities; and increasing urban unemployment. The results of the phenomenon are seen largely as negative. Measures to control the rural-urban drift include the establishment of essential amenities like water, electricity, hospitals, colleges and cinema houses, the location of employment-generating establishments and the building of good interconnecting roads.

76. According to the passage, one of the reasons why people drift from the rural areas to the urban areas is
- (a) hunger resulting from drought
  - (b) laziness and ignorance
  - (c) better rural education and possession of qualifications which make better jobs available in urban areas
  - (d) the easy life and the comfort in the city
77. The author explains that researches conducted on various aspects of rural-urban drift have
- (a) failed to provide effective solution
  - (b) revealed the causes and effects of the drift
  - (c) increased the hue and cry against it
  - (d) provided effective solutions to the challenge
78. Migration in large numbers is said to result in
- (a) juvenile delinquency
  - (b) a reduction in the production of food
  - (c) highway robbery
  - (d) difficulty of life in rural areas
79. One suggested solution to the challenges is to
- (a) provide social amenities and create employment opportunities in rural areas
  - (b) encourage mechanized agriculture to raise income
  - (c) force the young rural people to stay by warning them about the challenges in cities
  - (d) mount road blocks
80. The expression “hue and cry” as used in the passage means
- (a) false alarm
  - (b) burden
  - (c) concern
  - (d) public awareness creation

**SECTION D - ATTEMPT ALL QUESTIONS (Questions 81 - 90)**

**Read the questions below and answer by picking the sentences with the correct expression.**

81. (a) The junior staff members have been given their allowances.  
(b) The junior staff members have being given their allowances.  
(c) The junior staff members have been giving their allowance.  
(d) The junior staff members have being giving their allowances.
82. (a) Handling customers' complaints require a great deal of patient.  
(b) Handling customers' complaints require a great deal of patent.  
(c) Handling customers' complaints require a great deal of patients.  
(d) Handling customers' complaints require a great deal of patience.
83. (a) If you loose the document, you will have to swear an affidavit before it can be replaced.  
(b) If you lost the document, you will have to swear an affidavit before it can be replaced.  
(c) If you lose the document, you will have to swear an affidavit before it can be replaced.  
(d) If you losen the document, you will have to swear an affidavit before it can be replaced.
84. (a) The man is free to go since he is not owing the company.  
(b) The man is free to go since he does not owes the company.  
(c) The man is free to go since he is not owed the company.  
(d) The man is free to go since he does not owe the company.
85. (a) There is no doubt that the commodity is sellable.  
(b) There is no doubt that the commodity is saleable.  
(c) There is no doubt that the commodity is selliable.  
(d) There is no doubt that the commodity is salliable.
86. (a) Only property insurance will be taught in the afternoon section of the training programme.  
(b) Only property insurance will be taught in the afternoon session of the training programme.  
(c) Only property insurance will be taught in the afternoon sescion of the training programme.  
(d) Only property insurance will be taught in the afternoon scession of the training programme.
87. (a) The case was dropped for lack of proof.  
(b) The case was dropped for lack of prove.  
(c) The case was dropped for lack of proving.  
(d) The case was dropped for lack of proves.

88. (a) The company had to drive the secretary; she was very unreliable.  
(b) The company had to drove the secretary; she was very unreliable.  
(c) The company had to dismiss the secretary; she was very unreliable.  
(d) The company had to dismissed the secretary; she was very unreliable.
89. (a) We need a car to carry us to Ilorin.  
(b) We need a car to move us to Ilorin.  
(c) We need a car to take us to Ilorin.  
(d) We need a car to takes us to Ilorin.
90. (a) I have not seen the driver for a week now, I think he has resigned.  
(b) I have not saw the driver for a week now, I think he has resigned.  
(c) I have not see the driver for a week now, I think he has resigned.  
(d) I have not being seeing the driver for a week now, I think he has resigned.

**SECTION E - ATTEMPT ALL QUESTIONS (Questions 91 - 100)**

**Read the questions below carefully and pick the Option That Best Completes Each of the Following Sentences.**

91. Parking beside the company building is ...  
(a) disputed                      (b) rejected                      (c) abolished                      (d) prohibited
92. When the accountant made those remarks, he knew he was putting his job ...  
(a) in the line                      (b) under the line  
(c) before the line                      (d) on the line
93. The two parties ended their discussion on ... terms.  
(a) amicable                      (b) amiable                      (c) amorous                      (d) ambivalent
94. Steps have been taken by the company management to ... the current situation.  
(a) amend                      (b) ameliorate                      (c) adjust                      (d) altar
95. The secretary reported the Director General's speech ...  
(a) verbal                      (b) verbatim                      (c) verbose                      (d) verily
96. We had to ignore the man's claims because they were not ...  
(a) viable                      (b) vibrant                      (c) verifiable                      (d) vigorous
97. The Managing Director's speech boosted the .... of the staff members.  
(a) morality                      (b) moral  
(c) morals                      (d) morale
98. Mr. Akpan is ... in the field of insurance.  
(a) versatile                      (b) versed  
(c) verse                      (d) knowledgeable
99. The company had to appeal to a higher court in the hope that it would ... the verdict.  
(a) revise                      (b) dismiss  
(c) discharge                      (d) reverse
100. We shall ... the meeting when all the items on the agenda have been discussed.  
(a) dissolve                      (b) postpone                      (c) adjourn                      (d) adjoin

**F04 – BUSINESS COMMUNICATION &  
INFORMATION TECHNOLOGY**

1	C	21	D	41	D	61	C	81	A
2	D	22	D	42	D	62	A	82	D
3	D	23	C	43	B	63	B	83	C
4	A	24	C	44	D	64	B	84	D
5	B	25	C	45	A	65	A	85	B
6	C	26	B	46	C	66	C	86	B
7	A	27	D	47	B	67	A	87	A
8	A	28	B	48	D	68	C	88	C
9	C	29	D	49	C	69	B	89	C
10	D	30	B	50	C	70	D	90	A
11	A	31	A	51	B	71	B	91	D
12	C	32	C	52	C	72	C	92	D
13	C	33	A	53	A	73	C	93	A
14	A	34	D	54	C	74	D	94	B
15	A	35	D	55	A	75	D	95	B
16	C	36	D	56	C	76	D	96	C
17	A	37	A	57	D	77	B	97	D
18	D	38	B	58	B	78	B	98	A
19	C	39	D	59	A	79	A	99	D
20	C	40	C	60	D	80	C	100	C



F05

CHARTERED INSURANCE INSTITUTE OF NIGERIA

FOUNDATION  
F05 – INSURANCE UNDERWRITING PROCESS  
OCTOBER 2021 DIET



**All answers should be shaded on the answer form in accordance with the following instructions:**

- Two hours are allowed for this paper.
- Fill in the information requested on the answer form and attendance form.
- Handle the answer form with care and do not write notes on it.
- No marks are deducted for incorrect answers, so do not leave any questions unanswered.
- The answer form 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 answer form.
- Ensure that you write the full and correct candidate's number.
- If you bring a calculator into the examination room, it must be silent battery or solar powered non-programmable calculator. The use of programmable calculator is prohibited.
- No name should be written on the answer form.

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

**CHARTERED INSURANCE INSTITUTE OF NIGERIA**

**FOUNDATION**

**F05 - INSURANCE UNDERWRITING PROCESS**

**INSTRUCTIONS TO CANDIDATES**

**READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS**

**Section A**

The questions 1 – 50 in this paper are numbered and four options follow each question. The options are labeled a,b,c,d. Only one of these options is correct. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

**Example:**

Employers' liability insurance certificates are legally required to be kept for a minimum of ...

- |                             |                             |
|-----------------------------|-----------------------------|
| (a) 40 years from inception | (b) 50 years from inception |
| (c) 40 years from expiry    | (d) 50 years from expiry    |

The answer is option (c).

**Section B**

Questions 51 – 60 are to be answered as either True (T) or False (F). Select your chosen option and indicate it on the answer form by filling in the appropriate box.

**Example:**

An employers' liability insurance never expires. (True or False).

The correct option is False (F).

**Section C**

Questions 61 – 75. This section contains three (3) case studies each followed by five questions. The case studies are not numbered and appear at the top of the page. Each of the five questions following a case study is numbered. Four options follow each question. The options are labelled, a, b, c, d. Only one of these options is correct or best. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

**Chief Examiner's Comment**

The performance of the candidates is somewhat low with a very low pass rate.

**Comments on overall performance:**

The overall performance can be better as only a third of the candidates that sat passed the examination.

**Suggestion(s) on Improvement (if any):**

Candidates should devote more time to their study as this course is very essential to underwriting procedures and practice.

## SECTION A - ATTEMPT ALL QUESTIONS (Questions 1 - 50)

1. One of these is not a special peril?  
(a) Malicious damage (b) Riot and civil commotion  
(c) Impact (d) Lightning
2. Which of these cannot be regarded as a fundamental risk?  
(a) War (b) Pollution  
(c) Fire (d) Radiation
3. Which of these will not qualify as an absolute exclusion under the "All Risks" policy?  
(a) Money (b) Pollution  
(c) Consequential loss (d) War
4. A thief walks into an open premise stealing some valuables. The insurer would not be liable to pay a claim because ...  
(a) The thief was a visitor  
(b) There was no breaking into the premises  
(c) The thief came in during unofficial hours  
(d) The thief could not be traced
5. Which of these is not a feature of money insurance?  
(a) In transit (b) In safe  
(c) First loss (d) Out of safe on the premises
6. The maximum time the income of the business could be affected as a result of a loss covered and payable under a fire policy is  
(a) Probation period (b) Policy period  
(c) Return time (d) Indemnity period
7. The involvement of banks and building societies in the traditional insurance market is known as:  
(a) Householder's comprehensive (b) Fire and special perils  
(c) All risks' policy (d) Engineering policy
8. Under a new amendment to the employers' liability (compulsory insurance) the certificate can now be held in electronic format. For how long should the certificate be kept?  
(a) 30 months (b) 40 months  
(c) 30 years (d) 40 years
9. In an Employers' liability insurance covering the staff, the insured is the ...  
(a) State (b) employer  
(c) employee (d) staff union

10. The product liability insurance is usually sold in conjunction with which of these policies?
- (a) Employers' liability
  - (b) Public liability
  - (c) Professional indemnity
  - (d) Fidelity guarantee
11. Which of these liability policies is offered on a claims made basis?
- (a) Public liability
  - (b) Employers' liability
  - (c) Product liability
  - (d) Professional indemnity
12. Insurers narrow the definition of "Theft" from the Theft Act 1968 in the area of ...
- (a) identity of the thief
  - (b) definition of the entry
  - (c) definition of the intention
  - (d) identification of the subject matter or item involved
13. The value conferred or promise of value to confer value in a legally binding agreement constitutes the ...
- (a) consideration
  - (b) representation
  - (c) offer
  - (d) acceptance
14. Both the Nigerian Insurance Act 2003 and the UK Consumer Insurance (Disclosure and Representation) Act 2012 agree on the need for an insurer to request for all information that they deem material. Through which means should this be done?
- (a) Policy document
  - (b) Proposal form
  - (c) Claim form
  - (d) Bordereaux
15. Which of these is not an example of physical hazard?
- (a) Physical condition of a vehicle proposed for insurance
  - (b) Security protection afforded by doors and windows
  - (c) The number of floors in a building
  - (d) Attitude of the society that does not regard cheating of insurers as bad
16. Which of these is not an example of a moral hazard?
- (a) Carelessness exhibited by drivers on the roads
  - (b) Security protection at a shop
  - (c) Dishonest attitude as evidenced by a past fraudulent claim
  - (d) Attitude of the society that does not frown at cheating of insurance companies as immoral.
17. The risk surveyor performs an important role in the management of risk and risk information gathering. Which of those will not be part of his duty?
- (a) Placement of risk with an insurer
  - (b) Description of the risk
  - (c) Guidance as to the estimated maximum loss
  - (d) Recommendation of risk improvement measures

