



*Chartered Insurance  
Institute of Nigeria*

*Chief Examiners' Report*

*April 2024*

*Intermediate in Insurance*

*(101-109)*

# GENERAL RELATED ISSUES TO WATCH OUT FOR IN FUTURE SITTINGS

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



CHARTERED INSURANCE INSTITUTE OF NIGERIA  
INTERMEDIATE

APRIL 2024 DIET EXAMINATION PAPER

SUBJECT I01  
INSURANCE LAW

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

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

**FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL)  
WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2024  
DIET CANDIDATES' INSTRUCTIONS.**

CHARTERED INSURANCE INSTITUTE OF NIGERIA

I01 - INSURANCE LAW

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

Part I - 140 marks.

Part II - 60 marks.

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

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

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

It is important to show each step in any calculation, even if you have used a calculator.

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

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

1. Your current Managing Director appointment was approved in Year 2015 and assumed duty/office March 2015. The Executive Director, Technical Operations, got approved and assumed duty in July 2018. The Managing Director of the Insurance Brokerage Firm giving your company the yearly highest premium appointment was approved by NAICOM in December 2013.
- (i) Give the numbers of years the Managing Director of your company can be in office before NAICOM/Board will not renew the appointment. **(4 marks)**
- (ii) Give the numbers of years also the Executive Director will continue to be in office. **(3 marks)**
- (iii) Can the Managing Director of the Brokerage firm giving your company/department very large premium, still be in office in April 2024 when the premium will be due for payment to your company (renewal date of the policies)? Give reasons or show workings for answers. **(3 marks)**

**Solution**

- (a) (i) The maximum numbers of years allowed/ approved by NAICOM is 10 years. **(1 mark)**  
 i.e. 2 terms made of 5 years each  
 = Year 2015 + 10 years **(1 mark)**  
 = 2025.  
 Year (2025 minus 2023) = 2 years **(1 mark)**  
 i.e. 2 years is the remaining number of years, for the Managing Director in office.  
**(Sub-Total: 3 marks)**
- (ii) The Executive Director, Technical **(1 mark)**  
 = Year 2018 + 10 years **(1 mark)**  
 = 2028 **(1 mark)**  
 Year (2028 – 2023) = 5 years **(1 mark)**  
 i.e. 5 years is the remaining number of years for the Executive Director in office, as the 10 years maximum rule applies to all Executive Director in Insurance & Reinsurance companies. **(1 mark)**  
**(Sub-Total: 4 marks)**
- (iii) Yes, the Managing Director of the Brokerage firm can still be in office in Year 2024, being the eleventh 11th year of being in office **(1 mark)** except the Board of the Brokerage firm replaces him or he dies. **(1 mark)**. This is because there is no tenure limit or duration for Managing Director of Insurance Brokerage by the Regulator. **(1 mark)**  
**(Sub-Total: 3 marks)**  
**(Grand Total: 10 marks)**

2. Distinguish between the following terms stating two examples of *on* each term:  
 (a) Codifying Act; (b) Consolidating Act.

**Solution**

**Codifying Act** is not just a codification of existing legislations on a particular topic, inclusion of principles embodied in a case law, is also undertaken- all existing statutes and case law are reduced to a single code. Some examples are (i) Bill of Exchange Act; (ii) Partnership Act (1980); (iii) Sale of Goods Act (1979) - codified in Sale of Goods Act (1893); (iv) Marine Insurance Act (1906).

While **Consolidating Act** repeals all previous laws on a subject and re-enacts all into one legislation. No new law is created out, all existing statutes are brought under one umbrella. An example is the Insurance Act 2003.

**(3 marks for each correctly stated explanation. 1 mark for any correctly stated example. Maximum of 2 to be graded. Sub-Total per term: 5 marks. Grand Total: 10 marks)**

3. There is a dispute between Value Line Insurance Company Limited and its insured Money Wise Investments Limited as to *the* meaning to be given to a term of ~~one of its stated terms in the issued insurance policy document~~ *their contract* governed by the Nigerian Insurance Act (2003). The insured resorted to litigation in court. Provide any four (4) guidelines, as ~~it~~ they relates to *the* “Rules of Interpretation of Statutes and Terms of contract” that the court may have recourse to in resolving the logjam.

**Solution**

The guidelines, as they relate to “rules of interpretation of statutes and terms of contract” that the court may have recourse to in resolving the logjam, are:

**Provision of Interpretation Act**

- words used in the singular are deemed to include the plural and vice versa;
- the use of masculine gender includes the feminine and vice versa;
- the term “person” includes also artificial entities like companies;

**Common Law Rules**

- literal rule;                      \* golden rule;                      \* mischief rule;                      \* presumptions

**(2½ marks for any correctly stated recourse from either of the two groups above. Maximum of 4 to be graded in total. Grand Total: 10 marks)**

4. (a) What is a tort? **(2 marks)**  
 (b) Distinguish tort from (i) crime; **(4 marks)** (ii) breach of contract **(4 marks)**

**Solution**

(a) Tort is a breach of a duty primarily fixed by the law. Such duty is towards persons generally and its breach is redressable by an action for unliquidated damages. **OR** Tort is a civil wrong.  
**(2 marks for any correct and completely stated definition)**

(b) **Tort and Crime:** Tort is a civil wrong remediable by award of damages by the court. Crime belongs to criminal law, a branch of Public law. The aim of tort/ civil law is to compensate a wronged party. The aim of criminal law is to punish an offender who is found guilty of an offence. The victim of a tort sues by himself for compensation, the State is the ‘wronged’ party in criminal law and the defendant/offender is prosecuted by the State.

**(2 marks for each correct and completely stated statement. Maximum of 2 to be graded. Sub-Total: 4 marks)**

**Tort and Breach of Contract:** Tort is a breach of duty primarily fixed by law, it does not arise from the agreement of parties. Contract is based on the agreement of parties majorly. A non-party to a contract may not be able to interfere the terms of the contract. Under tort, the duty is fixed by law and is owed to the whole world.

(2 marks for each correct and completely stated statement. Maximum of 2 to be graded. Sub-Total: 4 marks)  
(Grand Total: 10 marks)

5. (a) What is strict liability in the law of tort? Is there any exception? (4 marks)  
(b) Is malice relevant in determining liability in the law of tort? Briefly explain. (6 marks)

**Solution**

(a) **Strict liability in the law of tort** is when a person is held liable for a wrong or breach without being intentionally negligent about it (2 marks). Yes, in some cases, some exceptions may be worked out against the rule (2 marks). (4 marks)

(b) No, malice is not relevant in determining the liability in the law of tort. (2 marks). The law of tort does not concern itself with the reason a defendant behaved the way he did to bring about the forbidden state of affairs. Malice here means not just personal spite or ill-will but any improper motive. Once an act or omission is forbidden by law, it will not matter if it was done by the best of motive and if it is not forbidden, it will not matter that it was done with the worst of motives.

(2 marks for each correct and completely stated explanation. Maximum of 2 to be graded. Sub-Total for explanation: 4 marks. Grand Sub-Total: 6 marks)  
(Grand Total: 10 marks)

6. Enumerate any four (4) of the five ways by which a contract may be discharged.

**Solution**

The five ways by which a contract may be discharged are by:

- \* Performance;                                \* Breach;                                        \* Frustration;
- \* Agreement of parties;                    \* Operation of law.

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

7. (a) Who is an agent in agency law? (2 marks)  
(b) State and explain any two (2) ways through which an agency relationship can be consummated. (8 marks)

**Solution**

(a) **An agent is** a person who has the authority or power to act on behalf of another person called the principal. His task is to bring about a contract between the principal and a third party. (2 marks)

(b) An agency relationship can be consummated by:  
\* Agreement or consent;                    \* Ratification;                                \* Necessity;

Candidates are required to explain any of the two correctly stated ways. 2 marks for correctly stated way. 2 marks for each correct and completely stated explanation. Sub-Total per way: 4 marks. Maximum of 2 ways to be graded. Grand Sub-Total: 8 marks)

8. It is the peculiarity of Insurance business for an intermediary (an agent) to act at different times on behalf of both the proposer/insured and the insurer. Concisely state any four (4) parameters for deciding that the insurer is the principal of an insurance agent?

**Solution**

The parameters for deciding that the insurer is the principal of an insurance agent are if:

- agent has an express authority from the insurer to receive and handle proposal form;
- agent handles the forms according to a previous course of business with the insurers and within all implied authority that has arisen;
- agent is instructed by insurer to ask questions and fill in the answers on a proposal form, he will be the insurer's agent where the proposal form contains a declaration to the contrary;
- he surveys and describes the proposal on the insurer's behalf;
- acts without express authority but the company later ratifies or has ratified such action in the past;
- has express or implied authority to collect premium.

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

9. A purports to be the agent of B, without B's knowledge, and does something in B's name, e.g. agreeing to the sale of B's car to C. B afterwards accepts the agreement as binding on him.

- (a) What the type of agency is created in this scenario? **(2 marks)**  
(b) Enumerate any four (4) conditions that are to be satisfied for the situation to be described as an agency relationship. **(8 marks)**

**Solution**

- (a) The type of agency created in this scenario is called agency by Ratification. **(2 marks)**

- (b) The conditions that are to be satisfied for the situation to be described as an agency relationship are:

- agent proposing to act must do it in the name of the supposed principal and not on his own behalf;
- the principal must be the person the agent had in mind at the time of the act;
- at the time of ratification, the principal must have full knowledge of the circumstances relevant to the act or must have had;
- the principal must have existed and have had the contracted capacity to do the act;
- pacification must take place within a reasonable time;
- the time must not be void or illegal;
- the whole contract must be ratified.

**(2 marks for each correct and completely stated condition. Maximum of 4 to be graded. Sub-Total: 8 marks)**

**(Grand Total: 10 marks)**

10. (a) What is "Authority" in Agency? **(2 marks)**  
(b) Distinguish between "Actual Authority" from "Ostensible/ Apparent Authority" of an agent. **(4 marks)**  
(c) Enumerate any two (2) instances when an agent's authority is deemed to be "apparent"? **(4 marks)**



### Solution

- (a) Authority in agency is the power that the agent has to act on behalf of his principal and affect his legal right. (2 marks)
- (b) **Actual Authority** is the real authority, expressly given or by implication (2 marks); while **ostensible/apparent authority** is not real authority but it appears to a third party to be real and therefore makes the act of the agent to be binding on the principal. (2 marks). (Sub-Total: 4 marks)
- (c) An agent's authority is deemed apparent or ostensible where
- the principal has restricted the authority of a validly appointed agent;
  - the apparent agent has never been appointed;
  - unknown to the third party, the authority of the agent has been terminated.
- (2 marks for each correct and completely stated instance. Maximum of 2 to be graded. Sub-Total: 4 marks)  
(Grand Total: 10 marks)

11. (a) What is Insurable Interest? (2 marks)
- (b) Enumerate any two (2) key elements of insurable interest. (6 marks)
- (c) In what two (2) ways can insurable interest be created? (2 marks)

### Solution

- (a) Insurable Interest is the legal right to insure arising out of a financial relationship recognised at law between the insured and the subject matter of insurance. (2 marks)
- (b) The key elements of insurable interest are:
- a subject matter of insurance;
  - policy holder must have an economic or financial interest in the subject matter of insurance;
  - interest must be a correct interest not on merely an expectancy;
  - interest must be legal.
- (3 marks for each correct and completely stated element. Maximum of 2 to be graded. Sub-Total: 6 marks)
- (c) Insurable interest can be created through:
- (i) common law; and (ii) by contract.  
(1 mark for each correctly stated way. Sub-Total: 2 marks)  
(Grand Total: 10 marks)

12. (a) Insurance contracts are contracts of "utmost good faith". What does this mean or portend for the parties? (2 marks)
- (b) Enumerate and explain in a sentence each, any four (4) ways by which agency relationship may be terminated. (8 marks)

### Solution

- (a) By Section 17 of the Marine Insurance Act, insurance contracts are contracts of utmost good. This means that the insurer and the insured have a duty to deal honestly and openly with themselves during the period of their contractual relationship. (2 marks)
- (b) The ways by which agency relationship may be terminated are:
- |                                   |                              |                  |
|-----------------------------------|------------------------------|------------------|
| * by agreement of parties;        | * performance;               | * lapse of time; |
| * withdrawal of authority;        | * remuneration by the agent; | * insanity;      |
| * death of either of the parties; | * bankruptcy;                | * frustration.   |

(Candidates are required to explain in a sentence each correctly stated way. 1 mark for correctly stated way. 1 mark for each correct and complete explanation. Maximum of 1 explanation per way. Sub-Total per way: 2 marks. Maximum of 4 to be graded. Sub-Total: 8 marks)  
(Grand Total: 10 marks)

13. In an insurance business transaction, parties deal with a product that is intangible and they owe themselves a duty of disclosure. Enumerate and explain any two (2) ways each that this portend for both the insured and the insurer?

**Solution**

The ways that insurance business transaction, where parties deal with a product that is intangible and they owe themselves a duty of disclosure, are:

- unlike contracts involving tangible goods, insurance policy cannot be tested by the proposer before it is bought;
- proposer has to trust that the insurers will pay his claims when the time comes and properly;
- proposer will not know the details of the cover that he is to receive unless the insurers make information available to the proposer;
- the proposer is the only one who has full knowledge about the subject matter of insurance. The proposer therefore has to disclose all facts relating to the risk at his disposal.

(5 marks for each correct and completely stated way. Maximum of 2 to be graded. Total: 10 marks)

14. (a) With the current state of the law, define warranty as a term of an insurance contract. (2 marks)
- (b) State and briefly explain any two (2) ways by which warranties are made in insurance transactions. (8 marks)

**Solution**

(a) Warranty is a promise made by the insured relating to facts or to something which they agreed to do. It may relate to past or present facts (i.e. a promise that something continuing warranty, in which the insured promise that a state of affairs will continue to exist or they will continue to do something). (2 marks)

- (b) The ways by which warranties are made in insurance transactions are:
- (i) **Expressly:** warranties are to be expressly worded in non-marine insurances;
  - (ii) **Impliedly:** warranties may be implied only in marine insurance. Section 39, Marine Insurance Act, 1906 implies warranty of seaworthiness into every policy of Marine insurance;
  - (iii) **“Basis of the contract” clauses:** these clauses are used to convert the insured’s statements in the proposal Form to warranties.

(4 marks for each correct and completely stated way. Maximum of 2 to be graded. Sub-Total: 8 marks)  
(Grand Total: 10 marks)

**Part II**

**Answer TWO (2) out of the following FOUR (4) questions.**

**Each question carries 30 marks.**

15. List and explain any five (5) general defenses that are available in the law of tort. State an explicit example under each defence.

**Solution**

The general defenses that are available in the law of tort are:

(i) **Self-defense:** the law allows reasonable use of force in defence of oneself, family, property and employee. However, the force employed must be reasonable and appropriate. This defence is most useful in intentional torts against persons e.g. battery or false imprisonment.

(ii) **Statutory Authority-** This is a plea that the tort committed is permitted in law. This is usually the case to promote the interest of the society as a whole. For example, the law permits civil aircraft to fly over private land which would have amounted to trespass ordinarily. It may be put up as a defence in Nuisance case and the Rule in *Rylands v Fletcher*. It cannot be a defence for negligent acts or omission.