18. Approved repairers are most related to which of this class of insurance?
- (a) Engineering insurance                      (b) Contractors' all risk  
(c) Goods in transit                              (d) Motor Insurance
19. At what stage of the risk management process is the risk examined for possible frequency and severity of loss?
- (a) Risk registration                              (b) Risk identification  
(c) Risk analysis                                  (d) Risk control
20. Which of these statements is not correct in relation to the quotation procedure?
- (a) Cover is effective from the date of the quotation  
(b) Quotation made to the proposer constitutes an offer  
(c) The proposer can validly accept the quotation within the stipulated time frame  
(d) Insurer reserves the right to vary terms if the risk details/circumstances
21. You are told that a proposer for insurance completed the proposal form via the internet direct to the insurer. What class of insurance would this likely be?
- (a) Marine insurance                              (b) Fidelity guarantee insurance  
(c) Private car insurance                          (d) Product liability insurance
22. In determining premium payable, you are advised that rate is per mille. What would this mean?
- (a) A given rate for every ten  
(b) A given rate for every hundred  
(c) A given rate for every thousand  
(d) A given rate for every million
23. The premium charged on a policy is said not to be fully known at inception but adjustable at the end of the insurance year. Which of this policy will such apply to?
- (a) Private car insurance                          (b) Employees liability insurance  
(c) Commercial vehicle insurance              (d) All risks insurance
24. GoldPillar Insurance Company agreed to grant cover to Mr. Jejelaye but that the real certificate will be issued subject to satisfactory physical inspection, hence the need for temporary certificate. Which document will be given to him?
- (a) Temporary proposal note                      (b) Interim certificate  
(c) Proforma invoice                              (d) Cover note
25. For an Employers' Liability Insurance issued in the UK, which of this information is not required on the certificate?
- (a) Name of policyholder  
(b) Description of Industry to which Employees belong  
(c) Name of Insurer  
(d) Level of cover that cover meets minimum level required by law

26. Which of those sceneries will not constitute accumulation in reinsurance?
- Insuring all the houses in a closed estate
  - Theft of a high valued automobile
  - Storm and flood havoc to property in a locality
  - Insuring both landlord and tenants in the same premises
27. The Loss Ratio in which claims are compared with the premium booked during the same period is ...
- earned loss ratio
  - net loss ratio
  - outstanding loss ratio
  - ultimate net loss ratio
28. The policy document is very essential in an insurance contract, which of these statements is not true in relation thereto?
- It contains the details of the terms and conditions of the contract
  - The "parol evidence rule" applies to the policy
  - The policy is the contract
  - It only evidences the contract
29. The general rule which interprets ambiguous term against the party that drew it is also applicable to insurance. This rule is known as ...
- Res IPSA loquitor
  - Parol evidence
  - Caveat emptor
  - Contra proferentem
30. Which part of the policy links the proposal form to the policy?
- Preamble
  - Schedule
  - Signature
  - Exceptions
31. Which section of the policy outlines the cover provided by the policy?
- Recital clause
  - Operative clause
  - Schedule
  - Heading
32. Which section of the policy will you go to check on information about complaints procedure?
- Preamble
  - Recital
  - Exception
  - Information and facilities
33. Exclusion which are common to all general insurance business are ...
- popular exclusions
  - general exclusions
  - global exclusions
  - market exclusions
34. Mrs. Chidinma who was making an insurance claim for the first time complained to you that after approving an amount for the repairs of her car another amount was deducted before making the payment. What would you tell her the deduction represents?
- Average
  - Excess
  - Betterment
  - Franchise

35. A big multinational company accepts that for every fire damage of a reasonably high amount it does not want to make claims up to this specified amount. What would this amount be called?
- (a) Allowance (b) Discount  
(c) Average (d) Deductible
36. You are told that a personal accident states that in the event of a disability not lasting more than 3 days, insurers would not be called upon to pay; but if disability lasts for more than 3 days, the total number of days will be paid without any deduction. What concept of insurance is this?
- (a) Franchise (b) Betterment  
(c) Deductible (d) Enhancement
37. A promise by the insured relating to facts or performance concerning the risk to particular state of affairs or that a certain fact exists is called ...
- (a) promise (b) warranty  
(c) covenant (d) arrangement
38. The notification of alteration of risk condition in the policy is an example of ...
- (a) Condition subsequent to the contract  
(b) Condition precedent to liability  
(c) Condition precedent to the contract  
(d) Neutral condition
39. The condition in the policy that requires the insured to notify the insurer of a loss for which a claim is to be made is a ...
- (a) condition subsequent to the contract  
(b) condition precedent to liability  
(c) condition precedent to the contract  
(d) neutral condition
40. Which of these industry's professionals assist in the determination of EML?
- (a) Broker  
(b) Surveyor  
(c) Loss Adjuster  
(d) Financial Accountant
41. While EML is used in measuring quantitative aspects in property insurance, what is the relevant measure in liability insurance?
- (a) Annual Aggregate (b) Sum Insured  
(c) Limit of Liability (d) First Loss Limit
42. An insurance company obtained a risk which could not be entered into its treaty. It therefore has to reinsure by taking the risk from one company to another to cede. What form of reinsurance arrangement is this?
- (a) Facultative (b) Co-insurance  
(c) Retrocession (d) Bordereau



43. The main feature of a soft market in the insurance industry is ...
- (a) high capital (b) high rate  
(c) low rates (d) wider capacity
44. In a surplus treaty arrangement, a line is the amount of the insurer's ...
- (a) retention (b) excess  
(c) deduction (d) balance
45. An existing insurance company decided to enter a new line of business. It proposes to protect the account by not paying out more than a specified proportion in claim. Which reinsurance arrangement will you recommend?
- (a) Quote share (b) Excess of loss  
(c) Stop loss (d) Surplus
46. You are told that an insurance company has a retention limit of ₦250,000.00 for a class of business. It then arranged a surplus treaty of 9 lines. What is the maximum gross sum insured it can accept without resulting to facultative?
- (a) ₦250,000.00 (b) ₦2,250,000.00  
(c) ₦2,500,000.00 (d) ₦4,750,000.00
47. Commercial vehicles attract higher premium rates relative to private car because of all but one of the following?
- (a) The nature of use (b) Values/sum insured  
(c) High third-party damage (d) Age of the drivers
48. Geographical area is an important underwriting factor in motor insurance because of ...
- (a) Spare part prices (b) Repair challenges  
(c) Proximity to insurer (d) Theft considerations
49. Insurers have invested in systems that assist them with robust risk assessment of key risks such as storm, flood, subsidence, crime and arson once the post code is made known. This will be an aid in the underwriting of which of this class?
- (a) Personal accident (b) Household insurance  
(c) Fidelity guarantee (d) Employers' liability
50. When an insurer elects the option to cancel the cover, on what basis is premium returned to the insurer?
- (a) Nil premium (b) Short period premium  
(c) Additional premium (d) Pro-rata

**SECTION B - ATTEMPT ALL QUESTIONS (Questions from 51 to 60)**  
**Answer True (T) or False (F)**

51. Lightning is a special peril under the fire materials damage policy.
52. The duty of fair representation also exists at the time of claim.
53. The consumer under the Consumer Insurance Act 2012 is the corporate body that buys insurance cover to protect its assets and liabilities.
54. A building that was roofed with thatch was insured against fire. The hazard here is the thatch.
55. The proposal form is the only means insurers obtain information about the risk.
56. The exclusion found under the All-Risks Policy can be grouped into four.
57. All Liability Insurance covers compensate based on lack of duty of care (negligence).
58. The professional indemnity cover is on loss occurring basis.
59. It is normal to find a 24-hour medical emergency services helpline in a household insurance policy.
60. Approved repairers are commonly used in Motor Insurance.

**SECTION C - ATTEMPT ALL QUESTIONS (Questions 61 - 75)**

**Read the cases below carefully and answer the questions which follow.**

An insurance company in General Business was reviewing its operations and profitability. It focused its attention on its reinsurance arrangement that it might not be having the right mix of reinsurances.

61. What type of reinsurance will you advised for its Fire and Special perils portfolio?

- |               |                            |
|---------------|----------------------------|
| (a) Surplus   | (b) Working excess of loss |
| (c) Stop loss | (d) Co-insurance           |

62. Assuming that to broaden its portfolio, the company enters into a new link of risk, which reinsurance treaty will you recommend?

- |                 |               |
|-----------------|---------------|
| (a) Facultative | (b) Surplus   |
| (c) Quota share | (d) Stop loss |

63. The management noticed a particular risk line that has over a period of three to four years yield high loss experience, they wish to limit how much of the income of the portfolio they pay out. Which treaty arrangement will you ask them to take out?

- |                    |               |
|--------------------|---------------|
| (a) Excess of loss | (b) Stop loss |
| (c) Quota share    | (d) Surplus   |

64. Which reinsurance arrangement would you ask them to put in place for their liability portfolio?

- |                 |                    |
|-----------------|--------------------|
| (a) Facultative | (b) Surplus        |
| (c) Quota share | (d) Excess of loss |

65. What concept should they use in property insurance to retain more profit for their account instead of arranging their reinsurance on sum insured basis?

- |                  |                 |
|------------------|-----------------|
| (a) Co-insurance | (b) E.M.L.      |
| (c) Average      | (d) Facultative |

Tayelolu Nigeria Limited is into the production of snack from corn and other locally available agricultural items. Having secured their property damaged loss from fire, the company now wishes to put in place a Business Interruption policy.

66. A Business Interruption policy contains a material damage proviso. Which policy does this refer to?

- (a) Fire material damage
- (b) Theft/Burglary
- (c) Contractors' All Risks
- (d) Legal Expenses

67. You were explaining to the company management to determine how long it would take for the business to fully get back after a loss. What are you describing?

- (a) Material damage proviso
- (b) Insurance timeline
- (c) Indemnity period
- (d) Proximate cause

68. The main sum insured in a Business interruption policy is

- (a) Turnover
- (b) Net profit
- (c) Gross dividend
- (d) Gross profit

69. Those expenses and cost that vary in proportion to the level of production are called ...

- (a) static expenses
- (b) fluid working expenses
- (c) uninsured working expenses
- (d) fixed working expenses

70. If there is a loss and Tayelolu Nigeria Limited can easily move to another site and substantially get back to production, it would greatly assist the company. The heading under which this could be achieved is ...

- (a) Supplementary cost of working
- (b) Increase cost of working
- (c) Specified suppliers' extension
- (d) Specified customers extension

Omokehinde Ventures Nigeria Limited are into manufacture of flexible wrapping materials. They use machinery that are modern but still have some part that may cause injury if not properly handled by the employees. They operate in the same premises with another company that is into trading allowing a flow of visitors into the premises. They are worried about the various stakeholders to whom they owe legal liabilities.

71. What must be proved in every case of liability for a party to be held liable?

- |            |                |
|------------|----------------|
| (a) Fault  | (b) Negligence |
| (c) Damage | (d) Injury     |

72. Which policy would you recommend to them for this liability in respect of the inflow of visitors into the premises?

- |                        |                           |
|------------------------|---------------------------|
| (a) Public liability   | (b) Customers liability   |
| (c) Visitors liability | (d) Contingency liability |

73. Sometimes employees get injured whilst operating the machines or due to other factory related facilities that may not be well maintained. Which policy will you ask them to take out?

- |                        |                          |
|------------------------|--------------------------|
| (a) Legal expenses     | (b) Public liability     |
| (c) Third party policy | (d) Employers' liability |

74. The company in order to enhance its funds that are not immediately needed in the operations of the company contracted ABCD finance to invest its funds. Which policy should they ask from the fiancé company in the event of faulty advice that results in loss of or diminution of invested fund?

- |                            |                         |
|----------------------------|-------------------------|
| (a) Fidelity Guarantee     | (b) Financial Guarantee |
| (c) Professional indemnity | (d) Products liability  |

75. The company believe that its product lines meet international standards but would still like to protect themselves if anyone that uses their goods experience any injury or damage. What policy will be appropriate for them to put in place for this?

- |                         |                               |
|-------------------------|-------------------------------|
| (a) Pollution liability | (b) Detective goods liability |
| (c) Public liability    | (d) Product liability         |

**F05 – INSURANCE UNDERWRITING PROCESS**

<b>1</b>	D	<b>21</b>	C	<b>41</b>	C	<b>61</b>	A
<b>2</b>	C	<b>22</b>	C	<b>42</b>	A	<b>62</b>	C
<b>3</b>	A	<b>23</b>	B	<b>43</b>	C	<b>63</b>	B
<b>4</b>	B	<b>24</b>	D	<b>44</b>	A	<b>64</b>	D
<b>5</b>	C	<b>25</b>	B	<b>45</b>	C	<b>65</b>	B
<b>6</b>	D	<b>26</b>	B	<b>46</b>	C	<b>66</b>	A
<b>7</b>	A	<b>27</b>	C	<b>47</b>	D	<b>67</b>	C
<b>8</b>	D	<b>28</b>	C	<b>48</b>	D	<b>68</b>	D
<b>9</b>	B	<b>29</b>	D	<b>49</b>	B	<b>69</b>	C
<b>10</b>	B	<b>30</b>	A	<b>50</b>	D	<b>70</b>	B
<b>11</b>	D	<b>31</b>	B	<b>51</b>	F	<b>71</b>	B
<b>12</b>	B	<b>32</b>	D	<b>52</b>	T	<b>72</b>	A
<b>13</b>	A	<b>33</b>	D	<b>53</b>	F	<b>73</b>	D
<b>14</b>	B	<b>34</b>	B	<b>54</b>	T	<b>74</b>	C
<b>15</b>	D	<b>35</b>	D	<b>55</b>	F	<b>75</b>	D
<b>16</b>	B	<b>36</b>	A	<b>56</b>	T		
<b>17</b>	A	<b>37</b>	B	<b>57</b>	T		
<b>18</b>	D	<b>38</b>	A	<b>58</b>	F		
<b>19</b>	C	<b>39</b>	B	<b>59</b>	F		
<b>20</b>	A	<b>40</b>	B	<b>60</b>	T		

F06

CHARTERED INSURANCE INSTITUTE OF NIGERIA

<p style="text-align: center;"><b>FOUNDATION</b> F06 – MOTOR INSURANCE PRODUCTS OCTOBER 2021 DIET</p>
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**All answers should be shaded on the answer form in accordance with the following instructions:**

- Two hours are allowed for this paper.
- Fill in the information requested on the answer form and attendance form.
- Handle the answer form with care and do not write notes on it.
- No marks are deducted for incorrect answers, so do not leave any questions unanswered.
- The answer form 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 answer form.
- Ensure that you write the full and correct candidate's number.
- If you bring a calculator into the examination room, it must be silent battery or solar powered non-programmable calculator. The use of programmable calculator is prohibited.
- No name should be written on the answer form.

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

**CHARTERED INSURANCE INSTITUTE OF NIGERIA**

**FOUNDATION**

**F06 – MOTOR INSURANCE PRODUCTS**

**INSTRUCTIONS TO CANDIDATES**

**READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS**

**Section A**

The questions 1 – 50 in this paper are numbered and four options follow each question. The options are labeled a,b,c,d. Only one of these options is correct. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

**Example:**

Which insurance principle does new for old overrule?

- |               |                  |
|---------------|------------------|
| (a) Average   | (b) Contribution |
| (c) Indemnity | (d) Subrogation  |

The answer is option (c).

**Section B**

Questions 51 – 60 are to be answered as either True (T) or False (F). Select your chosen option and indicate it on the answer form by filling in the appropriate box.

**Example:**

A comprehensive motor insurance policy would provide cover for all types of accidental damages without any exclusion (True or False).

The correct option is False (F).

**Section C**

Questions 61 – 75. This section contains three (3) case studies each followed by five questions. The case studies are not numbered and appear at the top of the page. Each of the five questions following a case study is numbered. Four options follow each question. The options are labelled, a, b, c, d. Only one of these options is correct or best. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.



**Chief Examiner's Comments**

Generally, the performance of the candidates is above average.

**Comments on overall performance**

The general performance is well above average.

**Suggestions on Improvement (if any)**

Candidates should always prepare ahead for their examinations.

## SECTION A - ATTEMPT ALL QUESTIONS (Questions 1 – 50)

1. A motor insurance policy is usually issued on ...  
(a) monthly basis (b) bi-monthly basis.  
(c) quarterly basis (d) annual basis
2. In the motor insurance market, a period when higher rates are charged for cover is referred to as ...  
(a) soft market (b) hard market  
(c) average market (d) rate market
3. "Joint policies" in motor insurance will be issued to ...  
(a) companies (b) creditor and debtor  
(c) policyholder and spouse (d) firms
4. Which of these is an intermediary in motor insurance in Nigeria?  
(a) agent (b) consultant (c) reinsured (d) aggregator
5. Which number of vehicles proposed for cover would the insurer regard as a fleet?  
(a) 2 (b) 5 (c) 10 (d) 20
6. Fleet risks are rated ...  
(a) individually (b) compulsorily (c) collectively (d) diversely
7. Which of the following class of motor insurance will cover repairers MOT testing stations and garages?  
(a) Home fleet (b) Motor trade  
(c) Specialist motor risks (d) Motor fleet
8. Various types of vehicles including agricultural diggers and tractors, classic cars, e.t.c. are covered under ...  
(a) home fleet (b) motor trade  
(c) specialist motor risks (d) motor fleet
9. Which of these is not a focus of the Law commission review of insurance contract?  
(a) Customer's duty of disclosure (b) Proximate cause  
(c) Misrepresentation (d) Breach of warranty
10. What are the main rating considerations on a private motor insurance?  
(a) Type of vehicle, district and business use  
(b) Type of vehicle, drivers over 21 and distance travelled  
(c) Type of vehicle, experience of drivers and goods to be carried  
(d) Type of vehicle, experience of drivers and use of vehicle
11. What is not covered under a standard comprehensive private motor policy?  
(a) Emergency medical expenses (b) Loss of vehicle use  
(c) Passenger liability (d) Personal accident

12. The funding of Motor Insurance Bureau is by ...
  - (a) premium
  - (b) levy
  - (c) commission
  - (d) rate
  
13. The principal law regulating motor insurance in Nigeria is the ...
  - (a) Road Traffic Act 1930
  - (b) Motor Vehicle (Third Party) Insurance Act 1950
  - (c) Road Traffic Act 1988
  - (d) Insurance Act 2015
  
14. The minimum Third Party Property Damage cover in Nigeria is the sum of ...
  - (a) ₦500,000.00
  - (b) ₦1,000,000.00
  - (c) ₦5,000,000.00
  - (d) ₦10,000,000.00
  
15. Which of the underlisted items is not part of the emphasis placed by the PRA Principles for business?
  - (a) Customers interest
  - (b) Communications with clients
  - (c) Conflicts of interest
  - (d) Indemnity of trust
  
16. A composite insurer in Nigeria is a company that sells ...
  - (a) two insurance products
  - (b) life assurance products
  - (c) general insurance products
  - (d) life and general insurance products
  
17. ECOWAS Brown Card scheme was established in ...
  - (a) 1946
  - (b) 1972
  - (c) 1982
  - (d) 1996
  
18. What is the minimum motor insurance cover in the Nigerian market?
  - (a) RTA cover
  - (b) third party only
  - (c) third party, fire and theft
  - (d) comprehensive
  
19. The widest cover in motor insurance is ...
  - (a) RTA cover
  - (b) third Party only
  - (c) third party, fire and theft
  - (d) comprehensive
  
20. Which of these policies will cover, in addition to third party risk, fire, lighting or explosion or theft or any attempted theft only?
  - (a) RTA cover
  - (b) Third Party only
  - (c) Third party, fire and theft
  - (d) Comprehensive
  
21. Which level of cover in motor insurance will not cover a theft loss?
  - (a) Third party only
  - (b) Third party, fire and theft
  - (c) Comprehensive
  - (d) None of the above
  
22. The amount of loss which is borne by the insured for each and every loss is called?
  - (a) Accessories
  - (b) Franchise
  - (c) Excess
  - (d) Sum insured

23. A motor insurance policy has a compulsory excess of ₦2,000.00 and the insured took in addition a voluntary excess of ₦2,000.00. How much will the insurer pay in the event of a claim of ₦5,000.00?  
 (a) ~~₦0.00~~ (b) ~~₦1,000.00~~ (c) ~~₦2,000.00~~ (d) ~~₦4,000.00~~
24. The fine for non-compliance with Section 68 of Insurance Act 2003 to incorporate cover for third party property damage is ...  
 (a) ~~₦1,000,000.00~~ only (b) ~~₦250,000.00~~ only  
 (c) ~~₦1,000,000.00~~ and/or 1-year imprisonment  
 (d) ~~₦250,000.00~~ and/or 1-year imprisonment
25. Which of these items below will exclude liabilities while an insured vehicle is on the side of an aerodrome?  
 (a) wrongful risks (b) weight risks  
 (c) airside risks (d) passenger risks
26. Part V of RTA 1988 is entitled to ...  
 (a) construction and use of vehicles and equipment  
 (b) licensing of drivers of vehicles  
 (c) licensing of drivers of heavy goods vehicles  
 (d) driving instructions
27. Which category of drivers is not exempted from having Vehicle (Third Party) Insurance Act 1950?  
 (a) Motor vehicle owned by government  
 (b) Motor vehicle owned by a person who has deposited and keeps deposited with Accountant General of the federation the sum of ten thousand naira.  
 (c) User of a motor vehicle at any time when it is driven for police purposes.  
 (d) Motor vehicle owned by a person who has deposited and keeps deposited with the National Insurance Commission the sum of ten thousand naira.
28. The ECOWAS Brown Card system operates through a ... National Bureaux.  
 (a) 6 (b) 14 (c) 20 (d) 34
29. Which of these is not contained in a cover note?  
 (a) Date and time of issue (b) Policyholder's address  
 (c) Full details of the insured vehicle (d) Intermediary's commission
30. What is the name of the document used in making an alteration in the policy document?  
 (a) Certificate of insurance (b) Franchise  
 (c) Schedule (d) Endorsement
31. The part of the policy that shows what is covered by the motor insurance, is the ...  
 (a) preamble (b) general exceptions  
 (c) definitions (d) operative clause