(iii) **Volenti non-fit injuria (i.e. consent):** consent is when claimant agreed to the act that is called in question-the deliberate tortious act by the defendant e.g. participant in a boxing contest, a customer in a hairdresser salon. All consent otherwise it would have accounted to battery. The defence is a defence to deliberate torts e.g. trespasses to person. *Volenti non-fit injuria* mean 'no legal wrong is done to a person who consents', it is called 'assumption of risk', it is based on the proposition that the claimant consented not to a deliberate act but to the risk of negligence by the defendant. It was used in the past to defeat the claims of a worker who got injured in the course of their duty. It was always claimed that they consented to the inherent danger in the work place because they continued to come to work. It is no longer applied to cases like this again. The court would rather favour the application of the defence of contributory negligence against cases of *volenti non-fit injuria*.eg. sportsmen BUT subject to the rule of the game (*Condon v. Basi* (1985)). Also, if a person goes to the rescue of another and is thereby put in danger by the negligent act of a third party, consequently, getting injured, *volenti* will not apply. e.g. *Haynes v. Harwood* (1935), *Baker v. Hopkins* (1959). Lastly, if a person accepts a lift in a car knowing fully well that the driver is drunk, *volenti* will not apply because it is specifically prohibited by **s.149 of the Road Traffic Act 1988**.

(iv) **Contributory Negligence:** It is also called contributory fault. It is a defence that postulates that the claimant also had a hand in the fate that befell him in the hands of the defendant. Before 1945, when the Law Reform (Contributory Negligence) Act was passed, Contributory Negligence was a complete defence to tortious wrong where the defendant could successfully plead it. However, when the Act was passed the doctrine became a plea only in mitigation or reduction of liability. By its **Section1(1)**, a claimant's claim can no longer be defeated solely on the ground that he is also at fault together with the defendant. Rather, the damages due to the claimant will be reduced to the extent of his culpability. Therefore, the damages would be reduced to the extent that the court thinks just and equitable having regard to the claimant's own share in the responsibility for the damage.

Where the court could consider a reduction in liability if:

- \* the cause of the accident was in some part, the claimant's own behavior;
- \* claimant's behavior made the results of the accident more serious;
- \* both of the above.

(v) **Inevitable accident:** This defence is based on the proposition that not all injuries are the result of fault on the part of anybody e.g. *Stanley v. Powell*

(vi) **Force (vis) Majeure – Act of God:** This has a more limited effect than is normally thought and has been defined as events due to "natural causes directly and exclusively without human intervention and which could not have been prevented by any amount of foresight and pains and care reasonably to have been expected e.g. unprecedented storms or tornadoes.

(vii) **Emergency/Necessity:** In some circumstances, a person's action should not be considered negligent, because they acted in an attempt to prevent a dangerous occurrence. What

then comes into effect here is the “standard of care” that a “reasonable person” would have exhibited in similar circumstance e.g. *The Bywell Castle (1879)*

(viii) **Ex turpi Causa:** meaning that “no right of action can be founded on a base cause” and the full statement is *ex turpi causa non oritur action*. It applies to both contract law and tort. In contract, it implies that no contract can be founded on an illegal consideration. This defence has various considerations before it can be adopted as can be seen in *Pitts v. Hunt (1990)*. However, it also has its limits as seen in *Revill v. Newbery (1996)*.

(ix) **Private defence:** this involves considerations not only of self-defence but also of the protection of one’s property, family and possibly a stranger in difficulty. It should be noted that the means adopted MUST relate to violence being perpetuated or threatened (as in criminal law) while noting that it is allowed to take reasonable steps to keep out trespassers, deliberate traps are not allowed to be set e.g. *Scott v. Shepherd (1773)*

(x) **Accord & Satisfaction:** Once the parties involved have agreed to “gentlemanly” settle the case out of court, this agreement forms a binding contract between the parties – referred to as “Accord & Satisfaction” and it releases the defendant from any further liability. If proceedings are commenced thereafter, it can be used as a defence. If minors are however involved, court’s approval is normally necessary.

(xi) **Res Judicata:** means that the plaintiff cannot sue on the same cause of action more than once. It should be noted that this does not preclude suing a different defendant for the same injury.

**(3 marks for each correctly stated defense. 2 marks for each correct and completely stated explanation. Maximum of 1 per defense. 1 mark for each correctly stated example. Sub-Total per defense: 6 marks. Maximum of 5 defenses to be graded. Grand Total: 30 marks)**

16. (a) What does the term “assignment” mean in the law of contract? **(4 marks)**  
(b) Which laws govern the concept of assignment in (i) Life and (ii) Marine Policies? **(4 marks)**  
(c) With respect to contractual rights, explain what the following terms imply:  
(i) chose-in-action; and (ii) chose-in-possession **(6 marks)**  
(d) There are three types of assignment. Enumerate any two (2) of these types and briefly explain them. **(16 marks)**

### **Solution**

(a) Assignment in the law of contract means transfer of contractual rights and duties **(1mark)** by one party to another person **(1 mark)** who may not be an original party to the contract subject to some rules being observed **(1 mark)**. The transferee now stands in the place of the transferor in the contract **(1 mark)**. **(Sub-Total: 4 marks)**

(b) The laws that govern the concept of assignment in Life and Marine Policies are:  
(i) Life Assurance: Policies of Assurance 1867 **(2 marks)**  
(ii) Marine Insurance: Marine Insurance Act, 1906. **(2 marks)**  
**(Sub-Total: 4 marks)**

(c) With respect to contractual right,  
(i) **chose-in-action:** a contractual right is a “chose” (a thing) in action. A valuable but intangible piece of property. It is so called because it cannot be physically seized but only enforced through an action in court. **(3 marks)**

(ii) **chose- in possession:** it is a piece of tangible property which can be seized or physically controlled. (3 marks)

(Sub-Total: 6 marks)

- (d) The three types of assignment are:
- (i) assignment of the subject matter of the contract;
  - (ii) assignment of the benefits of the contract;
  - (iii) assignment of the contract itself

(i) **Assignment of the Subject Matter of the Contract:** when this is done, it does not carry with it, automatic assignment of the policy in question. Therefore, a buyer of a car or house does not take the place of the insured under the seller's policy. The contract of the seller/insured will terminate because he will no longer have any insurable interest in the property he has sold.

(ii) **Assignment of the Benefits of the Contract:** the right to receive insurance money is a chose in action which can be assigned to another person. The contract is not assigned but the benefit under it. No change in the subject matter or in any aspect of the risk, the insurance money is payable on exactly the same event or events. By Section 136 of the Law of Property Act benefits of an Insurance Contract can be assigned. Equitable Assignment is also possible provided:

- Notice is given to the insurer if the he is to be liable directly to the assignee
  - if no notice is give, the assignee can only enforce his right by virtue of the assignment by bringing an action against the assignor;
  - although notice should be given to the insurer, the consent of the insurer is not necessary
- Assignment can take place before or after the loss
- The assignee need have no insurable interest in the subject matter of the insurance.

(iii) **Assignment of the Contract Itself:** This is also possible but these factors are to be taken into consideration through:

- Personal contracts are not assignable. This is because the terms of the cover granted to the insured by the insurer will often be based on the insured's own personal characteristics. Most property and liability insurances are in this category.

(4 marks for each correctly stated type. 2 marks for each correct and completely stated explanation.

Maximum of 2 explanations to be graded. Sub-Total per type: 8 marks. Maximum of 2 to be graded. Grand

Sub-Total: 16 marks)

(Grand Total: 34 marks)

17. (a) What is Insurable Interest and why does the law require insurable interest in an insurance contract? (4 marks)
- (b) At what point is insurable interest required in the following contracts:  
(i) Marine Insurance; (ii) Life Assurance. (6 marks)
- (c) Can the requirement of insurable interest in an insurance contract be waived? Justify your response. (4 marks)
- (d) Discuss the operation of insurable interest in the following relationships:  
(i) People with overlapping interest in property (4 marks)  
(ii) people with limited interest in property (4 marks)  
(iii) finders and people in possession (4 marks)  
(iv) landlord and tenant (4 marks)

## Solution

(a) Insurable interest is the legal right to insure arising out of a financial relationship recognised at law between the insured and the subject matter of insurance. (3 marks)  
Insurable interest is required by law in an insurance contract so as to discourage wagering or betting in such contracts and also prevent someone from making a gain from insurance (i.e. reduce moral hazard). (1 mark)

(Sub-Total: 4 marks)

(b) Insurable interest is required in:

(i) **Marine Insurance:** at time of the loss. See Section 6, Marine Insurance Act, 1906. No need for it at the time the contract is made. This is so because in marine insurance practice, cargo frequently changes ownership in the course of transit. (3 marks)

(ii) **Life Assurance:** insurable interest is required at the time of the contract – the inception. No need to prove interest at the time of death. This is because life insurance premium is fixed at the beginning of the contract on actuarial principles according to the probable life expectancy of the life insured. (3 marks)

(Sub-Total: 6 marks)

(c) The requirement of insurable interest in an insurance contract cannot be waived (2 marks) because it is the requirement that shows the legitimate relationship between the insured and the subject matter of insurance. (2 marks). (Sub-Total: 4 marks)

(d) The operation of insurable interest in the following relationships are as explained below:

(i) **People with overlapping interest in property:** these may be mortgagee, landlord, tenant and Bailee and may have insurable interest in the same property. These may have to come to term on who amongst them can take out a policy on the property. This can be reflected in their documents or engagement – Mortgage Deed, Tenancy Agreement, etc. (4 marks)

(ii) **People with limited interest in property:** an example is a part-owner of property whose interest is limited to their share of the value of the property. He can insure the property in full and share the proceeds of insurance with the other owner which he will hold in for him. (4 marks)

(iii) **Finders and people in possession:** a finder of an article can keep it against the whole world except the true owner. He therefore has the right to insure it. Possession of property gives right to insure though someone else may have a better title to the property. (4 marks)

(iv) **Landlord and tenant:** both have insurable interest to insure the property. The landlord is the owner, the ownership confers insurable interest. The tenant has interest because he may be legally liable for repairs and may have to pay the rent even when the premises is not habitable. (4 marks)

(Sub-Total: 16marks)

(Grand Total: 30 marks)

18. (a) What is subrogation? (4 marks)  
(b) How does each of the following factors give subrogation rights to an insurer?  
(i) Law of Tort; (ii) Law of Contract; (iii) Statutory provision? (12 marks)  
(c) An insurer's subrogation rights can be modified or denied under three circumstances. Enumerate and explain any two (2) of these circumstances. (14 marks)

## Solution

(a) Subrogation is the right of one person, having indemnified another under a legal obligation to do so, to stand in the place of that other person and avail himself of all the rights and remedies of that other, whether already enforced or not. (4 marks)

(b) The following factors give subrogation rights to an insurer in the following manner:

(i) **Law of tort:** when a third party damages the property of an insured. If the insured successfully claims for the impact damage under his property insurance policy, the insurer will ordinarily, be able to exercise subrogation right against the third party who caused the damage.

(4 marks)

(ii) **Law of contract:** if the insured has an alternative contractual right in addition to the one provided under his insurance, the insurer who settles the insured in respect of the damage, will be able to enforce this right for its benefit.

(4 marks)

(iii) **Statutory provision:** the insurer may claim subrogation right based on the statutory right of the insured. An example is the right under the Riot Compensation Act (RCA) 2016 gives right to property owners to recover damages from the Police authority if his property is damaged in the course of a riot. If the property is insured, his insurer can enforce his subrogation right for his benefit.

(4 marks)

(c) Subrogation right of an Insurer may be denied or modified in the following circumstances:

(i) **By market agreements of insurers:** sometimes, insurance companies do agree amongst themselves for reasons of corporate camaraderie to give up or waive their subrogation right against third parties. The reason may also be to save administrative costs, avoid wasteful expensive litigation between themselves.

(ii) **By contractual waiver of subrogation:** sometimes, an insurer does agree with his insured not to exercise his subrogation right against certain other parties or persons who are associated with the insured. This, the insurers do by inserting in the policy a “subrogation waiver clause”. Even where there is no such clause, a non-consumer contract between the insured and another person may be construed in such a way as to bar the insurer’s rights of subrogation.

(iii) **Public policy:** for the sake of public good, a subrogation right may be denied an insurer. In *Morris v Ford Motor Co* 1973, the court held that public policy and industrial relations would be harmed if there was a right to sue employees on the ground of an acclaimed subrogation right.

(4 marks for each correctly stated circumstance. 3 marks for each correct and completely stated explanation.

Sub-Total per circumstance: 7 marks. Maximum of 2 to be graded. Sub-Total: 14 marks)

## **Chief Examiner's Comments**

### **Question 1**

The question examined candidates' knowledge on appointment by NAICOM. 90% of the candidates attempted the question and there was an 80% pass rate. Performance was above average. Candidates were familiar with the question.

### **Question 2**

This is a direct question requiring short and direct answers. About 75% of the candidates attempted the question while about 40% of the candidates answered in line with the marking scheme. Some candidates were not explanatory enough in their answers while others got it outrightly wrong.

### **Question 3**

About 87% percent of the candidates attempted this question and about 27% of the candidates attempted it correctly and in details as specified in the marking guide and about 35% had an idea of what the question is but were unable to clearly put down their thought. Over all, the candidates handled the question fairly well.

### **Question 4**

Most candidates showed general idea of the topics but failed to answer the specific question. Question four was to test candidates' knowledge on tort, crime and breach of contract. Those who passed it brought out the differences but other merely stated their ideas of the topic without stating the differences.

### **Question 5**

The question examined the candidates on the knowledge of the term strict liability. Majority of the candidates failed to do "justice" to the question. The question also seem a bit technical and seemed to knock most of them off the track.

### **Question 6**

The question was attempted by virtually all the candidates and being a question with straightforward bullet point answers, the candidates performed very well. The question examined the knowledge of candidates on circumstances that could lead to a discharge of an existing contract. On the whole, about 80% of the candidates passed the question.

### **Question 7**

About 98% of the candidates attempted this question and about 80% of them understood what agency is and how it works. About 60% were able to clearly state their answers in line with the marking guide; however, majority did not perform well in the (b) part of the question.

### **Question 8**

The question examined candidates' knowledge on the peculiarity of insurance business. Attempt was excellent (75%) and performance was average between 55/60%. Candidates are encouraged to attend seminars/conferences and also read journals.



**Question 9**

A popular aspect of the course/syllabus/examination. The candidates must have expected the question in this area and prepared well for it. There was about 90% pass rate here.

**Question 10**

60% attempt out of 353 candidates. 34% of the attempt passed the questions on agency relationship as a major part of insurance business. Candidates will need to put attention on key areas.

**Question 11**

The question examined candidates on definition and concept of use. Attempt was 100% the pass rate was 70%. Candidates has a good grasp of what the focus area was and were able to state the key elements; as well as what determines insurable interest.

**Question 12**

This was a very direct question requiring short answers. About 90% of the candidates attempted the question with encouraging results. Overall, about 85% got good results in this question.

**Question 13**

The question examined candidates' knowledge or understanding of the duty imposed on the two major parties in a typical insurance contract. Less than 35% of the candidates attempted the question. Performance was poor as less than 19% passed. The question requirement was to highlight the duties imposed on the insured and the insurer by the doctrine of utmost good faith. The need for adequate is stressed here for candidates for the examination.

**Question 14**

Most candidates stated the concept of warranty but failed to state the required types of warranty. Eight marks were allotted to this. Adequate preparation by candidates will adequately address this challenge.

**Question 15**

The performance of the candidates on this question was above average.

**Question 16**

50% of these candidates did reasonably well, while the other performed woefully. Candidates should learn to study and read widely for better future performance.

**Question 17**

Insurable interest is a major principle. Its knowledge is at the centre of insurance education. Less than 20% of the candidates that attempted the question passed it. Candidates need to covered principles of Insurance are core chapters and need to be thoroughly read.