32. In which of the cases was it held that positive obligation to maintain the vehicle in good repair or in an efficient and roadworthy condition enabled the insurers to repudiate a claim if they were able to prove that the policyholder had been negligent in such a regard.
- (a) Amey Properties Ltd v. Cornhill Insurance Plc (1955)
  - (b) Hayward v. Norwich Union (2001)
  - (c) Hadley Dyrne v. Heller (1963)
  - (d) Tattersall v. Drysale (1935)
33. In which of the cases was the last paragraph of S.148 which states that the insurer must "indemnify the persons or classes of persons specified in the policy" explained.
- (a) Amey Properties Ltd v. Cornhill Insurance Plc (1955)
  - (b) Hayward v. Norwich Union (2001)
  - (c) Hadley Dyrne v. Heller (1963)
  - (d) Tattersall v. Drysale (1935)
34. The role of MIAFTR is to provide ...
- (a) a register of motor vehicles that are a total loss or stolen and not recovered
  - (b) register to detect fraudulent personal insurance claims
  - (c) assistance in pursuing a personal injury claim following a motor accident
  - (d) assistance in recovered a vehicle after it has been stolen.
35. If an excess of ~~£~~250.00 applies to a policy, how much will the insurer pay for a loss of ~~£~~250.00?
- (a) ~~£~~0.00
  - (b) ~~£~~250.00
  - (c) ~~£~~500.00
  - (d) ~~£~~700.00
36. The process which insurers take to determine the premium is called ....
- (a) claim handling
  - (b) charging
  - (c) rating
  - (d) surveying
37. Which of these is not part of the main features that differentiate vehicles for the purposes of rating?
- (a) Cost of repairs
  - (b) Performance
  - (c) Level of security
  - (d) Commission
38. The more a vehicle is used, the more chance it has of being involved in an accident. Which of these is not part of the categories of use?
- (a) Social, domestic and pleasure use
  - (b) Class 2 or Class B
  - (c) Class 3 or Class C
  - (d) Class 4 or Class D
39. Which of the following is not a function of DVLA?
- (a) To regulate the issuing of licences to drivers
  - (b) To maintain the Motor Insurers' Database
  - (c) To regulate the registration vehicles and the issuing of road fund licences
  - (d) None of the above

40. Which of the following would you not expect to find available under a policy benefit rather as an exclusion?
- (a) Damage to tyres from braking
  - (b) Loss/damages as a result of a deliberate act by the insured person
  - (c) Loss/damage to the unoccupied car if the keys are left in or on the car
  - (d) Breakage of glass
41. What is the minimum age for obtaining a licence to drive an agricultural tractor?
- (a) 16
  - (b) 17
  - (c) 18
  - (d) 20
42. What does the Part VI of the Road Traffic Act 1988 deal with?
- (a) Third party liabilities
  - (b) Principal road safety provisions
  - (c) Licensing of drivers of vehicles
  - (d) Driving instruction
43. Which of these should be disclosed by a proposer of motor insurance?
- (a) Certain statutory measures e.g. Rehabilitation of Offenders Act 1977
  - (b) Matters of common knowledge
  - (c) Facts which increase the risk
  - (d) Facts which an insurer has various information
44. Which of these headings would you not expect to find in an accident report form?
- (a) Admission of liability
  - (b) Use
  - (c) Policy details
  - (d) Witnesses
45. Which of the following is not an internationally recognised motor industry database?
- (a) MIAFTR
  - (b) NIPAR
  - (c) CAP's
  - (d) CUE
46. Which of these is not a class of motor insurance?
- (a) Private motor insurance
  - (b) Motorcycle policies
  - (c) Road traffic act cover
  - (d) Commercial motor policies
47. An appointed agent or appointed sub-agent who offers or sells the general insurance products of only one insurer is called ...
- (a) Independent intermediaries
  - (b) Home services representative
  - (c) Single tied agent
  - (d) Multi-tied agent
48. The Brown Card is used in ...
- (a) South America
  - (b) Europe
  - (c) Southern Africa
  - (d) West Africa
49. Which of these is not an exclusion that normally appear in a motor policy?
- (a) Loss of use
  - (b) "Own damage" loss
  - (c) Depreciation
  - (d) Mechanical or electrical breakdown

50. Which of these is not a condition to be met for a driver to accept a contribution towards the running cost of a vehicle under a car sharing arrangement?
- (a) The other party is a spouse of the driver
  - (b) The vehicle must not be capable of carrying more than eight passengers and it must not be a motor cycle.
  - (c) The fare paid or the aggregate fares paid by the passenger(s) must not exceed the total running costs for the vehicle for that journey.
  - (d) The amount of each fare must be agreed before the commencement of the journey.

**SECTION B - ATTEMPT ALL QUESTIONS (Questions from 51 to 60)**  
**Answer True (T) or False (F)**

51. A fleet could be made up of only two vehicles.
52. The Third Party Fire and Theft will pay for loss or damage to the insured's vehicles and accessories and spare parts, caused by fire, lightning or explosion or theft or any attempted theft.
53. The Third Party only provides the widest cover in motor insurance.
54. A Certificate of Motor Insurance or a cover note can be backdated.
55. One of the items found in the Certificate of Motor Insurance is the address of the insured.
56. Although it is a factor used to rate a vehicle, the value does not greatly influence the premium.
57. It is the district in which the vehicle is normally garaged that is the principal feature in rating.
58. No-claims discount has been a feature of goods-carrying vehicle insurance for a while.
59. A third party needs insurable interest to successfully make a claim for an accident that damaged his car from the insurer of the other car.
60. Under the terms of the standard motor policy, any cash settlement will be made to any known finance company that has an outstanding hire purchaser car lease agreement on the vehicle.

**SECTION C - ATTEMPT ALL QUESTIONS (Questions 61 - 75)**

**Read the cases below carefully and answer the questions which follow.**

Sunrise Nigeria, a textile company in Ibadan, Oyo State, Nigeria, has insured one of their cars with ABC Insurance Plc. At the time of the purchase of cover, the proposer had informed the insurer that the value of the car was ₦6,00,000.00 and that it wanted comprehensive cover for it. The rate of comprehensive according to the insurer was 4% and with additional 10% loading for the additional driver to also drive the car.

61. Calculate the basic premium payable without the loading.  
(a) ₦216,000.00 (b) ₦240,000.00  
(c) ₦288,000.00 (d) ₦600,000.00
62. Calculate the premium payable with the loading for the cover.  
(a) ₦216,000.00 (b) ₦240,000.00  
(c) ₦288,000.00 (d) ₦600,000.00
63. In a situation that the insured is to enjoy an NCD of 20% from the gross premium. How much will the proposer pay for the cover.  
(a) ₦216,000.00 (b) ₦230,000.00  
(c) ₦240,000.00 (d) ₦288,000.00
64. Who is the proposer in the case?  
(a) The insured (b) The insurer  
(c) JohnWax Nigeria (d) ABC Insurance Plc
65. Supposing the car was insured on standard third party basis, how much is the regulatory premium payable?  
(a) ₦1,000.00 (b) ₦5,000.00  
(c) ₦10,000.00 (d) ₦20,000.00



Ekwema Industries Limited specialises in the manufacturing of farm materials at Agbara, Lagos. The company has over 30 vehicles that it uses to carry out its business activities. It had insured its risks with three different insurers on collective basis. On one of the days, one of the trucks had run into a parked car thereby causing damage estimated by the expert in the area as the sum of ₦600,000.00. Ekwema Industries Limited was fully insured with ABC Insurance Plc as the lead-underwriter having 40% of the risk.

66. The principle of insuring the company's risk with three different insurers is called ...
- |                        |                 |
|------------------------|-----------------|
| (a) insurable interest | (b) indemnity   |
| (c) contribution       | (d) subrogation |
67. The right of the damaged car's insurer to claim for his loss from Ekwema Industries Limited is called ...
- |                        |                 |
|------------------------|-----------------|
| (a) insurable interest | (b) indemnity   |
| (c) contribution       | (d) subrogation |
68. The expert that gives the estimate of the loss in motor insurance is the ...
- |                    |                   |
|--------------------|-------------------|
| (a) loss adjuster  | (b) loss accessor |
| (c) motor engineer | (d) risk surveyor |
69. The liability of ABC Insurance Plc for the damage to the vehicle is?
- |                             |                             |
|-----------------------------|-----------------------------|
| (a) <del>₦</del> 100,000.00 | (b) <del>₦</del> 240,000.00 |
| (c) <del>₦</del> 300,000.00 | (d) <del>₦</del> 600,000.00 |
70. The joint insurance of the thirty vehicles is called?
- |                       |                     |
|-----------------------|---------------------|
| (a) Contribution      | (b) Home fleet      |
| (c) Business all risk | (d) Fleet insurance |

John Ahmed insured his car with XYZ Insurance Limited for the sum of ~~₦~~2m. The cover has a voluntary excess of ~~₦~~200,000.00 and compulsory excess of ~~₦~~200,000.00. Two days after the expiry of the policy, the car was involved in an own-damage accident and John had reported a claim for this for ~~₦~~600,000.00.