**Question 18**

The question related to the principle of subrogation which is a popular legal principle in insurance. Close to 80% of the candidates attempted the question. Generally, those who attempted the question knew the definition but many also did not understand how the operation of the doctrine may be displaced. A large percentage also did not understand how the doctrine may arise. The question was a textbook question.

**Comments on Overall Performance**

It is deduced that from the overall performance on the course this diet, candidates did not prepare adequately for the examination.

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

From the reverts above, we recommend that candidates should adequately prepare for future examinations.



CHARTERED INSURANCE INSTITUTE OF NIGERIA  
INTERMEDIATE

APRIL 2024 DIET EXAMINATION PAPER

SUBJECT I02  
COMMERCIAL PROPERTY AND  
BUSINESS INTERRUPTION INSURANCES

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

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

**FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL)  
WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2024  
DIET CANDIDATES' INSTRUCTIONS.**

CHARTERED INSURANCE INSTITUTE OF NIGERIA

I02 - COMMERCIAL PROPERTY AND BUSINESS INTERRUPTION  
INSURANCES

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

Part I - 140 marks.  
Part II - 60 marks.

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

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

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

It is important to show each step in any calculation, even if you have used a calculator.

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

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

1. (a) Give the full meaning of the following bodies in relation to the insurance industry and the main function of each of them:
- (i) C.I.I.N.; (ii) N.I.A. (iii) NAICOM;  
 (iv) NCRIB; (v) ILAN.
- (b) List five (5) classes of general insurance business as classified in the Insurance Act 2003 in Nigeria.

**Solution**

- (a) (i) (i) C.I.I.N. – Chartered Insurance Institute of Nigeria - To determine the standards of knowledge and skills to be attained by persons seeking to become members of the Institute. (or simply put, the academic arm of the insurance industry in Nigeria)
- (ii) N.I.A. – Nigerian Insurers Association - Umbrella body for insurance companies in Nigeria.
- (iii) NAICOM – National Insurance Commission - Regulatory body for insurance business in Nigeria.
- (iv) NCRIB – Nigerian Council of Registered Insurance Brokers. Umbrella body for insurance brokers in Nigeria.
- (v) ILAN – Institute of Loss Adjusters of Nigeria - Umbrella body for loss adjusters in Nigeria.

**(1 mark for each correctly stated meaning. 1 mark for each correctly stated function. Sub-Total: 5 marks)**

- (b) The classes of general insurance business as classified in the Insurance Act 2003 in Nigeria are:

- \* fire insurance business;
- \* motor vehicle insurance business;
- \* oil and gas insurance business;
- \* bonds, credit guarantee and surety cling insurable business;
- \* miscellaneous insurance business.
- \* general accident insurance business;
- \* marine and aviation insurance business;
- \* engineering insurance business;

**(1 mark for each correctly stated class. Maximum of 5 to be graded. Sub-Total: 5 marks)**

**(Grand Total: 10 marks)**

2. Enumerate any ten (10) specified contingences in property insurance.

**Solution**

The specified contingences in Property Insurance are

- \* spontaneous combustion;
- \* riot, civil commotion and malicious damage;
- \* escape of water/ bust pipe
- \* impact by any third-party vehicle;
- \* earthquake;
- \* aircraft;
- \* subsistence;
- \* sprinkler leakage;
- \* storm;
- \* explosion;
- \* flood;
- \* terrorism.

**(1 mark for each correctly stated contingency. Maximum of 10 to be graded. Total: 10 marks)**

3. Enumerate any four (4) of the main objectives of survey in insurance.

**Solution**

The main objectives of survey in insurance are to:

- provide an assessment of the risk;

- suggest improvements to the commercial features of the risk;
- offer benefits to the parties concerned;
- develop risk management programme;
- enable the insurer to have a more thorough overview of the proposed risk.

(1½ marks for each correct and completely stated objective. Maximum of 4 to be graded. Total: 10marks)

4. List any five (5) criteria for acceptance/declination of risk.

**Solution**

The criteria for acceptance/declination of risk are:

- \* Trade;                                      \* risk insured indices;                                      \* size of insurance;
- \* physical hazard;                              \* morale hazard;                                      \* moral hazard;
- \* acceptance category.

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

5. Correctly list the general sequence of events for a successful claim in commercial property insurance.

**Solution**

The correct general sequence of events for a successful claim in commercial property insurance is:

- damage occurs;
- the insured does as much as possible to stop the damage and mitigate the loss;
- the insured tells intermediary (or insure direct) that damage/ loss has occurred and provide as much information as possible about it;
- the insurer investigates the loss in full detail;
- the insurer finds the loss is covered by the policy, the resultant claim is settled on the basis set out in the policy.

(2 marks for each correct and completely stated sequence. Total: 10 marks)

6. Enumerate any five (5) major causes of increase in fire incidents in recent times.

**Solution**

The major causes of increase in fire incidents in recent times are:

- \* lack of effective firefighting and preparation policy;
- \* lack of firefighting effective implementation policy;
- \* practicing more firefighting item for fire prevention;
- \* carelessness and negligence;
- \* absence of firefighting equipment/personnel;
- \* Inefficient firefighting equipment;                                      \* electrical fires;                                      \* arson.
- \* other causes like natural elements, faulty wiring.

(2 marks for each correct and completely stated cause. Maximum of 5 to be graded. Total: 10 marks)

7. What are the five (5) elements that should be present to a make a situation a “riot” as defined in the case of *Field v. Metropolitan Police Receiver (1907)*.

**Solution**

The five elements that should be present to a make a situation a “riot” as defined in the case of *Field v. Metropolitan Police Receiver (1907)* are:

- \* there must be at least three people present;
- \* there must be a common purpose lawful or unlawful;

- \* there must be execution or inception of the common purpose;
- \* they must intend mutually to assist one another, by force, if necessary in the execution of the common purpose; and
- \* there must be force or violent displayed in such a manner as to alarm at least one person of reasonable firmness and courage.

(2 marks for each correct and completely stated element. Total: 10 marks)

8. (a) Define the term “indemnity”. (4 marks)
- (b) What is the intention of Indemnity in commercial property and business interruption insurances. (6 marks)

**Solution**

(a) Indemnity is one of the basic principles of insurance as set out in *Castellian V Preston (1883)*. Indemnity mean putting the insured in the same financial position he was immediately before the loss, subject to any limitations contained in the policy. (4 marks)

(b) The intention of indemnity in commercial property and business interruption insurances is that the insured will be placed in the same pecuniary position that they occupied immediately before the event (4 marks), subject to any imitations contained in the policy (2 marks).

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

9. List any four (4) generic term for construction materials as studied in the course.

**Solution**

The generic term for construction materials as studied in the course are:

- \* generic terms for construction material;
- \* sandwich panels;
- \* composite panels;
- \* factory produced panels;
- \* Site-assembled panels;
- \* built-up/cladding system.

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

10. What is the difference between cover provided by the public utilities’ extension and the accidental failure of utilities contingency as it relates to indemnity to the insured?

**Solution**

**Accidental failure of utilities** will indemnity the insured in respect of loss resulting from interruption or interference with the business as a result of accidental failure of the supply at the terminal ends of the suppliers feed to the insured’s premises (5 marks); while **the public utilities extension** is much more restricted as it only covers interruption or interference following damage by an insured contingency at the supplier’s own premises (5 marks).

(10 marks)

11. Enumerate any ten (10) types of property which would normally be covered by business all risks policy.

**Solution**

The types of property which would normally be covered by business all risks policy are:

- \* computer;
- \* vehicle
- \* washing machine;
- \* exhibiting deed; documents, plans;
- \* cups, trophies and regalia;

- \* Scientific equipment;                      \* vending machines;                      \* musical instruments;
- \* furniture in transit/ storage; \* bulk liquid store;                      \* museum and art gallery;
- \* portable telephones, camera used by surveyors.

**(1 mark for each correctly stated property type. Maximum of 10 to be graded. Total: 10 marks)**

12. (a) Enumerate any two (2) basis of claim settlement under “building”. **(4 marks)**  
 (b) Enumerate any two (2) basis of claim settlement under “machinery”. **(4 marks)**  
 (c) Enumerate the basis of claim settlement under “stock”. **(2 marks).**

**Solution**

The basis of claim settlement under each stated class are:

- (a) **building:**        \* indemnity;                      \* reinstatement;                      \* obsolete;  
 (b) **machinery:**    \* reinstatement;                      \* indemnity;  
 (c) **stock:**            \* indemnity.

**(2 marks for each correctly stated basis. Maximum of 2, 2, 1 respectively under a, b, c. Total: 10 marks)**

13. (a) What does business interruption implications? **(1 mark)**  
 (b) Enumerate and explain the any three (3) implications of business interruption? **(9 marks)**

**Solution**

- (a) Business interruption implications are that the functioning of the business are interrupted and cannot perform all its obligations.  
 (b) The implications of business interruption are:
- loss of income while the premises were unfit for occupation;
  - loss of income after the premises have being repaired, machinery repaired or replaced and new stored obtained until income returns to its pre-damage level;
  - increase in cost of working, which is increase in cost incurred in maintaining income until turnover has recovered;
  - maximum indemnity period, which must be long enough to cover loss of income.

**(3 marks for each correct and completely stated implication with explanation. Maximum of 3 to be graded.**

**Sub-Total: 9 marks)**  
**(Grand Total: 10 marks)**

14. List any five (5) sources of accidental fire.

**Solution**

The sources of accidental fire are:

- \* people;    \* process;    \* heating system;
- \* lighting and power system; \* waste and materials;                      \* trade process of occupiers.

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



## Part II

Answer TWO (2) out of the following FOUR (4) questions.

Each question carries 30 marks.

15. Insurance would normally cover property risks under various types of insurances.
- (a) Are there instances whereby insurers can and will decline from providing insurance cover to property risk? (3 marks)
- (b) Justify your response in (a) above with nine (9) explicit and concise explanations. (27 marks)

### Solution

(a) Yes, there are instances whereby insurers can and will decline from providing insurance cover to property risk. (3 marks)

(b) The instances whereby insurers can and will decline from providing insurance cover to property risk are:

- \* Its own inheritance vice, wear and tear etc.;
- \* trade risk of the insured;
- \* normal settlement of new structures;
- \* property in the open;
- \* property insured elsewhere;
- \* property undergoing any process of production or application of heat;
- \* fragile or target goods;
- \* property in course of construction
- \* specific contingency exclusion;
- \* fraud;
- \* defective design or material;
- \* property insured by a marine policy;
- \* consequential loss;
- \* sonic bang;
- \* vehicles;

(3 marks for each correctly stated instance. Maximum of 9 to be graded. Sub-Total: 27 marks)

(Grand Total: 30 Marks)

16. A survey is vital in risk underwriting process especially for business establishments.
- (a) Concisely explain five (5) reasons for carrying out a theft insurance risk survey. (10 marks)
- (b) Enumerate any ten (10) critical items that would be included in a theft insurance business risk survey. (20 marks)

### Solution

(a) Reasons for carrying out a theft insurance risk survey are to:

- understand and know the insurer's capacity to accept the proposed risk;
- determine the size of the insurers account and the size of the risk;
- determine the amounts to be insured on target goods;
- know the location of the risk;
- know the available level of protection;
- know the details of the proposer such as nature of business when established, loss experience and previous declinature.

(2 marks for each correct and completely stated reason. Maximum of 5 to be graded. Sub-Total: 10 marks)

(b) The critical items that would be included in a theft insurance business risk survey are:

#### **Business Information/Details:**

- \* when the business was established;
- \* previous losses;
- \* location of risk/postcode of risk;
- \* -previous declinature or special terms;
- \* whether occupied outside of business hours;

- \* target stocks computer, tools etc.;
- \* goods stored in the open;
- \* construction of premises;

**Physical Protection/Details**

- \* intruder alarm;
- \* link to central alarm station;
- \* moral hazard;
- \* staff turnover;
- \* key holder control;
- \* estimated maximum loss;
- \* safe/strong room/security cage;
- \* distance from police station;
- \* remote or residential area.

(2 marks for each correctly stated item. Maximum of 10 to be graded. Sub-Total: 20 marks)

(Grand Total: 30 marks)

17. Obey Okoye insured his house with two different insurers as stated below:

<b>Insurer</b>	<b>Sum Insured (₦)</b>
XYZ Insurance	100,000 (subject to average, excess ₦250.00 and 20% insured co-insurance clause)
ABC Insurance	180,000 (subject to average, sum insured value of ₦200,000.00 and adjusted loss of ₦5,000.00).

(a) Using independent liability method, apportion the claim. (20 marks)

(b) State any four (4) of the conditions that must be in place for contribution to arise. (10 marks)

**Solution**

(a) Using independent liability method, apportioning of the claim will be as:

For XYZ Insurance:

$$\frac{\text{₦}(100,000)}{2,000} * 5,000 = \text{₦}2,500.00 \quad (2 \text{ marks})$$

Less Excess =  $\text{₦}(2,500 - 250) = \text{₦}2,250.00 \quad (2 \text{ marks})$

Less 20% Co-Insurance of ₦450.00 =  $\text{₦}(2,250 - 450) = \text{₦}1,800.00 \quad (2 \text{ marks})$

For ABC Insurance

$$\frac{\text{₦}(180,000)}{20,000} * 5,000 = \text{₦}4,500.00 \quad (2 \text{ marks})$$

Total Liabilities of Both Insurers

$$\text{₦}(1,800 + 4,500) = \text{₦}6,300.00 \quad (2 \text{ marks})$$

Therefore, ABX Insurance will recover from XYZ Insurance

$$\frac{\text{₦}(1,800)}{630} * 4,500 = \text{₦}1,285.71 \quad (2 \text{ marks})$$

= ₦1,285.71 (4 marks)

(Grand Sub-total: 20 marks marks)

(b) The conditions that must be in place for contribution to arise are that the:

- policy must cover the same subject matter of insurance;
- insured peril which cause the loss must be common to all;
- same insured interest in the loss must be common to all policies;
- policies must be in force at the time of the loss;
- policies must be contract of indemnity.

(2½ marks for each correct and completely stated condition. Maximum of 4 to be graded. Sub-Total: 10 marks)

(Grand Total: 30 marks)

18. Subsidence and heave are other contingencies that are normally grouped with fire in property damage policy.
- (a) What is the difference between these two contingencies? (10 marks)
  - (b) Explicitly enumerate any five (5) underwriting considerations for granting such covers by the underwriter? (15 marks)
  - (c) What is the basic difference between fire and explosion? (5 marks)

**Solution**

(a) **Subsidence** can be caused by the presence of underground water or shrinking of subsoil. It prominently occurs when the removal of water either during a period of drought or by the tree roots. The rate of shrinking determines stress and cracking (5 marks). While, **heave** is the opposite of subsidence and this occurs when water returns to the ground after the drought or if a tree is felled (5 marks). (Sub-Total: 10 marks)

- (b) The underwriting consideration for granting such covers by the underwriter are:
- type of subsoil present;
  - whether other underground activities have previously been done around that area;
  - any sign of cracking or fracturing in/on the building;
  - age and construction of the building;
  - age and proximity of trees and vegetation;
  - condition of drainage;
  - climatic condition;
  - type and depth of foundation.

(3 marks for each correctly stated consideration. Maximum of 5 to be graded. Sub-Total: 15 marks)

(c) **Fire** is defined as actual ignition of something which ought not to be on fire. It is the presence of smoke and condition of burning. The basic difference between fire and explosion is the speed of ignition (3 mark) which is higher in explosion (1 mark) than in fire (1 mark).