71. XYZ Insurance Limited will pay the claim to the sum of ...  
(a) ~~₦~~0.00 (b) ~~₦~~200,000.00  
(c) ~~₦~~400,000. (d) ~~₦~~600,000.00
72. In the event that the policy was effective, how much will the insurer had paid to the insured if the policy had only compulsory excess for the claim?  
(a) ~~₦~~0.00 (b) ~~₦~~200,000.00  
(c) ~~₦~~400,000. (d) ~~₦~~600,000.00
73. As in question (72) above, how much would have been paid where the policy had both compulsory and voluntary excesses?  
(a) ~~₦~~0.00 (b) ~~₦~~200,000.00  
(c) ~~₦~~400,000.00 (d) ~~₦~~600,000.00
74. In a situation that the policy is current, what is the maximum liability of the insurance on the policy.  
(a) ~~₦~~0.00 (b) ~~₦~~200,000.00  
(c) ~~₦~~600,000. (d) ~~₦~~6,000,000.00
75. Supposing the insurer had declined liability on the claim but offers to make a 20% ex-gratia payment of the claim. How much would the insurer pay?  
(a) ~~₦~~0.00 (b) ~~₦~~120,000.00  
(c) ~~₦~~320,000.00 (d) ~~₦~~400,000.00

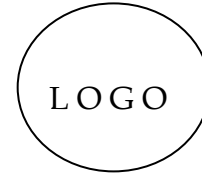
**F06 – MOTOR INSURANCE PRODUCTS**

<b>1</b>	D	<b>21</b>	A	<b>41</b>	B	<b>61</b>	B
<b>2</b>	B	<b>22</b>	C	<b>42</b>	A	<b>62</b>	Bonus
<b>3</b>	C	<b>23</b>	B	<b>43</b>	C	<b>63</b>	A
<b>4</b>	A	<b>24</b>	D	<b>44</b>	A	<b>64</b>	A
<b>5</b>	B	<b>25</b>	C	<b>45</b>	C	<b>65</b>	B
<b>6</b>	C	<b>26</b>	D	<b>46</b>	C	<b>66</b>	C
<b>7</b>	Bonus	<b>27</b>	D	<b>47</b>	C	<b>67</b>	D
<b>8</b>	C	<b>28</b>	B	<b>48</b>	D	<b>68</b>	C
<b>9</b>	B	<b>29</b>	D	<b>49</b>	B	<b>69</b>	B
<b>10</b>	D	<b>30</b>	D	<b>50</b>	A	<b>70</b>	D
<b>11</b>	B	<b>31</b>	D	<b>51</b>	F	<b>71</b>	A
<b>12</b>	B	<b>32</b>	A	<b>52</b>	T	<b>72</b>	C
<b>13</b>	B	<b>33</b>	D	<b>53</b>	F	<b>73</b>	B
<b>14</b>	B	<b>34</b>	A	<b>54</b>	F	<b>74</b>	Bonus
<b>15</b>	D	<b>35</b>	A	<b>55</b>	F	<b>75</b>	B
<b>16</b>	D	<b>36</b>	C	<b>56</b>	T		
<b>17</b>	C	<b>37</b>	D	<b>57</b>	T		
<b>18</b>	B	<b>38</b>	D	<b>58</b>	F		
<b>19</b>	D	<b>39</b>	B	<b>59</b>	F		
<b>20</b>	C	<b>40</b>	D	<b>60</b>	T		

F07

CHARTERED INSURANCE INSTITUTE OF NIGERIA

FOUNDATION  
F07 - HOUSEHOLD INSURANCE PRODUCTS  
OCTOBER 2021 DIET



**All answers should be shaded on the answer form in accordance with the following instructions:**

- Two hours are allowed for this paper.
- Fill in the information requested on the answer form and attendance form.
- Handle the answer form with care and do not write notes on it.
- No marks are deducted for incorrect answers, so do not leave any questions unanswered.
- The answer form 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 answer form.
- Ensure that you write the full and correct candidate's number.
- If you bring a calculator into the examination room, it must be silent battery or solar powered non-programmable calculator. The use of programmable calculator is prohibited.
- No name should be written on the answer form.

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

**CHARTERED INSURANCE INSTITUTE OF NIGERIA**

**FOUNDATION**

**F07 - HOUSEHOLD INSURANCE PRODUCTS**

**INSTRUCTIONS TO CANDIDATES**

**READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS**

**Section A**

The questions 1 – 50 in this paper are numbered and four options follow each question. The options are labeled a,b,c,d. Only one of these options is correct. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

**Example:**

Which insurance principle does new for old overrule?

- |               |                  |
|---------------|------------------|
| (a) Average   | (b) Contribution |
| (c) Indemnity | (d) Subrogation  |

The answer is option (c).

**Section B**

Questions 51 – 60 are to be answered as either True (T) or False (F). Select your chosen option and indicate it on the answer form by filling in the appropriate box.

**Example:**

A household policy can be extended to cover motor insurance. (True or False).

The correct option is False (F).

**Section C**

Questions 61 - 75. This section contains three (3) case studies each followed by five questions. The case studies are not numbered and appear at the top of the page. Each of the five questions following a case study is numbered. Four options follow each question. The options are labelled, a, b, c, d. Only one of these options is correct or best. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

**Chief Examiner's Comment**

Generally, the performance of the candidates in this course, household insurance, is below average.

**Comments on overall performance:**

The overall performance of the candidates is below average and should be improved upon by candidates.

**Suggestions on Improvement (if any):**

The candidate(s) should prepare very well for the examination in order to have a good grade.

## SECTION A - ATTEMPT ALL QUESTIONS (Questions 1 – 50)

1. Which of these is not a form of household policy?
  - (a) Buildings only policy
  - (b) Content only policy
  - (c) Buildings and contents
  - (d) None of the above
  
2. A damaged roof will be covered by?
  - (a) Buildings only policies
  - (b) Content only policy
  - (c) All of the above
  - (d) None of the above
  
3. A damaged television set will be covered by?
  - (a) Buildings only policies
  - (b) Contents only policies
  - (c) All of the above
  - (d) None of the above
  
4. The selling of insurance products through the banks is referred to as
  - (a) Buildings and Contents
  - (b) Bancassurance
  - (c) Brandassurance
  - (d) Intermediaries
  
5. Which of these is an intermediary?
  - (a) Insurer
  - (b) Reinsurer
  - (c) Agent
  - (d) Cedant
  
6. The growth in the use of the internet led to the development of ... who through the completion of one set of questions aim to give the proposer quotations from a number of different insurance providers with whom they have links.
  - (a) aggregators
  - (b) bancassurance
  - (c) brandassurance
  - (d) intermediaries
  
7. An agent that sells the products of two or more insurers is referred to as ...
  - (a) specialist agent
  - (b) composite agent
  - (c) single-tied agent
  - (d) multi-tied agent
  
8. The involvement of banks and building societies in the traditional insurance market is known as?
  - (a) Aggregators
  - (b) Bancassurance
  - (c) Brandassurance
  - (d) Intermediaries
  
9. ... is a mechanism by which financial literacy gap created among low-income earners would grant access to services provided by the operators of financial services industry in Nigeria.
  - (a) Bancassurance
  - (b) Financial inclusion
  - (c) Capital Market
  - (d) Brandassurance

10. The fine for non-compliance with occupier's liability insurance under section 65(1) of Insurance Act 2003 is ...
- (a) ~~£~~10,000.00 (b) ~~£~~50,000.00  
(c) ~~£~~100,000.00 (d) ~~£~~1,000,000.00
11. The buildings section of the policy is designed to cover ...
- (a) the content in a home  
(b) the moveable structures in the home  
(c) the structure of the home (d) everything in the home
12. 'Buildings' is specifically defined in the policy wording and would typically include the main structure of the insured's home including except:
- (a) Swimming pools, ornamental ponds and fountains  
(b) Beddings, furniture and electronics  
(c) Oil and gas tanks, septic tanks and cesspits  
(d) Fixtures, fittings and decorative finishes
13. The standard perils covered in buildings insurance will exclude ...
- (a) any gradually operating cause (b) storm and flood  
(c) theft and attempted theft  
(d) subsidence, ground heave or landslip
14. "The downward movement of the land on which the building stand. This may be due to a number of causes, including underground workings (e.g coal mines) or the removal of moisture from clay soil". This refers to ...
- (a) tempest (b) landslip  
(c) ground heave (d) subsidence
15. "This is the falling away of land, for example after prolonged heavy rain on a sloping site" refers to ...
- (a) tempest (b) landslip  
(c) ground heave (d) subsidence
16. Repairs to plumbing after freezing in buildings insurance will cover ...
- (a) damage when the property is unoccupied or unfurnished  
(b) plumbing that is outside or an out-building  
(c) damage result from rusting, corrosion, or general wear and tear  
(d) the cost of repairing any plumbing in the home after damage caused by freezing
17. If contacts have been exchanged for the sale of the home the purchaser is liable for the property from the date of exchange. This is applicable to ...
- (a) reinstatement ancillary clause  
(b) contracting purchasers' clause  
(c) sales agreement clause (d) rent clause



18. The term "household" as defined in the policy would not include ...
- (a) office partner
  - (b) spouse
  - (c) domestic partner
  - (d) domestic staff
19. "The limit any one valuable item varies between explicitly stated amounts by the insurers. Insurers are often prepared to include items of greater value produced." This applies to ...
- (a) single article limit
  - (b) valuables limit
  - (c) money
  - (d) none of the above
20. Which of these is not included in the definition of money?
- (a) Lottery ticket
  - (b) Postal and money orders
  - (c) Premium bonds
  - (d) Travelers' cheques
21. The theft section of the content insurance will not cover ...
- (a) loss of money or credit cards
  - (b) loss by deception
  - (c) loss by someone who break into or out of the home using force and violence
  - (d) loss or damage while the home or any part of it is let or sublet
22. Which of these would not form part of the additional items of cover?
- (a) Contents of the building
  - (b) Item temporarily removed for repair
  - (c) Contents in the garden
  - (d) Glass and mirror
23. Which of those is excluded in the Accidental Damage to Entertainment Equipment?
- (a) Wear, tear and maintenance
  - (b) Damages to records, cassettes, CDs or DVDs
  - (c) Radio transmitters, mobile phones and hearing aids
  - (d) All of the above
24. Terrorism is a good example of a policy ...
- (a) cover
  - (b) extension
  - (c) exclusion
  - (d) additional item of cover
25. ... is the use, or threat of use, of biological, chemical and/or nuclear force or contamination by any person(s), whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religions, ideological or similar purposes, including to influence any government(s) or put away section of the public in fear.
- (a) Radioactive contamination
  - (b) Sonic bang
  - (c) Pollution
  - (d) Terrorism

26. The above (25) excludes any loss, damage or liability directly or indirectly caused by ... unless arising from a sudden and unforeseen accident.
- (a) Radioactive contamination
  - (b) Sonic bang
  - (c) Pollution
  - (d) Terrorism
27. Which of these is not covered as an extension to contents provided by personal possession cover?
- (a) Jewellery
  - (b) Clothing
  - (c) Television set
  - (d) Mobile phones
28. An exclusion in a household policy will not include cover for ...
- (a) insects or vermin
  - (b) theft of a content
  - (c) corrosion, riot, mildew and fungus
  - (d) confiscation or detention by customs
29. The money insurance will cover all except ...
- (a) accidental loss of money
  - (b) theft of money in premises of the insured
  - (c) loss of money in the home of an authorized officer
  - (d) none of the above
30. Pedal cycles cover will cover ...
- (a) a policy excesses
  - (b) cover subject to a limit per cycle
  - (c) loss to parts unless the cycle is stolen at same time.
  - (d) use for racing
31. Frozen foods cover will cover ...
- (a) loss of food stored in a freezer caused by a change in temperature
  - (b) loss of food held for business purposes
  - (c) loss due to the supply company deliberately restricting the supply of electricity
  - (d) loss due to a deliberate act of the insured.
32. The Home Emergency cover will cover
- (a) boilers over a stated age e.g. ten years
  - (b) under floor, solar or warm air heating systems
  - (c) the cost of call out, labour and parts in the event of emergency involving plumbing, e.t.c.
  - (d) domestic appliance - burst or leaking flexible hoses or leaking appliances
33. Household insurers offer a number of the other optional extensions, which does not include ...
- (a) livestock or pets
  - (b) pedal cycles
  - (c) money and credit cards
  - (d) legal expenses