(Sub-Total: 5 marks)  
(Grand Total: 30 marks)

## **Chief Examiner's Comments**

### **Question 1**

The question was to examine the candidates' knowledge of the various bodies in the insurance industry/function. The pass rate was 95%. Candidates are encouraged to be familiar with industry practices, circulars, guidelines, e.t.c.

### **Question 2**

The question was to examine the candidates' knowledge of the specified contingences. The pass rate was 72%.

### **Question 3**

The question was to examine the candidates' knowledge on the main objective of survey. The pass rate was 31%.

### **Question 4**

This question was to examine the candidates' knowledge on the criteria for accepting/declaration of risk. The pass rate was 34%.

### **Question 5**

This question was to examine the candidates' knowledge on their understanding of the sequence of claims. The pass rate was 45%.

### **Question 6**

This question was to examine the candidates' knowledge on fire incidences as it occurs in recent times. The pass rate was 48%.

### **Question 7**

This question was to examine the candidates' knowledge on the understanding of the elements that can lead to riot. The pass rate was 57%.

### **Question 8**

This question was to examine the candidates' knowledge on the term "indemnity". The pass rate was 64%.

### **Question 9**

This question was to examine the candidates' knowledge on generic terms for cohesion materials. The pass rate was 42%.

### **Question 10**

This question was to examine the candidates' knowledge on the understanding on the difference between public utilities extension and utilities contingences. The pass rate was 44%.

**Question 11**

This question was to examine the candidates' knowledge on business all risks cover. The pass rate was 76%.

**Question 12**

This question was to examine the candidates' knowledge on claim settlement on building, machinery and stock. The pass rate was 90%.

**Question 13**

This question was to examine the candidates' knowledge on their knowledge of business interruption. The pass rate was 70%.

**Question 14**

This question was to examine the candidates' knowledge on the sources of accidental fire. The pass rate was 50%.

**Question 15**

This question was to examine the candidates' knowledge on the various types of insurance covers. It was not a popular question. The pass rate was 33%.

**Question 16**

This question was to examine the candidates' knowledge of the purpose of carrying out survey before acceptance/declination of a proposed fire risk. The pass rate was 97% from those who attempted the question.

**Question 17**

This question was to examine the candidates' knowledge on contribution in case of claim involving two insurers. The pass rate was 35%.

**Question 18**

This question was to examine the candidates' knowledge on subsidence and heave and the difference between fire and explosion. The pass rate was 68%.

**Comments on Overall Performance**

The overall performance was just above average. The pass rate was 53%.

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

Candidates are advised to prepare adequately for the examination if they are to meet global standard on excellence.



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INTERMEDIATE

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SUBJECT I03  
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**FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL)  
WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2024  
DIET CANDIDATES' INSTRUCTIONS.**

CHARTERED INSURANCE INSTITUTE OF NIGERIA

I03 – INSURANCE BUSINESS AND FINANCE

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

Part I - 140 marks.

Part II - 60 marks.

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

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

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

It is important to show each step in any calculation, even if you have used a calculator.

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

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

1. (a) Give the name of Government organisation/department/ministry in charge of insurance in your country. **(2 marks)**
- (b) State the name of the current Chief Executive Officer/Governor/President of the organisation/department/ministry in (i) above. **(2 marks)**
- (c) Enumerate any four (4) working committees in the Nigerian Insurers' Association (or in your country) specifying specific function/focus of the working committees in general. **(6 marks)**

**Solution**

- (a) The name of the Government department/ministry in charge of insurance in:

**Nigeria:** Federal Ministry of Finance**Cameroun:** Ministry of Finance along with the International Association of Insurance Supervisors (IAIS) and the Regional Insurance Control Commission.**Rwanda:** National Bank of Rwanda**The Gambia:** Central Bank of The Gambia**Sierra Leone:** Sierra Leone Insurance Commission**Liberia:** Central Bank of Liberia**(2 marks)**

- (b) The current Chief Executive Officer of the organisation/department/ministry in (i) above is:

**Nigeria:** Sunday Olorunda Thomas**Cameroun:** Louis-Paul Motaze**Rwanda:** John Rwangombwa**The Gambia:** Bua Saidu**Sierra Leone:** Aloysius Tarlue**Liberia:** Samuel D. Tweah Jnr.**(2 marks)**

- (c) The working committees in the Nigerian Insurers' Association, specifying the specific function of each Committee are:

- **Fire Offices Committee:** fire and Special Perils/Consequential Losses Policies and Related Issues;
- **Accident Offices Committee:** General Accident Policies and Related Issues;
- **Life Offices Committee:** Life Assurance Policies and Related Issues;
- **Marine Offices Committee:** Marine Assurance Policies and Related Issues;
- **Motor Technical Committee:** Motor Insurance Policies and Related Issues;
- **Risks, Audit And Compliance Committee:** Risk, Audit and compliance Issues
- **Accounting Technical Committee:** Finance and Accounting Issues
- **Human Capital Management Committee:** Human Capital Issues
- **Micro Insurance Committee:** Micro-insurance Policies and Related Issues;
- **Legal Committee:** Legal Issues
- **Corporate Affairs Committee:** Corporate Affairs Issues
- **Information Technology Committee:** Information Technology Issues.



## Functions

- advising the Governing Council on technical and professional matters on those relating to the committee as the name indicate;
- dealing with matters that may be referred to the Committee by the Governing Council;
- carrying out other functions as may be contained in the rules and regulations of the Committee;

**(1 mark for each correctly stated committee. Maximum of 4 to be graded. 2 marks for any correct and completely stated function. Sub-Total per Committee: 6 marks)**  
**(Grand Total: 10 marks)**

2. (a) What is reinsurance? (2 marks) (b) Who are reinsurers? (2 marks)  
(c) What is treaty reinsurance? and list the two (2) types of treaty reinsurance. (6 marks)

## Solution

(a) Reinsurance is insurance for insurance company. It is a way of transferring some financial risk that insurance companies assume. This is a cushion against unpleasant surprises in event of claim that higher than their capacities. (2 marks)

(b) Reinsurers on the other hand refers to a company that provides financial protection to insurance companies. (2 marks)

(c) Treaty reinsurance is an annual contract agreed in advance and its terms are fixed when the treaty is arranged (2 marks). Two types of treaty reinsurance are:

- \* proportional treaty reinsurance (1 mark); \* non-proportional treaty reinsurance (1 mark)  
(Sub-Total: 6 marks) (Grand Total: 10 marks)

3. (a) What is Customer Relationship Management (CRM)? (2 marks)  
(b) Why is CRM relevant in the business world of today? (2 marks)  
(c) Enumerate any four (4) characteristics or attributes that are associated with the excellent delivery of CRM. (6 marks)

## Solution

(a) Customer Relationship Management is the management of getting closer to the customer and proactively to moving to a proactive environment. (2 marks)

(b) CRM is relevant in the business world of today because it enables the business to be able to proactively move closer to the customers and be able to meet their needs as most required by the customers. (2 marks)

(c) The characteristics associated with the delivery of excellent CRM are:

- \* reliability; \* responsiveness; \* safety; \* accessibility;  
\* communication; \* consideration; \* competence; \*courtesy.

**(1½ marks for each correctly stated characteristic. Maximum of 4 to be graded. Sub-Total: 6 marks)**  
**(Grand Total: 10 marks)**

4. Enumerate any four (4) corporate governance standards for Nigerian companies as contained in the Nigeria Corporate Governance Code.

## Solution

The corporate governance standards for Nigerian companies as contained in the Nigeria Corporate Governance Code are:

- \* board composition; \* board development; \* remuneration;

\* relation with shareholders; \* accountability; \* audit.  
(2½ marks for each correctly stated standard. Maximum of 4 to be graded. Total: 10 marks)

5. Effective communication is central to the success of any organisation. However, there are some barriers to this. Concisely state and briefly explain any five (5) of these barriers.

### Solution

The following are the common barriers to effective communication in any organisation:

- **size of the organisation:** there could be branch networking that might hinder flow of information;
- **lack of confident or fear:** some managers believe it is better to keep mute instead of airing their opinion which they believe could be inferior;
- **lack of knowledge:** some staff believe possession of confidential information confers sense of power. withholding such information may be viewed as means of preserving status;
- **language problem:** people interpret words differently;
- **problems of time:** sorting out problems cause by pervious failure in communication;
- **training:** many managers are inadequately equipped with using organised method of information;
- **grapevine:** grapevine form of communication is damaging and this could be counter-productive;
- **failure to recognise information dissemination:** this is a common cause of breakdown in communications. concealment either negative or positive is hazardous in any organisation;
- **inability to listen:** most managers are selfishness or ignorance they do not believe in information sharing. Effective communication needs to be two-way process.
- (1 mark for each correctly stated barrier. 1 mark for each correct and completely stated explanation.  
Sub-Total per barrier: 2 marks. Maximum of 5 to be graded. Total: 10 marks)

6. (a) Define a “balanced score card”. (2 marks)  
(b) The activities of an organisation in measuring performance can be from four (4) main perspectives. List and explain the four perspectives. (8 marks)

### Solution

(a) A balanced scorecard is a strategic management performance metric that helps organisation to identify and improve their internal operation. (2 marks) **OR** A balanced scorecard is a strategic management performance metric that measures past performance and provide organisation with feedback how to do it better in the future (2 marks). **OR** A balanced scorecard is a strategic planning and management system used to align business activities to the vision statement of an organisation (2 marks)

(Sub-Total: 2 marks)

(b) The activities of the organisation can be viewed or measured in from the following perspectives:

- \* Internal Perspective; \* Customer perspective;
- \* Financial Perspective; \* Learning and Growth Perspective.

(Candidates are required to explain also. 1 mark for correctly listed perspective. 1 mark for correct explanation under each correctly listed perspective. Sub-Total per perspective: 2 marks. Grand Sub-Total: 8 marks)

7. The Nigeria Corporate Governance Code was issued in Year 2018 by the Financial Reporting Council (FRCN).
- (a) Enumerate any two (2) of the aims of issuing the Code. (4 marks)
- (b) Concisely but briefly explain any three (3) key highlights of the Code. (6 marks)

### Solution

The aims of the Nigerian Code of Corporate Governance are:

- it is aimed at companies varying sizes across different industries;
- it seeks to institutionalise corporate governance best practices;
- it is expected to promote public awareness of essential corporate value and ethical practices that enhance integrity of the business environment;
- it is aimed to be monitored by FRCN as it relates to the implementation of the code;
- FRCN will also regularly conduct periodic reviews on the implementation.

(2 marks for each correct and completely stated aim. Maximum of 2 to be graded. Sub-Total: 4 marks)

- (b) The key highlights of the Code are:

- **code of philosophy:** companies are required to adopt and apply and explain approach in implementing and compliance with the code. This is as different from 2016 code utilize the more forceful comply approach. The approach is much friendly;
- **board of directors:** the code enjoins the board to assume responsibility for its composition by setting direction and approving the process for it to attain the appropriate balance of knowledge skill, experience and diversity;
- separation of offices of Chairman from the Executive Officer;
- **the code outlaws a situation where a blood relation can simultaneously be appointed to the office of Chief Executive Officer and Chairman.** This is to prevent concentration of Executives power in one person or family. To ensure compliance all Boards Members are cleared and approved by NIACOM;
- **Non-Executive Director (NED):** regarding the roles and responsibilities of NED the code state, stipulate that NED must be chosen on the basis of their wide experience, knowledge and personal qualities. They are not to be involved in day-to-day activities 6 marks

(2 marks for each correct and completely stated key highlight. Maximum of 3 to be graded. Sub-Total: 6 marks) (Grand Total: 10 marks)

8. Business Planning is when key stakeholders review the business activities and plan how such activities can be reviewed for improved performance. List any eight (8) information that planning documents must contain in an insurance organisation business planning process.

### Solution

The information that planning documents must contain in an insurance organisation business planning process are:

- class of business to be underwritten;
- maximum values of insured per person and per location;
- gross premium class by class;
- profile of the gross premium by currency.
- planned loss ratios for each class;
- geographical spread of business;
- percentages of gross. premium to be paid to intermediaries;
- other source of incomes;

- expense profile (staff cost, it cost);
- investment strategy;
- reinsurance strategy.

(1¼ marks for each correct and completely stated information. Maximum of 8 to be graded. Sub-Total:

9. Enumerate any four (4) functions of a “company secretary” as stipulated in the Companies and Allied Act 2004.

### Solution

The functions of a “company secretary” as stipulated in the Companies and Allied Act 2004 are:

- to carry out the administrative operations that ensure that Companies and Allied Matters Act 2004 are complied with;
- to oversee all documentation, fillings and registration required by the company;
- to manage the company’s shares register;
- to organise the operations of Board meetings and Committees’ Board meeting;
- to establish annual timetable of event Board meeting, AGM, e.t.c.

(2½ marks for each correct and completely stated information. Maximum of 4 to be graded. Total: 10 marks)

10. (a) What is a liability as it relates to a business? (2 marks)  
 (b) Differentiate between “current” and “non-current” liabilities. State an example of each. (8 marks)

### Solution

(a) A liability as it relates to a business is part of risk financing to protect the purchaser from the risk that may arise as a result of responsibility that the business owner has to external parties. (2 marks)

(b) **Current Liabilities:** can be classified into bank overdraft. This is a current liability as it may have to be paid within 12months e.g. trade creditors, bank overdraft, account receivables, accrued expenses, dividends payable, e.t.c.; while **Non- Current Liabilities:** is any amount owned that must be paid back but not within 12months, e.g. loans, mortgages and bond.

(3 marks for each correct and completely stated differential/definition. 1 mark for correctly stated example.

Sub-total per term: 4 marks. Grand Sub-Total: 8 marks)

(Grand Total: 10 marks)

11. (a) What are the six (6) of the requirements of IFRS 17 for an insurance organisation. (6 marks)  
 (b) Enumerate any two (2) composition of a financial statement of an insurance organisation. (4 marks)

### Solution

The six requirements of IFRS 17 are:

- full disclosure by the insurers about the insurance risk management policy interest and credit risk. i e full disclosure of their operation;
- an impairment test for reinsurance assets;
- provision for possible claim under contract;
- claim liabilities must be included in the balance sheet;
- insurance liabilities must be kept in the insurers balance sheet until they are discharged;
- a test for the adequacy of recognised insurance asset.

(1 mark for each correct and completely stated requirement. Sub-Total: 6 marks)

- (b) The composition of a financial statement of an insurance organisation are:  
 \* income statement account; \* balance sheet; \* cash flow statements.  
**(2 marks for each correct and completely stated composition. Maximum of 2 to be graded. Sub-Total: 4 marks)**  
**(Grand Total: 10 marks)**

12. Enumerate any four (4) factors that may influence the uncertainty in decision making over setting an appropriate level of claim reserve in an insurance organisation.

**Solution**

The factors that may influence the uncertainty in decision making over setting an appropriate level of claim reserve in an insurance organisation are:

- uncertainty over setting an appropriate level of claim;
- legislative change;
- future claims payment pattern differing from historical experience;
- latent exposure that is just manifesting now;
- outcome of litigation on existing and reporting claims;
- failure to recover reinsurance;
- unanticipated changes in claim as a result of inflation.

**(2½ marks for each correct and completely stated factor. Maximum of 4 to be graded. Total: 10 marks)**

13. Gross Profit Ratio; Net Profit Ratio and Return on Capital Employed Ratio are some of the elements of profitability ratios. State by way of simple arithmetic formula, how these ratios are calculated/arrived at and the critical usage/importance of each.