34. Which of these is not an example of the types of travel insurance?  
(a) Periodic travel (b) Annual  
(c) Franchise (d) Basic cover
35. Which of these is not termed an extension of cover in travel insurance?  
(a) Hospital cash benefit  
(b) Baggage, personal effects and money  
(c) Travel delay (d) Legal expenses
36. Which of these provides cover for capital sums for death, loss of limbs or sight or permanent disability caused by an accident while on holiday?  
(a) Personal accident benefits  
(b) Medical and associated expenses  
(c) Personal liability  
(d) Baggage, personal effects and money
37. Curtailment involves ...  
(a) cutting short a holiday part way through  
(b) allowing the holiday to run through  
(c) not going for holiday at all  
(d) using money meant for holiday for other uses
38. ... provides monies to make essential purchases of clothing and toiletries as a result of baggage delay for at least twelve hours.  
(a) Delayed baggage (b) Travel interruption  
(c) Travel delay (d) Hospital cash benefit
39. Which of these conditions are not covered by travel delay section of a travel insurance?  
(a) Strike or industrial action  
(b) Adverse weather conditions  
(c) Mechanical breakdown or structural defect  
(d) Damage to third party property
40. ... will cover the legal costs in pursuing claims for death or bodily injury to the insured, caused by the fault of a third party while on holiday.  
(a) Legal expense (b) Hijack and mugging  
(c) Travel interruption (d) Travel delay
41. Which of these is not an exclusion in travel insurance?  
(a) Taking part in hazardous activities  
(b) Participation in manual work  
(c) Injury or death while on holiday  
(d) Pregnancy or childbirth

42. ... is known as a renewing benefit, cover the animal for life, provided they are renewed every twelve months.
- (a) Lifetime policies
  - (b) Maximum benefit policies
  - (c) Twelve-month policies
  - (d) Accident only policies
43. ... provides cover for the cost of treatment for each illness and injury the animal suffers, up to a maximum amount
- (a) Lifetime policies
  - (b) Maximum benefit policies
  - (c) Twelve-month policies
  - (d) Accident only policies
44. Which of these is not an exclusion in a cover for cats and dogs?
- (a) Vaccination
  - (b) Preventive treatment
  - (c) Pregnancy
  - (d) None of the above
45. A recently installed external television aerial is damaged during a storm. Under which insurance policy should the homeowner submit a claim?
- (a) His all-risks insurance policy
  - (b) His building insurance policy
  - (c) His content insurance policy
  - (d) The installer's public liability insurance policy
46. What is the maximum amount that an insurer will normally agree to pay out if an insured horse dies in an accident?
- (a) An amount not exceeding three (3) times the current premium.
  - (b) The amount specified by the owner's veterinary surgeon
  - (c) The current market values
  - (d) The purchase prices
47. An amateur golf regularly leaves his golfing equipment at the golf club in a locked cabinet. During a weekend competition, some of his golf clubs got missing. Under which insurance cover would he receive settlement for his claim?
- (a) His own all risks insurance cover
  - (b) His own standard household insurance cover
  - (c) The golf club's theft insurance cover
  - (d) The golf club's public liability insurance cover
48. What does strict liability mean?
- (a) That a duty of care is owed
  - (b) That liability is automatic
  - (c) That negligence must be proven
  - (d) That nuisance must be proven

49. Which principle that has impact on the liability cover provide under a household insurance policy, emerged from the case of Donoghue v Stevenson (1932)?
- (a) The factual causation principle
  - (b) The means of enforcement principle
  - (c) The neighbour principle
  - (d) The reasonable man principle
50. If a parent continually allows her child to play ball games in the garden and the ball often goes into a neighbour's garden resulting in property damage, under which tort will the neighbour be able to claims?
- (a) Negligence
  - (b) Nuisance
  - (c) Strict liability
  - (d) Trespass

**SECTION B - ATTEMPT ALL QUESTIONS (Questions from 51 to 60)**  
**Answer True (T) or False (F)**

51. Household policies are not packaged policies.
52. Multi-tied agents offer only the products of a single insurer.
53. The buildings section of the household insurance is designed to cover the structure of the home in its broadest context.
54. Smoke damage following a fire is not covered.
55. If contracts have been exchanged for the sale of the home, the purchaser is liable for the property from the date of exchange.
56. Cover for ground rent is payable by the insured for a maximum of four years.
57. Temporary removal cover is usually restricted to the country where the policy is issued although some insurers automatically extend cover to specifically stated places.
58. Mobile phones are included in contents and personal possessions cover.
59. The caravan and equipment cover is usually not on an indemnity basis.
60. When arranging the insurance for a block of flats, it is usual for the tenant to insure the building.

## SECTION C - ATTEMPT ALL QUESTIONS (Questions 61 - 75)

Read the cases below carefully and answer the questions which follow.

Nwachukwu booked for family holiday, which they would spend in France. He paid a deposit of ₦150,000 to the holiday organizer a few weeks before departure. Two weeks to the holiday, he had a fatal accident which stopped the family from travelling. He incurred cost for the treatment of his injured as a result.

61. Which insurance cover should be had bought for the holiday?  
(a) Household insurance      (b) Personal accident insurance  
(c) Travel insurance      (d) Holiday home insurance
  
62. Which of these that would pay for the deposit to the holiday organisers?  
(a) Curtailment  
(b) Baggage, personal effect and money  
(c) Personal liability      (d) Cancellation liability
  
63. The cover that will pay the cost of medical treatment following the accidents is?  
(a) Household insurance      (b) Personal accident insurance  
(c) Travel insurance      (d) Holiday home insurance
  
64. In the event that Nwachukwu had actually gone on holiday and there was a fire incident in his home, the policy that would pay for the loss is ...  
(a) Household insurance      (b) Personal accident insurance  
(c) Travel insurance      (d) Holiday home insurance
  
65. In the event of a fire in house belonging to Nwachukwu, outside the country, which he uses for his holiday, the policy that will indemnify him is ...  
(a) Household insurance      (b) Personal accident insurance  
(c) Travel insurance      (d) Holiday home insurance

Adamu has just moved to his own house in Mowe where he is the owner occupier of the house. The building is built to his taste and valued the sum of ₦50 million. It is also furnished to taste with contents valued at ₦20 million.

Adamu has approached sunrise insurance for a comprehensive policy to cover both building and content together. He also noted that he has domestic staff working in his house which he will want an insurance cover too.

He reveals in the proposal that he rears two big cows and some sheep which he has intention to sell when they had grown.

66. Which section of the household policy will you recommend to him?
- |                                      |                         |
|--------------------------------------|-------------------------|
| (a) Buildings insurance              | (b) Contents insurance  |
| (c) Buildings and contents insurance | (d) Livestock insurance |
67. The cover for the cows kept in the house is ...
- |                         |                         |
|-------------------------|-------------------------|
| (a) Pet insurance       | (b) Pony insurance      |
| (c) Livestock insurance | (d) Household insurance |
68. The cover for the domestic staff is ...
- |                                    |                         |
|------------------------------------|-------------------------|
| (a) Travel insurance               | (b) Household insurance |
| (c) Fidelity guarantee insurance   |                         |
| (d) Employers' liability insurance |                         |
69. In the event of a loss of content, the maximum amount Adamu would be paid is ...
- |                |                |
|----------------|----------------|
| (a) ₦20million | (b) ₦30million |
| (c) ₦50million | (d) ₦70million |
70. The principle of insurance that allows Adamu to insure his building is ...
- |                        |                  |
|------------------------|------------------|
| (a) Indemnity          | (b) Contribution |
| (c) Insurable interest | (d) Subrogation  |

Hamish notices an advertisement in the Sunday News for Insurance Direct, a company that sells insurance products direct to the insured. He thought that buying insurance through them will reduce his cost of insurance premium. He then placed his household insurance with the company, to his surprise his premium was same as when he had placed same risk through an intermediary.

John, is Hamish colleague, who has placed his own insurance using the bank as his channel. After placing his insurance through the biggest bank in the country, Johnson tells his friend, Musa to do same. Musa refuses on the ground that he will buy his insurance from a company that complies with Islamic principles.

71. The company through Hamish bought his insurance is referred to as ...
- |                      |                      |
|----------------------|----------------------|
| (a) Direct insurance | (b) Bancassurance    |
| (c) Takaful          | (d) Multi-tied agent |
72. The placing of John's insurance through a bank is referred to as ...
- |                      |                      |
|----------------------|----------------------|
| (a) Direct insurance | (b) Bancassurance    |
| (c) Takaful          | (d) Multi-tied agent |
73. The company that complies with Islamic principle is referred to ...
- |                      |                      |
|----------------------|----------------------|
| (a) Direct insurance | (b) Bancassurance    |
| (c) Takaful          | (d) Multi-tied agent |
74. The reason why John's premium was not cheaper is because ...
- |   |
|---|
| (a) the broker's commission is borne by the insurer   |
| (b) John is not an insurance expert                   |
| (c) John did not negotiate well                       |
| (d) John will get higher claim in the event of a loss |
75. In placing his insurance with the insurer direct, John eliminated the services of ...
- |                    |                 |
|--------------------|-----------------|
| (a) an underwriter | (b) an assessor |
| (c) a broker       | (d) an adjuster |



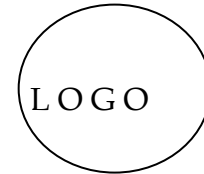
**F07 – HOUSEHOLD INSURANCE PRODUCTS**

<b>1</b>	<b>D</b>	<b>21</b>	<b>C</b>	<b>41</b>	<b>C</b>	<b>61</b>	<b>C</b>		
<b>2</b>	<b>A</b>	<b>22</b>	<b>A</b>	<b>42</b>	<b>A</b>	<b>62</b>	<b>A</b>		
<b>3</b>	<b>B</b>	<b>23</b>	<b>D</b>	<b>43</b>	<b>B</b>	<b>63</b>	<b>B</b>		
<b>4</b>	<b>B</b>	<b>24</b>	<b>C</b>	<b>44</b>	<b>D</b>	<b>64</b>	<b>A</b>		
<b>5</b>	<b>C</b>	<b>25</b>	<b>D</b>	<b>45</b>	<b>C</b>	<b>65</b>	<b>D</b>		
<b>6</b>	<b>A</b>	<b>26</b>	<b>C</b>	<b>46</b>	<b>C</b>	<b>66</b>	<b>C</b>		
<b>7</b>	<b>D</b>	<b>27</b>	<b>C</b>	<b>47</b>	<b>A</b>	<b>67</b>	<b>C</b>		
<b>8</b>	<b>B</b>	<b>28</b>	<b>B</b>	<b>48</b>	<b>B</b>	<b>68</b>	<b>B</b>		
<b>9</b>	<b>B</b>	<b>29</b>	<b>D</b>	<b>49</b>	<b>C</b>	<b>69</b>	<b>A</b>		
<b>10</b>	<b>C</b>	<b>30</b>	<b>B</b>	<b>50</b>	<b>A</b>	<b>70</b>	<b>C</b>		
<b>11</b>	<b>C</b>	<b>31</b>	<b>A</b>	<b>51</b>	<b>F</b>	<b>71</b>	<b>A</b>		
<b>12</b>	<b>B</b>	<b>32</b>	<b>C</b>	<b>52</b>	<b>F</b>	<b>72</b>	<b>B</b>		
<b>13</b>	<b>A</b>	<b>33</b>	<b>A</b>	<b>53</b>	<b>T</b>	<b>73</b>	<b>C</b>		
<b>14</b>	<b>D</b>	<b>34</b>	<b>B</b>	<b>54</b>	<b>F</b>	<b>74</b>	<b>A</b>		
<b>15</b>	<b>B</b>	<b>35</b>	<b>B</b>	<b>55</b>	<b>F</b>	<b>75</b>	<b>C</b>		
<b>16</b>	<b>D</b>	<b>36</b>	<b>A</b>	<b>56</b>	<b>T</b>				
<b>17</b>	<b>B</b>	<b>37</b>	<b>A</b>	<b>57</b>	<b>T</b>				
<b>18</b>	<b>A</b>	<b>38</b>	<b>A</b>	<b>58</b>	<b>F</b>				
<b>19</b>	<b>B</b>	<b>39</b>	<b>D</b>	<b>59</b>	<b>F</b>				
<b>20</b>	<b>A</b>	<b>40</b>	<b>A</b>	<b>60</b>	<b>F</b>				