**Solution**

**Gross Profit Ratio:**  $\frac{\text{Gross Profit}}{\text{Sales Revenue}} * 100$  **(2 marks)**

The importance is that it can be used in a number of factors e.g a change can be due to change in the mix products sold may also indicate greater competition in the market causing lower selling. This influence and call for strategic plans to mitigate unpleasant surprises. **(2 marks)**

**Net Profit Ratio:**  $\frac{\text{Net Profit}}{\text{Sales Revenue}} * 100$  **(2 marks)**

The relationship between profit and net profit ratio gives an indication of how well a company is managing its business expenses. **(1 mark)**

**Return on Capital Employed (ROCE) Ratio:**  $\frac{\text{Profit Before Interest Charges and Tax}}{\text{Share Borrowing Capital Reserves}} * 100$ . **(2 marks)**

The ROCE Ratio enables an investor to see if the insurer is making profits i.e. dividend on capital employed or not. **(1 mark)**

**(Grand Total: 10 marks)**

14. Risk appetite document is critical to the success of any insurance organisation.

- (a) List any two (2) uses of a risk appetite document. **(4 marks)**  
 (b) Enumerate any four (4) detail that should be found in the risk appetite document of an insurance company. **(6 marks)**

**Solution**

- (a) The uses of a risk appetite document are:  
 \* to determine the risk acceptance criteria;

\* as an investment policy;

\* as a reinsurance policy;

\* as other financial statements;

\* as a risk policy statement.

(2 marks for each correct and completely stated way. Maximum of 2 to be graded. Sub-Total: 4 marks)

(b) The detail that should be found in the risk appetite document of an insurance company are:

- a statement of the risks that a company can accept and bear;
- unacceptable risks;
- probability of failure that is deemed to be acceptable;
- maximum loss or maximum probable loss of any loss;
- target level of financial security;
- quality and diversity of investments.

(1½ marks for each correct and completely stated detail. Maximum of 4 to be graded. Sub-Total: 6 marks)

(Grand Total: 10 marks)

## Part II

Answer TWO (2) out of the following FOUR (4) questions.

Each question carries 30 marks.

15. (a) No successful organisation can exist without a relevant “Human Resources Department”. Discuss. (10 marks)

(b) List and explain the five (5) recruitment processes in a typical insurance organisation. (20 marks)

### Solution

(a) Human Resource is the set of people who make up workforce of an organisation. Human Resources is the division of business responsible for finding, recruiting, screening and training staff. Human Resource undertake wide range of activities in the sourcing of staff and ensures the best practice recruitment, employment and staff development techniques are used. Recruitment error could be catastrophic. Development of competitive remuneration strategy that prevent labour turnover. Issues relating to staff matters are key aspect of HR to avoid litigation and the attendance negative publicity

(2½ marks for each correct and completely stated explanation. Maximum of 4 to be graded. Sub-Total: 10 marks)

(b) The recruitment processes in a typical insurance are:

\* sign-off; \* recruitment; \* interview; \* job offer; \* induction.

**Sign-off:** there is usually a sign-off process to inform that the recruitment has been authorised by the Management;

**Recruitment:** HM team is equipped to commence recruit which can be by/through direct advertisement or recruitment agency or head hunting and/or the internet.

**Interview:** interview are arranged by HR Directorate as:

- applications are screened and short listed for probable applicants to be sorted;
- no racial, apathy, and gender diversity in the selection;
- HR to carry out checks on the candidate for credit history criminal record, past employment his and character reference.

**Job Offer:** preferred candidate emerge. HR make a job offer. HR is careful to ensure no term or statement is ambiguous such as salary bonus, pensions and other benefits;

**Induction:** when a new member of staff is employed the HR team arrange an induction programme. This is to enable the new staff to be familiar with operations, culture, values of the work environment.

(2 marks for each correctly listed process. 2 marks for each correct and completely stated explanation under each process. Sub-Total per process: 4 marks. Grand Sub-total: 20 marks)  
(Grand Total: 30 marks)

16. There are four learnt methods in the course of methodologies to be taken into consideration to extrapolate claims statistics in other to arrive at an estimate of the total cost of claims in an insurance organisation. List and explain any three (3) of these methodologies.

**Solution**

The methodologies for extrapolating the claims statistics to arrive at an estimate of total claims are:

- \* projection of paid claims;
- \* projection of incurred claims;
- \* loss ratio method;
- \* Bornhuetter – Ferguson.

**Projection of Paid Claims:** this method is extrapolating already paid claim and not the use of any other information such as incurred cost of claims. Such payment would have been subject to inflation. Projection of paid claim assumed that the typical claims inflation experienced in the past will equally be experienced in future.

**Projection of Incurred Claims:** It is expected that this method will produce a more accurate estimate of total claims than a projection of paid claims. The concern or flaws this method is that change of claims handling, procedures and instruction might affect the projection.

**Loss Ratio Method:** This method is rarely used. It can however be used for most recent incident where the values of paid and or incurred claim is low. The loss ratio will normally start with a year that is reasonably developed or generated or agreed upon.

**Bornhuetter- Ferguson:** This is the combination of loss ratio method with either a paid or incurred loss.

(6 marks for each correctly stated methodology. 4 marks for each correct and completely stated explanation. Sub-Total per methodology: 10 marks. Maximum of 3 to be graded. Grand Total: 30 marks)

17. (a) Outline any four (4) covers underwritten by Nigerian Agricultural Insurance Corporation (NAIC). (10 marks)
- (b) The role of Management in an organisation is complex and demanding. Managers are required to successfully execute and implement corporate policies as directed by the Board. Concisely enumerate any ten (10) function and/or responsibilities of a manager. (20 marks)

**Solution**

- (a) The covers underwritten by Nigerian Agricultural Insurance Corporation (NAIC) are:

- \* subsidised livestock cover;
- \* commercial crops cover;
- \* commercial livestock cover;
- \* multiperi cover;
- \* subsidised crops cover.

(2½ marks for each correctly stated cover. Maximum of 4 to be graded. Sub-Total: 10 marks)

- (b) The functions and/or responsibilities of a manager are:
1. structure and organise the team to meet the needs of the job;
  2. clarify the accountabilities and authorities of junior staff;
  3. training and development of staff on the assigned duties;
  4. establishment of a system of personal targets and a performance and reward system;

5. ensure that correct decisions are taken and at the right time;
6. regularly communication that must be unambiguous;
7. role model for subordinate to emulate;
8. establishment of enabling system;
9. take positive attitude towards employee representation and participation;
10. design how job can be structured to meet the needs of staff in order to have optimal performance and results;
11. establish a system of monitoring results and performance;
12. maintaining discipline and control;
13. teach team member to be socially responsible;

(2 marks for each correct and completely stated function/responsibility. Maximum of 10 to be graded. Sub-

Total: 20 marks)

(Grand Total: 30 marks)

18. (a) What is the generally accepted interpretation of “True and Fair Requirement” as contained in Companies Act 2004. (6 marks)
- (b) Clearly distinguish between forecasting and budgeting. (6 marks)
- (c) Enumerate and explain any three (3) advantages of budgeting. (18 marks)

### Solution

(a) Company law in Nigeria required that Financial statement, in compliance with Companies and Allied Matters must be True and Fair. Although true and fair is not defined in the legislation but has been generally interpreted as giving a faithful representation of the financial performance of the company for given period under consideration. (6 marks)

(b) **Forecasting:** Forecasting is a technique that uses historical data has inputs to make informed estimate that are predictive in determining the direction of future trends. Companies utilize forecasting to determine how to allocate their budget or plan i.e. forecasting is looking, projecting and predicting into the foreseeable future (3 marks). While, **budgeting:** is the process of overseeing and tracking income and expenses. Business often have budgets for individual departments. Manager are frequently responsible for managing the budget of their department. The relationship is the creation of budget and forecast to plan and manage the financial performance (3 marks). (Grand Sub-Total: 6 marks)

(c) The advantages of budgeting are:

\* unification of efforts;

\* planning;

\* financial awareness;

\* basis of comparison.

**Unification of Efforts:** budgeting unifies all employees activities within an organisation. For example, the budget is global and all employees work toward the common goals;

**Planning:** Budgeting encourages planning. without predicting or projecting to the future, manager shall not know necessary resources to be used to actualise the budget;

**Financial Awareness:** budgeting makes everyone in the organisation aware that there should be efficiency and effectiveness. budgeting also bring the importance of cost. Staff learn to be productivity watch and profitability match;

**Basis of Comparison:** department comparison, as well as year per year comparison is known and help for subsequent years budget.

(3 marks for each correctly stated advantage. 3 marks for any correct and completely stated explanation.

Sub-Total per advantage: 6 marks. Maximum of 3 to be graded. Grand Sub-Total: 18 marks)

(Grand Total: 30 marks)



## **Chief Examiner's Comments**

### **Question 1**

The question examined the candidates' knowledge of the Industry. All the candidates answered this question but only 41 of them have idea of what was required. This represents a 14% failure rate. This is not a good performance for practitioners in the Industry.

### **Question 2**

The question examined the candidates' knowledge of reinsurance. 295 candidates attempted the question. 220 candidates gave answers that were very informative and correct. This is about 75% pass rate and it is quite encouraging.

### **Question 3**

The question examined the candidates' knowledge about CRM. Out of the 295 candidates that answered the question, 217 of them understood the question and gave correct answers to the question. This is about 74% pass rate for this question. It is good.

### **Question 4**

Majority of the candidates did not understand the question at all, hence the large failure in the question with less than 10% pass rate.

### **Question 5**

It was just above average number of candidates that understood the question as seen in their performances.

### **Question 6**

The question examined the candidates' knowledge of organisation effectiveness and performance through the concept of "balanced score card". Many candidates focus rightly but some went astray taking about HR appraisal and customer sales delivery. The pass rate was good at about 60%.

### **Question 7**

The question examined the candidates' knowledge on their understanding of the Nigeria corporate governance code issued by the Financial Reporting Council. From the responses, it can be deduced that many candidates did not fully grasp the essential sections. Performance was not encouraging as it should be a direct question. Attempted by about 97% of the candidates and it had a pass rate of about 40%.

### **Question 8**

The candidates who failed this question did not understand the question asked, as most of them completely went outside the options available. This could be attributed to inadequate preparedness.

### **Question 9**

There is a clear and excellent understanding of the subject and the way the responses were framed.

**Question 10**

The question examined the candidates' knowledge of the definition of liability and the types of liabilities. 295 candidates attempted the question. 184 of them passed it. This represents 69% pass rate and 31% failure.

**Question 11**

The question examined the candidates' knowledge of IFRS 17 requirements as it relates to insurance. All the candidates attempted it (295). Only 13 of the candidates have idea of this question, just about 4% pass rate. 96% failure rate is not good at all. The answers presented did not reflect any knowledge of the subject matter, more effort and emphasis should be encouraged to be given to candidates at the tutorial level.

**Question 12**

The question examined the candidates' knowledge on claims reserve. All the candidates attempted it. Only 84 out of the 295 candidates understood what the question was all about. The 84 candidates resulted in a 28% pass rate and a 72% failure rate.

**Question 13**

This question was very popular with the candidates but it resulted in an average pass rate. It is strongly recommended that the topic should be given more attention during coaching.

**Question 14**

The question on risk appetite was not satisfactorily answered as some candidates seem fixated on risk management process steps. The pass rate was about 45%.

**Question 15**

The question examined the candidates' knowledge on five (5) recruitment processes in a typical insurance organisation. 75% of all the candidates attempted this question. 62% of all the candidates that attempted this question scored above average pass marks.

**Question 16**

This question was avoided by almost all the candidates as only 4% of all the examination candidates attempted this question. Of these, there was a 50% pass. Lack of correct explanations affected candidates that scored below pass marks.

**Question 17**

This was an optional question and candidates were expected to write or attempt 2 questions out your questions.

**Question 18**

The candidates who attempted this question performed quite well because it was direct and simple.

**Comments on Overall Performance**

These are as stated under each question as stated above.

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

Candidates should prepare adequately for all examinations and also ensure that they have a thorough understanding of what they are studying.



CHARTERED INSURANCE INSTITUTE OF NIGERIA  
INTERMEDIATE

APRIL 2024 DIET EXAMINATION PAPER

SUBJECT I04  
BUSINESS AND ECONOMICS

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

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

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I04 – BUSINESS AND ECONOMICS

INSTRUCTIONS TO CANDIDATES

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It is important to show each step in any calculation, even if you have used a calculator.

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

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

1. Give the full name of the current:
- Commissioner for Insurance
  - President/Chairman of Council, Chartered Insurance Institute of Nigeria;
  - Chairman, Nigerian Insurers Association
  - President/Chairman of Council, Nigerian Council of Registered Insurance Brokers
  - President/Chairman of Council, Institute of Loss Adjusters of Nigeria.

**Solution**

The full name of the current holders of these positions are:

- Commissioner for Insurance in Nigeria:** Olorunda Sunday Thomas;
- President/Chairman of Council, Chartered Insurance Institute of Nigeria:** Edwin Friday Igbiti;
- Chairman, Nigerian Insurers Association:** Olusegun Omosehin
- President/Chairman of Council, Nigerian Council of Registered Insurance Brokers:** Babatunde Oguntade
- President/Chairman of Council, Institute of Loss Adjusters of Nigeria:** Diipo Olanrewaju

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

2. ((a) What is national income? **(4 marks)**  
 (b) In relation to National Income Equilibrium, explain the following variables:  
 $Y = C + I + G + X - M$  **(6 marks)**

**Solution**

(a) National income is the addition of Consumption, Investments, Government Spending and Exports minus Imports. **(4 marks)**

- (b) Y = Income or national income **(1 mark)**  
 C = Consumption **(1 mark)**  
 I = Investment **(1 mark)**  
 G = Government Spending **(1 mark)**  
 X = Exports **(1 mark)**  
 M = Imports **(1 mark)**

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

3. Concisely explain two (2) characteristics of a planned economy.

**Solution**

The characteristics of a planned economy are:

- enterprises are government owned or absence of private enterprises;
- government decides what, where, when and how of production;
- prices are not determined by the forces of demand and supply or market forces.

**(5 marks for each correct and completely stated characteristic. Maximum of 2 to be graded. Total: 10 marks)**

4. (a) Differentiate between deflation and devaluation.  
 (b) What does the acronym, SMART stand for in goal setting?

**Solution**

(a) **Deflation** is a general decrease in the level of prices of goods and services in a country over a period of time (2½ marks) while **devaluation** is the reduction in the value of a country's currency in relation to other countries' currencies 2½ marks). (Sub-Total: 5 marks)

(b) In goal setting, SMART means:  
 S – Specific; M – Measurable; A – Achievable /Attainable;  
 R – Realistic; T – Timeline.  
 (1 mark for each correctly stated meaning. Sub-Total: 5 marks)  
 (Grand Total: 10 marks)

5. (a) What is corporate social responsibility (CSR)? (4 marks)  
 (b) Briefly explain the (i) moral justification and (ii) economic justification for CSR. (6 marks)

**Solution**

(a) Corporate Social responsibility (CSR) is a form of ethical behaviour that requires that organisations understand, identify, and eliminate unethical economic, environmental, and social behaviour. **OR** Corporate Social responsibility (CSR) is a corporate objective whereby business organisations consider and assume responsibility for the impact of their activities on their stakeholders, for example customers, suppliers, employees, shareholders, communities and the environment in all aspects of their operations.  
 (4 marks for any correct and completely stated definition. Sub-Total: 4 marks)

(b) (i) **Moral Justification:** this means that companies are viewed or view themselves as Justification if they were individuals and are exhorted to be good corporate citizens. This is judged by some companies to be more important than pursuing a profit goal.