F08

CHARTERED INSURANCE INSTITUTE OF NIGERIA

FOUNDATION  
F08 - HEALTHCARE INSURANCE PRODUCTS  
OCTOBER 2021 DIET



**All answers should be shaded on the answer form in accordance with the following instructions:**

- Two hours are allowed for this paper.
- Fill in the information requested on the answer form and attendance form.
- Handle the answer form with care and do not write notes on it.
- No marks are deducted for incorrect answers, so do not leave any questions unanswered.
- The answer form 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 answer form.
- Ensure that you write the full and correct candidate's number.
- If you bring a calculator into the examination room, it must be silent battery or solar powered non-programmable calculator. The use of programmable calculator is prohibited.
- No name should be written on the answer form.

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

**CHARTERED INSURANCE INSTITUTE OF NIGERIA**

**FOUNDATION**

**F08 – HEALTHCARE INSURANCE PRODUCTS**

**INSTRUCTIONS TO CANDIDATES**

**READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS**

**Section A**

The questions 1 – 60 in this paper are numbered and four options follow each question. The options are labeled a,b,c,d. Only one of these options is correct. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

**Example:**

A private healthcare provider that reinvests any profit made on better health and care services is known as a:

- |                         |                       |
|-------------------------|-----------------------|
| (a) friendly society    | (b) mutual society    |
| (c) proprietary insurer | (d) provident insurer |

The answer is option (d)

**Section B**

Questions 61 – 85 are to be answered as either True (T) or False (F). Select your chosen option and indicate it on the answer form by filling in the appropriate box.

**Example:**

A medical insurance cover will not pay for hospitalisation. (True or False).

The correct option is False (F).

**Section C**

Questions 86 – 100. This section contains three (3) case studies each followed by five questions. The case studies are not numbered and appear at the top of the page. Each of the five questions following a case study is numbered. Four options follow each question. The options are labelled, a, b, c, d. Only one of these options is correct or best. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

**Chief Examiner's Comments**

The candidates' performance on the objective questions were fair. The overall performance was below average.

**Comments on overall performance:**

Performance of the candidates is below average. They need to study hard for improved performances.

**Suggestions on Improvement (if any):**

Candidates are encouraged to study the course books more thoroughly in order to be an expert on the subject matter of the course.

## SECTION A - ATTEMPT ALL QUESTIONS (Questions 1 - 60)

1. What is the percentage of total enrolment that the employer will contribute for employee compensation insurance?  
(a) 1%                      (b) 5%                      (c) 7%                      (d) 10%
2. At the outset, the NHS introduced the concept of healthcare that was free at the point of use for every citizen. This means all except ...  
(a) almost all hospitals were compulsorily purchased by the state  
(b) hospital doctors were employed by the NHS, although they could also continue to practice privately  
(c) all health treatments would be provided free at the point of use  
(d) the service would be funded by payment for treatment by the patients
3. Which of these is provided in the NHS Constitution?  
(a) The patients have the right to start consultant led treatment within a maximum of 18 weeks from referral  
(b) The patients have no right of free treatment within 18 weeks of referral  
(c) The patients have the right to start consultant-led treatment after 18 weeks from referral  
(d) None of the above
4. Which of these is not a principal difference split between the public and private sector?  
(a) They are all funded by the state  
(b) The time spent waiting to be treated  
(c) The choice of facilities  
(d) Most private hospitals have no accident and emergency (A&E) facilities
5. ... is non-essential surgery that will change a person's appearance.  
(a) Emergencies                      (b) 'Complementary' or 'alternative' medicine  
(c) Cosmetic surgery                      (d) Intensive care
6. Acupuncture is an example of ...  
(a) Emergencies                      (b) 'Complementary' or 'alternative' medicine  
(c) Cosmetic surgery                      (d) Intensive care
7. Breast implant is an example of?  
(a) Emergencies                      (b) 'Complementary' or 'alternative' medicine  
(c) Cosmetic surgery                      (d) Intensive care
8. ... provides surgery and other medical treatments for patients who are willing and able to pay.  
(a) Private health care                      (b) National health service  
(c) Private healthcare sector and national health service  
(d) None of the above

9. Which of these is not an advantage to be gained by people buying private medical treatment?  
(a) The State subsidises the payment (b) A choice of hospitals  
(c) A private room with comfortable facilities  
(d) Cleaner hospitals
10. Which of these treatment cost would be borne by PMI policies?  
(a) Normal pregnancy and childbirth (b) Typhoid and malaria  
(c) Chronic illnesses such as asthma (d) Cosmetic surgery
11. The largest provident association is ...  
(a) AXA PPP (b) BCWA  
(c) BUPA (d) GRE
12. Which of these is not part of what reinsurance offers to the healthcare insurance market?  
(a) Capital, including less costly access to capital for solvency purposes  
(b) Stop loss cover that could avoid losses being made on a portfolio  
(c) Help with research, product design, underwriting and claim management  
(d) None of the above.
13. Which of these underlisted below are mutual organisations run for the benefits of their members?  
(a) Provident associations (b) Commercial insurers  
(c) Health and dental cash plans (d) Third party administrators
14. Which of these provides a platform for a growing proportion of private medical schemes to be run on behalf of employers for their employees?  
(a) Provident associations (b) Commercial insurers  
(c) Health and dental cash plans (d) Third party administrators
15. Which of these is not regarded as a strength to Third Party Administrator?  
(a) Independence (b) Static  
(c) Motivation (d) Information
16. Which of these is not part of the benefits of the Augusto & Co report on healthcare insurance in Nigeria?  
(a) Provides an overview of the regulator and regulations guiding the industry  
(b) Reviews the financial condition of operators and highlights critical factors that impact on profitability in the industry  
(c) Examines the industry's size, structure as competitive profile of operators and outlines key competitive tools pertinent to the success of a HMO  
(d) None of the above

17. Which of these is not part of the private medical insurance market?  
 (a) State-paid (b) Individual (or personal) paid  
 (c) Company paid (d) Affinity or voluntary employee paid
18. "Budget" healthcare insurer was introduced by?  
 (a) BUPA (b) AXA PPP  
 (c) Vitality Health (d) Aviva UK Health
19. Which of these entered the market with an innovative approach that rewards positive lifestyle choices?  
 (a) BUPA (b) AXA PPP  
 (c) Vitality Health (d) Aviva UK Health
20. Which of these is not a feature of the Health Trusts?  
 (a) A trust does not have to be approved by anyone but trust law is complex and firms will usually take specialist legal advice  
 (b) Employees receive benefits in line with the trust's rules  
 (c) Employees are taxed on a national share of the total amount contributed by the employer as a benefit in kind  
 (d) Stop loss insurance may not be arranged to limit the employer's liability
21. Which of these systems will an employer who may decide to pay for healthcare treatment for their employees as these costs arise rather than having insurance, use?  
 (a) Private medical insurance (b) Health trust  
 (c) Self-funded schemes (d) Health and dental care plan
22. Healthcare insurance in the UK market is regarded as ...  
 (a) Life insurance products (b) General insurance products  
 (c) Life and general products (d) Fidelity products
23. Which of these African countries has adopted Universal Health Coverage (UHC), which is a global health policy agenda that has been adopted as one of the health targets of the Sustainable Development Goals (SDGs).  
 (a) Nigeria (b) Ghana  
 (c) Zambia (d) Cameroun
24. Which of these have the highest public health expenditure (PHE)?  
 (a) Australia (b) Germany (c) Japan (d) USA
25. Which of these should not be a way of comparing two Countries' healthcare system?  
 (a) How long people live on average (b) Infant mortality  
 (c) The system of governance (d) Customer satisfaction survey

26. Which of these is not an additional benefit under the international healthcare insurance for expatriates?  
(a) Complementary medicine (b) Pre-existing condition  
(c) General Practitioner (GP) costs (d) Dentistry
27. The factor to be considered in rating travel insurance will not include?  
(a) Any pre-existing conditions that are to be covered  
(b) The length of cover required  
(c) Whether any additional risks are to be covered  
(d) Country of departure.
28. What is the name for choosing to have treatment abroad in the lowest cost country offering a similar quantity?  
(a) Healthcare trust (b) Healthcare arbitrage  
(c) Health tourism (d) Health travel
29. Which of these products is designed to pay the costs of secondary acute care received outside the National Health Service?  
(a) Private medical insurance (b) Health cash plans  
(c) Dental insurance (d) Health trust
30. The definition of Chronic and Acute Treatment was by?  
(a) FSA (b) PRA  
(c) ABI (d) BMA
31. A patient who had treatment in a hospital and had to stay overnight or longer is?  
(a) An in-patient (b) a day patient  
(c) An out-patient (d) A chronic patient
32. A patient who had in a hospital or clinic but did not require medically supervised recovery and went home straight after the treatment or after seeing a consultant or other medical professional, is?  
(a) An in-patient (b) a day patient  
(c) An out-patient (d) A chronic patient
33. The PMI will not be cancelled if the policy holder ...  
(a) fails to pay the premium (b) dies  
(c) moves abroad (d) makes a claim
34. The classification of hospitals, according to the accommodation to which patients may have access according to the cost of the services and the treatment provided is called?  
(a) Hospital cover (b) Core products  
(c) Hospital band (d) Cost plus



35. The optical, dental and hospital cash are provided by a cash plan. The plan will also provide all these except?  
(a) Cost of surgery (b) Recuperation grant  
(c) Maternity/paternity grant (d) Chiroprody
36. ... policies provide the widest scope of cover for personal PMI products.  
(a) Comprehensive (b) Mid-range  
(c) Basic (d) International
37. The hospital charges will apply to all except ...  
(a) day care treatment (b) prothesis  
(c) alternative therapies (d) None of the above
38. Which of these is the most complex form of surgery?  
(a) Complex major operation (b) Major plus  
(c) Major (d) Intermediate
39. The "Removal of Skin Lesion" will be regarded by the surgeon as ...  
(a) complex major (b) major  
(c) intermediate (d) minor
40. The "primary repair of cleft palate" will be regarded by the anesthetist as ...  
(a) major plus (b) major  
(c) intermediate (d) minor
41. The carrying out of blood and urine tests is called ...  
(a) radiology (b) pathology  
(c) physiotherapy (d) consultation
42. Which of these could be regarded essentially as self-funded medical plans?  
(a) Fully insured (b) Risk share  
(c) Cost plus (d) Corporate deductible
43. A schedule of the type of medical services that are covered under to PMI policy and the total benefit that may be claimed daily, weekly, etc. or per procedure is called?  
(a) Continental scale of benefit (b) Table of benefits  
(c) Index of benefits (d) Case benefits
44. The amount which the insured will bear before the insurer pays the medical benefit is called ...  
(a) policy benefit limits (b) policy excess  
(c) policy franchise (d) policy limit
45. What is the name of the discount which the insured enjoys for being a member of a sports club or an employee of a particular organisation?  
(a) Affinity discounts (b) Payment discounts  
(c) Earned discount (d) Mobile discount.