(ii) **Economic Justification:** CSR is undertaken here as it supports long-term profit goals by Justification ensuring the firm is aligned to the needs of a variety of stakeholders. For example, a company may aim to maximise its long-term profit rather than achieve earlier profits in the short term so a shareholder investing for the future should regard this as a more reasonable approach. Companies engage in CSR as it is economically beneficial to do so.

(3 marks for any correct and completely stated explanation under each term. Maximum of 1 to be graded under each term. Sub-Total: 6 marks)  
 (Grand Total: 10 marks)

6. Differentiate between outsourcing and offshoring. Give two (2) explicit examples on each.

**Solution**

**Outsourcing** is the contracting-out of various business functions to companies, in some cases located overseas. Examples are information technology, claims processing, telesales, customer enquiries and customer helplines e.t.c. **while**

**Offshoring** is a form of outsourcing in which various business functions are contracted out to overseas companies. Examples are technology services offshoring, manufacturing offshoring, financial offshoring, business process offshoring, e.t.c.

(3 marks for correctly stated difference or definition. 1 mark for each correctly stated explicit example. Maximum of 2 to be graded. Sub-Total per term: 5 marks. Grand Total: 10 marks)

7. Differentiate between fixed costs and variable costs, with two (2) examples each.

**Solution**

**Fixed costs** are the elements of cost of production that do not vary with the levels of outputs or products, e.g. land, machinery, salary of executives, premises maintenance, e.t.c. while **variable costs** are cost elements of production that varies directly with the levels of output or production e.g. raw material, factory workers wages, factory power consumption, e.t.c.

(3 marks for correctly stated difference or definition. 1 mark for each correctly stated explicit example.

Maximum of 2 to be graded. Sub-Total per term: 5 marks. Grand Total: 10 marks)

8. Enumerate any five (5) components of the marketing mix.

**Solution**

The components of the marketing mix are:

- \* product;                      \* price;                      \* promotion;                      \*place;
- \* people;                      \* process;                      \* physical evidence.

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

9. Distinguish between (a) investment multiplier and (b) credit multiplier. Give an example of each.

**Solution**

The '**investment multiplier**' refers to the change in national income caused by an autonomous change in investment spending. Similar multipliers can be applied to autonomous changes in government spending, consumption, and exports. For example, a company makes a ₦1,000,000.00 investment of capital to expand its manufacturing facilities in order to produce more and sell more. After a year of production with the new facilities operating at maximum capacity, the company's income increases by ₦2,000,000.00. This means that the multiplier effect was 2 (₦2,000,000.00 / ₦1,000,000.00); while the '**credit multiplier**' refers to the ability of banks to increase the volume of credit available in the economy (and therefore the money supply) by increasing their lending in response to an increase in their holdings of liquid assets. For example, if a bank decides to keep a cash reserve ratio of 20%, the credit multiplier =  $1 / 0.2 = 5$ . If the bank receives additional deposits of \$1,000, the increase in bank deposits will be \$1,000 x 5 = \$5,000. If a bank decides to keep a cash reserve ratio of 30%, the credit multiplier =  $1 / 0.30 = 3.333$ .

(3 marks for each correct and completely stated explanation. 2 marks for any correctly stated example/right logic on example. Sub-Total per term: 5 marks. Grand Total: 10 marks)

10. Explain the application of SWOT analysis in relation to business strategy.

**Solution**

- S – Strength (1 mark) - Organisation will strive to increase their strengths (1½ mark);
- W – Weakness (1 mark)- Organisation will strive to reduce or eliminate weak points (1½ mark);
- O – Opportunity (1 mark)- Organisation will try to seize or utilize every opportunity (1½ mark);
- T – Threat (1 mark)- Organisation will try to mitigate or reduce the effect of threats (1½ mark).

(Total: 10 marks)

11. With the aid of a simple diagram, explain the risk management cycle of activity in an organisation.

**Solution**



(2 marks for correctly labeled and presented diagram. Total: 10 marks)

12. Explain these terms and state two (2) examples on each: “public goods” and “merit goods”.

**Solution**

**Public Goods** are types of goods and services that might be inadequately provided by the private sector. The benefits conferred on society. They cannot be attributed directly to individuals, since they benefit the whole population. This means that individual ‘users’ cannot easily be charged for them through the pricing system. Thus, the state normally intervenes to provide these types of goods and funds them from tax revenues. Examples are defense, the police forces, prison services, Fire services, public schools, public roads, hospitals, e.t.c. **Merit Goods** are goods and services provided by private individuals and organizations and can be directly charged to them. Examples of Private goods are private schools, private health services, transport services, Gas services, water services, e.t.c.

(3 marks for each correct and completely stated definition. 1 mark for each example. Maximum of 2 examples to be graded. Sub-Total per term: 5 marks. Grand Total: 10 marks)

13. Explain any four (4) ways by which identified risks of an organisation can be treated.

**Solution**

Identified risks of an organisation can be treated in the following ways:

- **Accept it** which would be normal for unavoidable low risk activities or those that are considered unlikely to occur;
- **Transfer it** which would be normal for those risks where some sort of external payment or action is considered a cost-effective approach. For example, a risk could be transferred by way of insurance, by a legal contract, or use of financial derivatives;
- **Reduce it** by means of preventive measures. For example, training to avoid the risk, protective clothing, removal of flammable goods;
- **Avoid it** altogether by leaving a particular market for example.

(1½ marks for correctly stated way. 1 mark for correct and completely stated explanation. Sub-Total per way: 2½ marks. Grand Total: 10 marks)

14. (a) In most economics, there are usually three basic economic challenges that must be addressed in making the economy to be viable. What are these three (3) basic economic problems? (6 marks)
- (b) Explain, either with words or symbols, the meaning of marginal cost and average cost. (4 marks)



**Solution**

- (a) These three (3) basic economic problems are:
  - \* what to produce?;
  - \* how to produce?;
  - \* for whom to produce?
 (2 marks for each correct and completely stated question. Sub-Total: 6 marks)

**(b) Using Words**

Average cost (AC) is the cost of a unit of output and so can be found simply by dividing a firm's total cost (TC) by the level of output (Q). (2 marks)

Marginal cost (MC) is the change in total cost (TC) caused by a one-unit change in the level of output. (2 marks)

**OR**

Using Symbols, we can define average cost and marginal cost as follows:

$AC=TC/Q$  (2 marks)

$MC=\Delta TC/\Delta Q$  (2 marks)

where  $\Delta Q$  represents a (unit) change in output. (2 marks)

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

**Part II**

Answer TWO (2) out of the following FOUR (4) questions.

Each question carries 30 marks.

- 15. The following figures are in respect of Ego Insurance PLC.
  - Premium per policy: ₦5,000.00.
  - Fixed cost of producing policies: ₦1,200,000.
  - Variable cost of producing a policy: ₦3,500.00.
- (a) how many policies will the company have to sell in order to break even? (8 marks)
- (b) what gain / loss will the insurance company make when 1000 policies are sold? (8 marks)
- (c) Assuming that the company eventually made a loss of ₦450,000.00. How many policies must have been produced and sold? (8 marks)
- (d) State the formula for estimating break-even point. (6 marks)

**Solution**

- (a) Ego insurance PLC. will break even at the quantity where gain or loss equals zero.

$$i.e., \frac{Fixed\ Cost}{(Premium\ Rate - Variable\ Cost)}$$

$$\frac{1,200,000.}{(5,000 - 3,500)}\ units$$

= 800 units or policies

(4 marks for the formula. 2 marks for the first inputted sets of figures. 2 marks for the final answer. Sub-total: 8 marks)

- (b) At 1000 policies,

$$Profit\ or\ Gain = (1,000 - 800) \times (5,000 - 3,500)$$

$$= (200 \times 1,500)$$

$$= ₦300,000$$

(4 marks for the formula. 2 marks for the first inputted sets of figures. 2 marks for the final answer. Sub-total: 8 marks)

(c) For a loss of ₦450,000 to have been made the company must have produced less than break even quantity by:

$$\frac{\text{Total loss.}}{\text{Profit margin}} = \frac{\text{₦450,000}}{1,500} = 300 \text{ Policies.}$$

Quantity of policies produced for a loss of ₦450,000 =  
 $800 \text{ units} - 300 \text{ units}$   
 $= 500 \text{ units of policy}$

(4 marks for the formula. 2 marks for the first inputted sets of figures. 2 marks for the final answer. Sub-total: 8 marks)

(d) Break-even point (B.E.P.) Formula:

$$= \frac{\text{Fixed Cost}}{(\text{Selling price per unit} - \text{Variable cost per unit})}$$

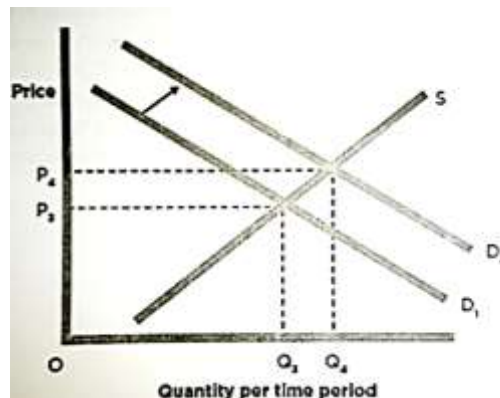
(6 marks – 3 marks each for correct numerator and denominator)

Full marks should be awarded any candidates who apply other formular and get the answers right in any of the question. (Grand Total: 30 marks)

16. (a) With the aid of annotated diagram/graph, explain what will happen if the insuring population increases while the supply of insurance remains constant, ceteris paribus. (10 marks)
- (b) Enumerate four (4) factors that affect the demand for insurance products. (8 marks)
- (c) Explain any three (3) of the stated factors in (b) above. (12 marks)

### Solution

(a)



In a fixed exchange rate system, the government does not allow the exchange rate to fluctuate freely according to market forces. Instead, the government uses policies designed to maintain the exchange rate at a pre-arranged level. Usually exchange rates are fixed by the central bank, which is required to intervene in the foreign exchange market to buy or sell its domestic currency to keep the exchange rate at its pre-arranged level. In some cases, countries simply decide to peg the value of their currencies to one

- (b) The factors that affect the demand for insurance products are:
- general attitude towards risk;
  - risk awareness of the insuring public;
  - individual differences different people often have different attitudes towards risk;
  - amount of disposable funds available to the insuring public (i.e.. income and wealth);
  - accessibility to insurance products;
  - cost of insurance products;
  - insurers have tried to raise the demand for life assurance and health insurance policies by using high profile press and television advertising campaigns.

(2 marks for any correct and completely stated factor. Maximum of 4 to be graded. Sub-total: 8 marks)

- (c) Candidates are required to successfully explain any three of the factors stated above. 2 marks for each correct and completely stated explanation. Maximum of 2 explanations to be graded under each factor. Sub-Total per factor: 4 marks. Maximum of 3 factors to be graded. Grand Sub-Total: 12 marks)

(Grand Total: 30 marks)

17. Concisely but explicitly, discuss the following terms:

- (a) debenture; (b) rights issue; (c) preference shares;  
(d) venture capital; (e) equity shares.

### **Solution**

(a) **Debenture:** a company may issue debt which is often quoted on the Stock Exchange. Due to the cost involved in issuing corporate debt (also called corporate bonds) this is normally only available to large companies that already have a listing. The term of the debt is likely to be from 3 years to 20 years or more. When the debt is quoted a prospectus would need to be prepared giving information on the company, its trading environment, profitability and the use to which the funds will be put. Interest may be fixed or variable. The debt would normally be subject to covenants (which may specify the maximum ratio of debt to equity). If a covenant is breached, then the debt may become repayable. Note that corporate debt can be structured to meet the requirements of regulatory capital for regulated businesses such as banks and insurance companies.

(b) **Rights Issue:** in a rights issue, new shares are offered to existing shareholders at a discounted price, which is somewhat less than the present market price. This will raise new capital if the issue is taken up. Shareholders can:

- exercise their right to buy the share;
- sell their rights to buy the shares. In practice this option is only available to large shareholders, the smaller shareholders' profit would be wiped out by dealing fees;
- do nothing. Usually when the shareholder does nothing, the company sells the shares on their behalf and sends them the proceeds.

(c) **Preference Shares** - Preference shares do not usually carry voting rights. They get their name from the fact that the payment of a preference dividend takes priority over the dividend on ordinary shares. They pay a fixed dividend to their owners. The size of this dividend is usually a percentage of the share nominal value. This means that preference share dividends tend to be less volatile than ordinary share dividends. Even in a year when profits are very high, the preference shareholder is still entitled to only their fixed percentage of the share nominal value.

Most preference shares are cumulative. If there is insufficient profit available to pay this year's dividend, preference shareholders will not lose out. The unpaid dividend will be carried forward into the following year when there will hopefully be enough profit available to pay both last year's and this year's dividend. If not, the dividends owed will be carried through into the year after that. If the company is forced into liquidation, the preference shareholders take priority over ordinary shareholders.

(d) **Venture Capital:** this is a pool of risk capital, typically issued to young and small companies (often unquoted) by large investors. This type of financing, usually long-term, is often contributed to small businesses with good growth prospects but which are short of funds (thus called risk capital). The sources of venture capital generally include the following:

- private investors;
- institutional investors (e.g. investment and pension funds);
- state and local governments; and .
- joint ventures between large and small firms.

A venture capital fund will normally expect a company to plan to list its shares on the Stock Exchange after three or four years and will collect their return on their investment when the shares are sold to the public.

(e) **Equity Shares:** This is also called Ordinary Share Capital and is one of the most important sources for raising long-term capital and is achieved by issuing new shares. Share capital is required to support the level of risk a company takes. One way to measure the level of risk is to model the expected range of possible future profits and losses. The higher the volatility the higher the level of capital required. Share capital may also be raised to support other long-term finance requirements such as to finance fixed assets. The disadvantage of equity capitals that it is normally the most expensive form of capital.

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

18. (a) State and explain any three (3) main functions of money. (18 marks)  
(b) Enumerate any three (3) functions of the Chief Risk Officer (CRO) in an insurance organisation. (12 marks)

### **Solution**

(a) The main functions of money are for money to serve as:

(i) **Medium of Exchange:** Money facilitates transactions by acting as a medium of exchange or as a means of payment that is acceptable to both buyers and sellers. Some rather interesting things have been accepted as money in history. Without money, transactions involving the exchange of goods and services could only take place by barter (i.e. swapping units of one good for units of another). Barter is extremely inconvenient as it requires a 'double coincidence of wants' (which means that the wants of both parties to a trade have to be matched). This inconvenient requirement would restrict people from specialising and lead to a significantly less efficient economic system. This is also the case as money enables far more buyers and sellers to be brought together. The swap does not have to be on a direct basis, i.e. money enables goods and services to be bought from anyone who has such goods and services and will accept the money.

(ii) **Store of Wealth:** in the absence of inflation, money keeps its value and so can be saved as a form of wealth. It therefore enables people to postpone purchases until some future date, if they wish.

(iii) **Unit of Account:** money is one of the most widely used of all units of measurement. In Nigeria, naira and kobo are used in all price quotations, in business accounts and in the national accounts. It is further the principal means of measuring the value of an object and it therefore also allows people to compare values easily.

(iv) **Standard for Deferred Payments:** many transactions involve contracts that demand payment at some date in the future. In the vast majority of cases, it is more convenient to express this required future payment (or debt) in money terms. On the assumption that there are not dramatic depreciations or appreciations in the value then money is likely to function far better at this task than volatile commodity assets for example.

**(3 marks for each correctly stated function. 3 marks for each correct and completely stated explanation. Maximum of 1 explanation to be graded under each function. Sub-Total per function: 6 marks. Maximum of 3 to be graded. Grand Sub-Total: 30 marks)**

- (b) The functions of the Chief Risk Officer (CRO) in an insurance organisation are:
- to support the CEO in the responsibility of risk management;
  - responsible for developing ERM with adequate policies and processes for managing risks at all levels of the firm;
  - to be knowledgeable on the quantitative side of risk management; and
  - an understanding of the behavioural aspects of risk.

**(4 marks for each correct and completely stated function. Maximum of 3 to be graded. Sub-total: 12 marks)  
(Grand Total: 30 marks)**

## **Chief Examiner's Comments**

### **Question 1**

This question examined candidates' knowledge of the Industry. All the 108 candidates attempted the question (100%) but the passed rate was 19.4%. The candidates are advised to be conversant or familiar with Industry affairs/matters.

### **Question 2**

The question examined the candidates' knowledge of the National Income Estimation. Out of the 108 candidates that attempted the question, only 42 candidates representing 38% passed. This was a direct question from the coursebook.

### **Question 3**

The question examined the candidates' knowledge of a planned economy. Of the 108 candidates who attempted the question, only 50% passed (the percentage attempt was 100%). The candidates are expected to be conversant with the coursebook since some of the questions are directly from the coursebook.

### **Question 4**

The question examined candidates' knowledge of macro-economic principles of devaluation and inflation. All the 108 candidates attempted the question and the pass rate of 92% was highly encouraging.

### **Question 5**

The question examined candidates' knowledge of Corporate Social Responsibilities (CSR) of organisations. All the candidates (108) attempted the question and the pass rate was 58%. This was a direct coursebook question. The candidates should do better.

### **Question 6**

The question examined candidates' knowledge of firms outsourcing and offshoring of certain functions. 100% of the 108 candidates attempted the question. The pass rate of 85% is very encouraging.

### **Question 7**

The examiner examined candidates' knowledge of differences between fixed costs and variable costs. This is a simple and direct question from the coursebook. The question was well attempted by candidates (about 98%) while the pass rate was impressive (about 75%). Candidates are advised to keep it up and ensure they cover every aspect of the syllabus in their examinations preparations.

### **Question 8**

The question examined candidates' knowledge of the components of marketing mix. All the candidates attempted the question and the pass rate was well above 80%. Only few candidates could not obtain full marks from the question. Candidates expended much time by writing excessively in the question that does not require such. Candidates are advised to ensure that they follow instruction in order to save time for the question answering(s).

**Question 9**

Candidates' knowledge was tested on the terms credit and investment multiples. About 70% of the candidates attempted the question but less than 30% obtained pass mark. Candidates are advised to study harder and ensure that they cover every aspect of the syllabus while preparing for future examination.

**Question 10**

The question examined candidates' understanding of SWOT analysis application to business strategy. About 82% of the candidates attempted the question whereas about 50% obtained a pass mark. Many answers supplied by the candidates were not related as some of them used general knowledge, which show lack of adequate preparation this type of question.

**Question 11**

The examiner examined candidates' knowledge about the risk management cycle. The question was attempted by 75% of the candidates whereas about 55% obtained pass mark. Many candidates did not follow examiners instruction to use a simple diagram to explain the cycle. Candidates should know that instruction is part of the examination and must be followed.

**Question 12**

The question examined candidates' understanding about "public goods and "merit goods. About 80% of the candidates attempted the question whereas only about 55% obtained pass mark. Many candidates could not cite a good example of public goods and merit good. Candidates are advised to study smarter and ensure that they cover every aspect of the syllabus while preparing for the examination.

**Question 13**

The question examined candidates' knowledge of risk management. 83% of the candidates attempted the question while only 31% passed. Despite being a coursebook question, the attempt was very poor.

**Question 14**

This question examined candidates' knowledge of the basic economic problems. 91% of the candidates attempted the question, while the pass rate was 58%.

**Question 15**

This was an optional question examining candidates' knowledge of break-even analysis. Only 13 out of 108 candidates attempted the question, while the pass rate was 70%. The candidates are expected and advised to be conversant with calculation as is relates to economic analysis.

**Question 16**

The question examined candidates' knowledge of using graphs or curves as a tool of analysis. Over 100 of the 108 candidates attempted the question, while the pass rate was as low as 12%. Candidates are required to be conversant with the contents of their coursebooks.

**Question 17**

The question examined candidates' knowledge of types of corporate capital and capital structure. Only 28% of the candidates attempted the question while the pass rate was 47%.

**Question 18**

This question examined candidates' knowledge of some basic risk management terms. 94% of the candidates attempted the question, while the pass rate was about 60%.

**Comments on Overall Performance**

The overall performance of success by the candidates is just on the average. If the candidates are more conversant with the coursebook, the performance will be better.

**Suggestions on Improvement (if any)**

Candidates are encouraged to study smarter, deeper and more engagingly from now anytime they prepare for examination.





CHARTERED INSURANCE INSTITUTE OF NIGERIA  
INTERMEDIATE

APRIL 2024 DIET EXAMINATION PAPER

SUBJECT I05  
BUSINESS STATISTICS AND OPERATIONS RESEARCH

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

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

**FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL)  
WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2024  
DIET CANDIDATES' INSTRUCTIONS.**

CHARTERED INSURANCE INSTITUTE OF NIGERIA

I05 - BUSINESS STATISTICS AND OPERATIONS RESEARCH

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

Part I - 140 marks.

Part II - 60 marks.

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

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

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

It is important to show each step in any calculation, even if you have used a calculator.

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

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

1. The Nigerian Insurance Industry is an amalgam of different trade associations and professional bodies. You are required to list any five (5) of them and the arm of the industry they belong to.

**Solution**

The different trade associations and the arm of the Nigerian insurance industry that the trade associations belong to are:

S/N	Trade Association of Professional Body	Arm of the Industry
1	Professional Reinsurance Association of Nigeria (PRAN)	Reinsurance
2	Nigerian Council of Registered Insurance Brokers (NCRIB)	Broking/ Insurance Brokers
3	Nigerian Insurers Association (NIA)	Registered Insurers
4	Chartered Insurance Institute of Nigeria (CIIN)	Insurance Education
5	Association of Registered Insurance Agents of Nigeria (ARIAN)	Insurance Agency / Agents
6	Institute of Loss Adjusters of Nigeria	Loss Adjusting/Loss Adjusters
7	Nigerian Actuarial Society	Actuaries
8	National Association of Insurance Consumers in Nigeria	Buying Public/ insurance buyers

(1 mark each (or correctly named trade association/professional body and 1 mark each for stating the arm of the industry correctly, total mark for each point 2 marks. Maximum of 5 Associations to be graded. Total: 10 marks)

2. (a) Differentiate between non-parametric statistics and sequential analysis. (6 marks)  
 (b) Outline any four (4) areas of the economy of a nation where “statistics” can be applied. (4 marks)

**Solution**

**Non Parametric Statistics** is the branch of statistics that is not based solely on parameterized families of probability distributions. (3 marks) While **sequential analysis** is statistical analysis where the sample size is not fixed in advance. (6 marks) (Sub-Total: 6 marks)

- (b) The areas of the economy of a nation where “statistics” can be applied are:  
 \* Insurance; \* Manufacturing Industry; \* Agriculture; \* Economics;  
 \* Planning \* Medicine; \* Modern applications.  
 (1 mark for each correctly stated area. Maximum of 4 to be graded. Sub-Total: 4 marks)  
 (Grand Total: 10 marks)

3. (a) Differentiate between a finite and an infinite population. (6 marks)  
 (b) State any two (2) advantages of census method. (4 marks)

**Solution**

(a) A population is said to be **finite** if it consists of finite number of units, or unit that are countable in nature. (3 marks). While, a population is said to be **infinite** if it has infinite number of units i.e. unit not countable and can take value at certain range (3 marks).  
 (Sub-Total: 6 marks)

- (b) The advantages of census method are:
1. the data are collected from each and every item of the population;
  2. the results are more accurate and reliable, because every item of the universe is required;
  3. intensive study is possible;
  4. the data collected may be used for various surveys, analyses, e.t.c.

**(2 marks for each correct and completely stated advantage. Maximum of 2 to be graded. Sub-Total: 4 marks)**  
**(Grand Total: 10 marks)**

4. Enumerate explicitly any four (4) reasons why a researcher/an enumerator will prefer the use of a sample to the use of an entire population.

**Solution**

A researcher/an enumerator will prefer the use of a sample to the use of an entire population because:

1. complete enumerations are practically impossible when the population is infinite;
2. when the results are required in a short time (sample saves time);
3. when the area of survey is wide (large scope);
4. when resources for survey are limited particularly in respect of money and trained persons (saves cost);
5. when the item or unit is destroyed under investigation (destructive nature of items under study).

**(2½ marks for each correct and completely stated reason. Maximum of 4 to be graded. Total: 10 marks)**

5. Explicitly outline any four (4) advantages of using random numbers.

**Solution**

The advantages of using random numbers are:

- personal bias is eliminated as a selection depends solely on chance;
- a random sample is in general a representative sample for a homogenous population;
- there is no need for the thorough knowledge of the units of the population;
- the accuracy of a sample can be tested by examining another sample from the same universe when the universe is unknown;
- this method is also used in other methods of sampling.

**(2½ marks for each correct and completely stated advantage. Maximum of 4 to be graded. Total: 10 marks)**

6. (a) Apart from direct personal interview, list any two (2) methods of collecting primary data. **(4 marks)**  
(b) Explicitly enumerate any three (3) advantages of direct personal interviews. **(6 marks)**

**Solution**

- (a) Other methods, apart from direct personal interview, of collecting primary data are:

- \* indirect oral interviews;                      \* information from correspondents;
- \* mailed questionnaire method;              \* schedules sent through enumerators.

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

- (b) The advantages of direct personal interviews are:
1. People willingly supply information because they are approached personally. Hence, more response noticed in this method than in any other method.
  2. The collected information are likely to be uniform and accurate. The investigator is there to clear the doubts of the informants (respondents).

3. Supplementary information on informant's (respondent's) personal aspects can be noted. Information on character and environment may help later to interpret some of the results.
4. Answers for questions about which the informant (respondent) is likely to be sensitive can be gathered by this method.
5. The wordings in one or more questions can be altered to suit any informant (respondent). Explanations may be given in other languages also. Inconvenience and misinterpretations are thereby avoided.

**(2 marks for each correct and completely stated advantage. Maximum of 3 to be graded. Sub-Total: 6 marks)  
(Grand Total: 10 marks)**

7. Enumerate any five (5) characteristics of a good questionnaire.

**Solution**

The characteristics of a good questionnaire are:

1. Number of questions should be minimised.
2. Questions should be in logical orders, moving from easy to more difficult questions.
3. Questions should be short and simple.
4. Technical terms and vague expressions capable of different interpretations should be avoided.
5. Questions fetching YES or NO answers are preferable. There may be some multiple choice questions requiring lengthy answers are to be avoided.
6. Personal questions and questions which require calculations should be avoided.
7. Question should enable cross check. Deliberate or unconscious mistakes can be detected to an extent.
8. Questions should be carefully framed so as to cover the entire scope of the survey.
9. The wording of the questions should be proper without hurting the feelings or rousing resentment.
10. Leading questions should be avoided.

**(2 marks for each correct and completely stated characteristic. Maximum of 5 to be graded. Total: 10 marks)**

8. Outline any three (3) advantages and two (2) disadvantages of the arithmetic mean.

**Solution**

The advantages of arithmetic mean are:

1. It is rigidly defined.
2. It is easy to understand and easy to calculate.
3. If the number of items is sufficiently large, it is more accurate and more reliable.
4. It is a calculated value and is not based on its position in the series.
5. It is possible to calculate even if some of the details of the data are lacking.
6. Of all averages, it is affected least by fluctuations of sampling.
7. It provides a good basis for comparison.

**(2 marks for each correct and completely stated advantage. Maximum of 3 to be graded. Sub-Total: 6 marks)**

The disadvantages of arithmetic mean are:

1. It cannot be obtained by inspection nor located through a frequency graph.
2. It cannot be in the study of qualitative phenomena not capable of numerical measurement i.e. Intelligence, beauty, honesty etc.
3. It can ignore any single item only at the risk of losing its accuracy.

4. It is affected very much by extreme values.
5. It cannot be calculated for open-end classes.
6. It may lead to fallacious conclusions, if the details of the data from which it is computed are not given.

(2 marks for each correct and completely stated disadvantage. Maximum of 2 to be graded. Sub-Total: 4 marks)

(Grand Total: 10 marks)

9. (a) In mathematical expressive terms/equation, state the basic rules of probability. (6 marks)
- (b) In a certain company, two training workshops are available in a month. An employee has 0.65 probability of being selected to attend the first, 0.25 probability of attending the two workshops. What is the probability that an employee selected will attend the second workshop? (4 marks)

**Solution**

- (a) In mathematical expressive terms/equation, the basic rules of probability is:

Let event A be in sample space S, then (1 mark)

(i)  $P(A) \geq 0$  (1 mark)

(ii)  $P(S) = \sum P(A_i) = 1$  (1 mark)

Then for every event A

$$0 \leq P(A) \leq 1 \quad (1 \text{ mark})$$

$$P(A^c) = 1 - P(A) \quad (1 \text{ mark})$$

Where  $A^c$  means "not in A" (1 mark)

(Sub-Total: 6 marks)

- (b) Let  $M_1$  be the event he attends the first workshop  
Let  $M_2$  be the event he attends the second workshop  
 $P(M_1) = 0.65, P(M_1 \cap M_2)$

$$P(M_2/M_1) = \frac{P(M_1 \cap M_2)}{P(M_1)} \quad (2 \text{ marks})$$

$$= \frac{0.25}{0.65} = 0.3846 \quad (2 \text{ marks})$$

(Sub-Total: 4 marks)

(Grand Total: 10 marks)

10. There are seven stages in operational research. State and briefly explain any five (5) of these stages.

**Solution**

The stages in operational research are:

a. **Definition of Problems and Objectives:** there has to be a clear objective which should be that, the result of the Study will form the basis or managerial decision had in to an improvement in the way in which the business is run.

b. **Identification of Variables:** the decision variables are the key to a convenient formulation of the problem. The variables must be carefully chosen so as not to get a clumsy problem.

- c. **Construction of a Model:** having identified the variable, a model must be developed which hopefully can be solved through the appropriate techniques. The model developed must be of the, real world situation under study.
- d. **Manipulation of the Model to Produce Solution:** after the construction of the model the next thing is to provide Solution by a standard mathematical means using a recognised operations research method.
- e. **Testing the Model and the Solution:** the solution given to the model must satisfy the constraints and must get the support for the current organisational objective after the operations research experts must have interpreted the results.
- f. **Implementation of Final Solution:** after careful interpretation of the results of the operations research study, the resulting solution would be implemented.
- g. **Review and Maintenance:** after implementation the performance of the model should be carefully monitored to ensure that it actually does work and fulfill its objective.  
**(1 mark for each correctly stated stage. 1 mark for each correct and completely stated explanation. Sub-Total per stage: 2 marks. Maximum of 5 to be graded. Grand Total: 10 marks)**

11. List any four (4) limitations to an operations research approach.

**Solution**

The limitations to an operations research approach are:

- it is often difficult to balance the requirement of reality and simplicity;
- the quality of data collection may be poor;
- the quality of data collection may be inaccurate;
- in many cases, the solution of operations research problems is restricted by the lack of a suitable solution technique;
- the derived solution may be sub-optimal;
- the boundary of the problems may be too narrow.