46. Which of these is not a typical benefit of Dental Insurance?  
(a) New patient examination (b) Prosthesis  
(c) Preventative care (d) Helpline
47. Which of these is not a form that a capitation plan works?  
(a) The plan is usually sold to the customer by the dentist  
(b) The dentist then undertakes an initial dental examination  
(c) The scheme may also include insurance against accidents, injuries and mouth cancer  
(d) None of the above
48. Which of these is not part of the independent intermediaries?  
(a) Brokers (b) Other intermediaries  
(c) Employee benefits consultants (d) Healthcare providers
49. Which of the health insurance products is also referred to as Surgical Cash?  
(a) Long term care (b) Critical Illness Insurance  
(c) Major Medical Expenses (d) Payment Protection Insurance
50. Which of these policies include some element of health insurance, although this is only a part of the cover; and the product is not often bought primarily for this reason?  
(a) Long term care (b) Travel insurance  
(c) Critical illness insurance (d) Payment protection insurance
51. Which of these is ASU insurance designed to protect loan payments?  
(a) Payment protection insurance (b) Pre-funded policy  
(c) Personal accident insurance (d) Travel insurance
52. Which of these policies typically has a schedule of benefits, which may include a lump sum payable in various situations?  
(a) Payment protection insurance (b) Pre-funded policy  
(c) Personal accident insurance (d) Travel insurance
53. ... provides a pre-selected monthly income to meet the cost of home care or nursing home fees, for those who are too old and disabled to look after themselves.  
(a) Payment protection insurance (b) Long term care insurance  
(c) Critical illness insurance (d) Travel insurance
54. Which of these policies will pay the benefit of the member assessed as having a "total permanent disability"?  
(a) Payment protection insurance (b) Long term care insurance  
(c) Critical illness insurance (d) Travel insurance

55. The regulator of health insurance in Nigeria is ...  
(a) NIA (b) NAICOM  
(c) NHIS (d) NSITF
56. The assessment of risk for an individual is based on all except ...  
(a) existing medical conditions (b) current health and well being  
(c) earning capacity (d) exposure to any congenital risks
57. ... is the statistics used to estimate the probability of the occurrence of certain medical conditions.  
(a) data mining (b) mortality  
(c) morbidity (d) indemnity
58. Which of these is not considered a rating factor in medical insurance?  
(a) Smoker or no smoker (b) Postcode  
(c) Excess (d) Earnings
59. Private medical insurance policies include the cost of:  
(a) Normal pregnancy and childbirth  
(b) Chronic illness such as diabetes  
(c) Ordinary illness such as malaria  
(d) Cosmetic surgery
60. Some employers may decide to pay for healthcare treatment for their employees as these costs arise, rather than have insurance. This is called ...  
(a) direct insurance (b) stop-loss insurance  
(c) self-insurance (d) reinsurance

**SECTION B - ATTEMPT ALL QUESTIONS (Questions from 61 to 85)**

**Answer True (T) or False (F).**

61. Some insurers market medical savings plans where a high excess or co-payment is linked with a savings account either as part of the product or separate to it.
62. Most traditional medical schemes include all pre-existing conditions in their covers.
63. Excesses are usually defined in monetary terms and can be automatic or voluntary.
64. The first step to making a claim is for the customer to contact their general practicing doctor.
65. PMI insurers does not use the direct settlement of bills for those who provide medical treatment and services.
66. Electronic billing is a specialist software used by hospitals or specialists to record details of a claim, along with their costs or fee.
67. The general checks made on the members eligibility to receive benefit will include: is the patient covered by the policy?
68. PMI insurers have employed medical professionals to develop clinical funded lines.
69. Managed Care is not a generic term.
70. The health insurance scheme in Nigeria is referred to as NHS.
71. NSITF is the regulator of health.
72. Health cash plans do not pay for dental treatment.
73. The PMI will pay for the cost of treatment for normal pregnancy and childbirth.
74. The scope of PMI cover does not vary from insurer to insurer.
75. The health insurance policy will be cancelled once claim is made on it.
76. Blood and urine test is known as radiology.
77. Group PMI policies are for group of individuals that work for the same employer.
78. Policy excess is not used in PMI policies.

79. Health screening is a form of other benefits in Health Cash Plan.
80. Dental insurance is sold as a group contract.
81. Critical illness insurance will not pay out a predetermined lump sum on the occurrence of multiple sclerosis.
82. Health check-ups is also known as health screening.
83. The private GP that wrote out a prescription will be the one to pay for it for the patient.
84. The basic principle of medical insurance is that many members will pay premiums for the benefit of those members who will actually need private medical attention.
85. Postcode is a rating factor of healthcare insurance products in Nigeria.

**SECTION C - ATTEMPT ALL QUESTIONS (Questions 86 - 100)**

**Read the cases below carefully and answer the questions which follow.**

Mr. Bolaji works by majorly assessing the medical reports of proposers who approach a life assurance company for insurance cover assurance company. For the life assurance company that Mr. Bolaji works for, the medically underwritten limit is ₦100m. One day, Mr. Olajuwon requested for an insurance cover on his life to the tune of over ₦105m and he was asked to present himself for some medical examinations. He did and he was thereafter accepted as an above average life.

86. Mr. Bolaji is ... for the life assurance company.
- (a) a life underwriter
  - (b) a marketer
  - (c) a claim processor
  - (d) a general underwriter
87. Mr. Olajuwon must have been told to undergo medical examination because ...
- (a) he was coughing when in the insurance company premises
  - (b) he is rich and able to afford a medical examination
  - (c) his proposed sum assured was above the free medical limit
  - (d) all of the above
88. An average life is
- (a) a life that has lived averagely over the years
  - (b) a proposer that has been financially underwritten by an insurance company
  - (b) a proposer that has been medically underwritten by an insurance company
  - (d) a proposer that has been certified as medically fit after been medically underwritten by an insurance company
89. If Mr. Bolaji dies during the policy period of Mr. Olajuwon's, the insurance company will pay ... as benefit to Mr. Olajuwon.
- (a) ₦0.00
  - (b) ₦100,000,000.00
  - (b) ₦100,000,000.00 les policy excess
  - (d) ₦105,000,000.00
90. Mr. Olajuwon had a ... condition, hence the above average rating.
- (a) pre-existing medical
  - (b) new medical
  - (c) nil medical
  - (d) critical medical

Rukayat saw her doctor a few months ago complaining of a bad back ache. The doctor undertook an investigation but could find nothing wrong. She was given painkillers and a word of advice regarding posture. She applied for a PMI cover and her request was granted by the insurance, with an exclusion related to her back.

- 91) The insurance principle behind the disclosure of the back ache to the insurer is ...  
(a) Contribution (b) Disclosure  
(c) Utmost Good Faith (d) Indemnity
- 92) The advice given to her can be likened to ... in insurance  
(a) risk prevention (b) risk reduction  
(c) risk avoidance (d) all of the above
- 93) If she had not disclosed the condition and the underwriter eventually finds it out, what option would be available for the underwriter?  
(a) To forgive her and continue with the policy  
(b) To cancel the policy abinitio  
(c) To lecture her on what she did wrong, refund her premium and ask her to start the policy afresh  
(d) To hand her over to the police
- 94) The following are the different types of underwriting applicable in life assurance except ...  
(a) ordinary (b) financial  
(c) medical (d) morale
- 95) The exclusion is a result of the ... underwriting carried out on Rukayat.  
(a) ordinary (b) financial  
(c) medical (d) morale

Mr. Solomon Ishue was ill and had wanted to use Lagos Hospital Plc as his clinic. He had approached his HMO to effect the change so that he could use the hospital as his healthcare provider. The HMO had refused on the ground that the hospital is expensive as a result of the hospital accommodation. Mr. Ishue was advised to choose a higher product if he wants to enjoy s facilities, therefore he ended up using a smaller hospital within his neighborhood. In addition to consulting the doctor, who had asked him to go for blood test, urine test and body scan, he also went further to buy Health Cash plans from an intermediary.

96. The Health cash plan would be used for ...
- (a) payment sickness disability benefit
  - (b) cost of hospital treatment
  - (c) optical costs
  - (d) travel risk cover
97. The carrying out of the blood test and urine test is called?
- (a) Pathology
  - (b) Radiology
  - (c) Physiotherapy
  - (d) Consultation
98. The grouping of hospital for fees according to their accommodation is called?
- (a) Hospital Rating
  - (b) Hospital Group
  - (c) Hospital Band
  - (d) Hospital Account
99. The type of policy that will pay Mr. Ishue's hospital bill is?
- (a) Sickness Insurance
  - (b) Healthcare Insurance
  - (c) Personal Accident Insurance
  - (d) Critical Illness Insurance
100. The carrying out of the body scans is called ...?
- (a) Pathology
  - (b) Radiology
  - (c) Physiotherapy
  - (d) Consultation



<b>F08 – HEALTHCARE INSURANCE PRODUCTS</b>									
1	A	21	C	41	B	61	T	81	F
2	D	22	B	42	C	62	F	82	T
3	A	23	C	43	B	63	T	83	F
4	A	24	B	44	B	64	T	84	T
5	C	25	C	45	A	65	F	85	F
6	B	26	A	46	B	66	T	86	A
7	C	27	D	47	D	67	T	87	C
8	A	28	B	48	D	68	T	88	D
9	A	29	A	49	C	69	F	89	A
10	B	30	C	50	B	70	F	90	C
11	C	31	A	51	A	71	F	91	C
12	D	32	C	52	C	72	F	92	D
13	C	33	D	53	B	73	F	93	B
14	D	34	C	54	C	74	T	94	D
15	B	35	A	55	C	75	F	95	C
16	D	36	A	56	C	76	F	96	C
17	A	37	D	57	C	77	T	97	A
18	B	38	A	58	D	78	F	98	C
19	C	39	D	59	C	79	T	99	B
20	D	40	B	60	C	80	T	100	B