**(2½ marks for each correct and completely stated limitation. Maximum of 4 to be graded. Total: 10 marks)**

12. (a) What is “linear programming”? (2 marks)  
 (b) There are usually four basic requirements for the use of a linear programming technique. List and briefly explain these four (4) basic requirement. **(8 marks)**

**Solution**

(a) Linear programming is a mathematical technique for finding the best uses of an organization resources. The term Linear programming refers to the use of certain mathematical technique to get the possible solution to a problem involving limited resources. **(2 marks)**

- (b) The basic requirements for the use of a linear programming technique are:
- **Objective Function:** The linear programming problem must have a quantitatively specified linear objective function or criterion to be optimised. The objective of the problem must first be identified and then translated into mathematical function in order to assess the degree of effectiveness of the system. The aim is to find the optimal value of the objective function.
  - **Decision Variable:** These are the unknown variables to be computed in the models. Decision variables, represent choices that are available to the decision maker and are measured in terms of inputs or outputs. Decision variables can be represented by unit power of alphabets like XI, X2 or X, Y, Z etc .(2marks)

- **Structural Constraints:** Decision problems involving the use of linear programming technique usually require the optimisation of limited resources. These limited resources are expressed as constraints in a linear.
- **Parameters:** A linear programming model has both the mathematical statement of the objectives as well as that of the constraints. These mathematical statements contain symbols representing the decision variables and also numerical values in the form of constants called parameters.

(1½ marks for correctly stated requirement. 1 mark for any correct and completely stated explanation under each requirement. Maximum of 1 explanation to be graded. Sub-Total per requirement: 2½ marks. Grand Total: 10 marks)

13. State any five (5) characteristics of the queuing system.

**Solution**

The characteristics of the queuing are:

- \* an arrival pattern;                      \* a service pattern;                      \* service channels;
  - \* a queuing discipline;                      \* a steady state or a transient state;                      \* a traffic intensity.
- (2 marks for each correctly stated characteristic. Maximum of 5 to be graded. Total: 10 marks)

14. (a) Enumerate any two (2) functions of statistics. (4 marks)  
 (b) Enumerate any three (3) major branches of statistical inference. (6 marks)

**Solution**

(a) The functions of statistics are:

- \* condensation;                      \* comparison;                      \* forecasting;                      \* estimation.

(2 marks for each correctly stated function. Or if explained, correctly explained function. Maximum of 2 to be graded. Sub-total: 4 marks)

(b) The major branches of statistical inference are:

- \* Estimation Theory;                      \* Tests of Hypothesis;
- \* Non-Parametric Tests;                      \* Sequential Analysis.

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

**Part II**

Answer TWO (2) out of the following FOUR (4) questions.

Each question carries 30 marks.

15. (a) Define the following terms:
- (i) census;                      (ii) frame;                      (iii) questionnaire. (9 marks)
  - (b) Explicitly enumerate three (3) reasons for data collection. (9 marks)
  - (c) Explain the following terms as it relates to this course:
    - (i) raw- scores;                      (ii) array;
    - (iii) frequency;                      (iv) cumulative frequency. (12 marks)

**Solution**

- (a) (i) **Census:** It is a complete enumeration of each and individual people in a geographical area, at a particular point in time e.g. 10 years interval. (3 marks)  
 (ii) **Frame:** It is a list or map or any acceptable material containing the population from which sample is drawn. (3 marks)  
 (iii) **Questionnaire:** It is a list of questions for purpose of investigation. (3 marks)  
 (Sub-Total: 9 marks)



- (b) The reasons for data collection are:
- to obtain information about a subject of interest;
  - to analyze for decision making;
  - to infer from analysis of data;
  - to enable numerical description of subject of interest.
- (3 marks for each correct and completely stated reason. Maximum of 3 to be graded. Sub-Total: 9 marks)**

- (c) (i) **Raw Scores:** Raw scores are collected data which have not been organised numerically. **(3 marks)**
- (ii) **Array:** is an arrangement of raw numerical data in ascending or descending order or magnitude. **(3 marks)**
- (iii) **Frequency:** is the number of times each value occurs. **(3 marks)**
- (iv) **Cumulative Frequency:** Successive addition of frequencies. **(3 marks)**
- (Sub-Total: 12 marks)**  
**(Grand Total: 30 marks)**

16. A resourceful home decorator manufactures two types of lamps, A and B. Both lamps go through two techniques, first a cutter and second a finisher. Lamp A requires 4 hours of cutter's time and 2 hours of the finisher's time. Lamp B requires 2 hours of cutter's time and 4 hours of the finisher's time. The cutter has 60 hours and finisher has 48 hours of available time each month. Profit on one lamp A is ₦8.00 and on one lamp B is ₦6.00. Assuming that he can sell all that he produces,
- (a) formulate the problem as a Linear Programming Problem (LPP). **(12 marks)**
- (b) Solve the LPP above – graphically or otherwise. **(18 marks)**

**Solution**

- Let X1 be number of Lamp A produced **( ½ mark)**  
 X2 be number of Lamp B produced **(½ mark)**  
 Profit of X1 will be 8X1 **(½ mark)**  
 Profit of X2 will be 6X2 **(½ mark)**

- Total time for cutter on Lamps A and B is  $4X1 + 2X2$  but cutter has available 60 hours.  
 $4X1 + 2X2 \leq 60$  Constraint 1 **(2 marks)**  
 Finisher time for Lamp A is  $2X1$  **(1 mark)**  
 Finisher's time for Lamp B is  $4X2$  **(1 mark)**  
 Total time for both Lamps A and B is  $2X1 + 4X2 \leq 48$ , since finisher has available 48 hours.  
 $2X1 + 4X2 \leq 48$  Constraint 2 **(2 marks)**

The LPP is:

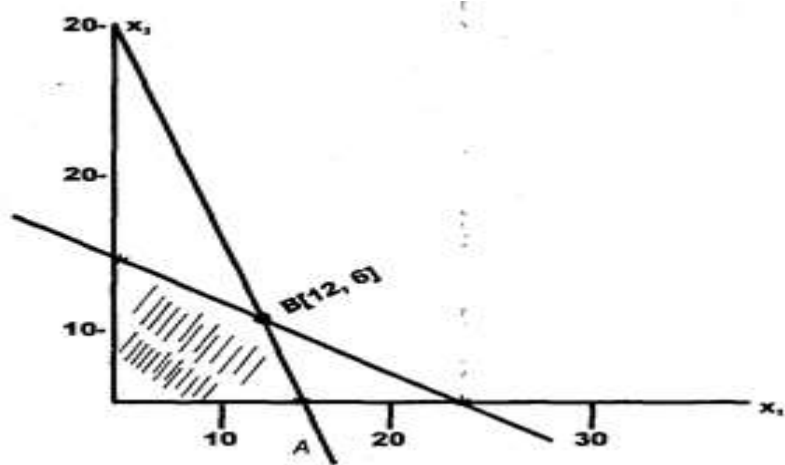
- Max Z=  $8X1 + 6X2$  **(1 mark)**  
 s.t  $4X1 + 2X2 \leq 60$  **(1 mark)**  
 $2X1 + 4X2 \leq 48$  **(1 mark)**  
 $x1, x2 \geq 0$  **(1 mark)**

**(Sub-Total: 12 marks)**

- (b)
- Step I:  $4X1 + 2X2 = 60$ .... (1) **(1 mark)**  
 $2X1 + 4X2 = 48$ .... (2) **(1 mark)**
- Step II:  $X1 = 0, X2 = 30$  i.e (0, 30) **(1 mark)**  
 $X2 = 0, X2 = 15$  i.e (15,0) **(1 mark)**

Points (0,30) and (15,0) will be used to draw the line of equation 1  
 For equation 2  $X_1 = 0, X_2 = 12$  (1 mark)  
 $X_2 = 0, X_1 = 24$  (1 mark)

Point (0,12) and (24,0) will be used to draw line for equation 2 (1 mark)  
 Point (0,12) and (24,0) will be used to draw line for equation 2 (1 mark)



(1 mark for line of equation 1)  
 (1 mark for line of equation 2)  
 (1 mark for the shaded region)

Step III: The area that satisfies the two equations (constraints) is shaded above: and the corner points O.A.B & C give the feasible region OABC'. The points are O (0,0) A (15,0) B (12,6) and C (0,12). (1 mark)

It must be noted that point B can be read from the graph, or it can be computed using simultaneous equation method.

Step IV: Test the four corners of the shaded area to see which point yields the maximum value of Z.  
 Point O (0,0) is  $8(0) + 6(0) = 0$  (1 mark)

Point A (15,0) is  $8(15) + 6(0) = 120$  (1 mark)

Point B (12,6) is  $8(12) + 6(6) = 132$  (1 mark)

Point C (0,12) is  $8(0) + 6(12) = 72$  (1 mark)

The greatest points is ZB = 132 with  $X_1=12$  and  $X_2=6$  (2 marks)

(Sub-Total: 18 marks)  
 (Grand Total: 30 marks)

17. (a) Define “time series”. (2 marks)  
 (b) State and explain the time series model. (6 marks)  
 (c) The table below shows the annual sales of a certain supermarket for the years 1972 to 1982:

Years	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Sale	25	18	23	16	18	14	19	20	22	17	20

- (i) Obtain the time plot for the data. (3 marks)  
 (ii) Use the method of least- squares to fit a line to the data. (14 marks)  
 (iii) Find the trend values. (5 marks)

**Solution**

(a) **Time Series:** is a set of qualitative reading of some variable or composite of variable arranged in chronological order of their occurrence. (2 marks)

(b) Time Series Model:

Additive model  $\rightarrow Y = T + S + C + I$  (1 mark)

Multiplicative model  $\rightarrow Y = T \times S \times C \times I$  (1 mark)

where  $Y =$  Original Value;

$T =$  Trend Value refers to the general direction in which the graph of time series appears to be going over a long interval of time. (1 mark)

$S =$  Seasonal Component refers to identical or almost identical patterns which a time series appears to follow during corresponding months of successive year. (1 mark)

$C =$  Cyclical Component refers to the long-term swings about a trend line or curve. (1 mark)

$I =$  Irregular Component refers to the sporadic motion of the time series due to change events e.g. flood, election, strikes, e.t.c. (1 mark)

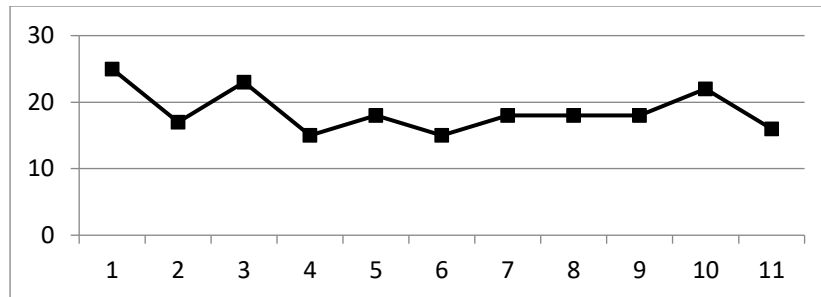
(Sub-Total: 6marks)

(c)

Year	X	Y	X <sup>2</sup>	XY	a+bx $\hat{y} = 20.32 - 0.21X$
1992	0	25	0	0	20.32
1993	1	18	1	18	20.11
1994	2	23	4	46	19.9
1995	3	16	9	48	19.69
1996	4	18	16	72	19.48
1997	5	14	25	70	19.27
1998	6	19	36	114	19.06
1999	7	20	49	140	18.85

2000	8	22	64	176	18.64
2001	9	17	81	153	18.43
2002	10	20	100	200	18.22

(4 marks)                      (4 marks)                      (5 marks)



(3 marks)

Called Schedule

$$n = 11 \quad \bar{n} = 5 \quad \bar{y} = 19.27$$

$$Y = a + bx \text{ (1 mark)}$$

$$b = \frac{n\sum xy - (\sum x)(\sum y)}{n\sum x^2 - (\sum x)^2} \text{ (1 mark)} = \frac{11(1037) - (55)(212)}{11(385) - (55)^2} \text{ (1 mark)} = -0.21$$

$$a = \bar{y} - b\bar{x} \text{ (1 mark)} = 19.27 - (-0.21)(5) = 20.32 \text{ (1 mark)}$$

$$\therefore Y = 20.32 - 0.21(x) \text{ (1 mark)}$$

(Sub-Total: 22 marks)  
(Grand Total: 30 marks)

18. (a) What does the following terms mean in this course:
- |                                |                       |              |
|--------------------------------|-----------------------|--------------|
| (i) experiment;                | (ii) sample space;    | (iii) event; |
| (iv) mutually exclusive event; | (v) independent event | (10 marks)   |
- (b) Three companies  $D_1$ ,  $D_2$ , and  $D_3$  produce lamp bulbs some of which are defective. The proportions of defective in each company  $D_1$ ,  $D_2$ ,  $D_3$  are respectively  $\frac{1}{2}$ ,  $\frac{1}{8}$ ,  $\frac{3}{4}$ . A company is selected at random and a bulb is drawn from it. If the selected bulb is found to be defective. What is the probability that it is from the first company? (10 marks)
- (c) In a certain college, 4% of the men and 1% of the women are taller than 1.8m, furthermore, 60% of the students are women. If a student is selected at random and is taller than 1.8m, what is the probability that the student is a woman? (10 marks)

**Solution**

(a) (i) **Experiment:** this is a statistical process of generating data in which the outcomes are unpredictable. For example, rolling of a die, sales of products per day, e.t.c. is an experiment. **(2 marks)**

(ii) **Sample Space:** this is the totality of all possible outcomes of an experiment. For example, if a fair die is roll the sample space S is given as  $S = (1,2,3,4,5,6)$ . **(2 marks)**

(iii) **Event:** it is a statement about one or more outcomes of an experiment. It is a subset of a sample space. **(2 marks)**

(iv) **Mutually Exclusive Event:** Two events A and B are said to be mutually exclusive if when event A occurs, event B cannot occur. Here we say the appearance of event A exclude the appearance of event B, for example, if we toss a coin and head turns up, then we cannot at the same time obtain a tail.  $P(A \cap B) = 0$ . **(2 marks)**

(v) **Independent Event:** Two events A and B are said to be independent if when even A occurs, it does not prevent the occurrence or non-occurrence of event B. **(2 marks)**

**(Sub-Total: 10 marks)**

(b)

$$P(D_1) = P(D_2) = P(D_3) = 1/3. \quad (1 \text{ mark})$$

Let K be the event that the bulb selected is defective.

$$P(K/D_1) = 1/2 \quad P(K/D_2) = 1/8 \quad P(K/D_3) = 3/4 \quad (1 \text{ mark})$$

$$P(D_1/B) = \frac{P(D_1) \cdot P(K/D_1)}{P(D_1) \cdot P(K/D_1) + P(D_2) \cdot P(K/D_2) + P(D_3) \cdot P(K/D_3)} \quad (1 \text{ mark})$$

$$= \frac{\frac{1}{3} \cdot \frac{1}{2}}{\frac{1}{3} \cdot \frac{1}{2} + \frac{1}{3} \cdot \frac{1}{8} + \frac{1}{3} \cdot \frac{3}{4}} \quad (1 \text{ mark})$$

$$= \frac{4}{11} \quad (1 \text{ mark})$$

$$= 0.3636 \text{ (0.364 approximately)} \quad (1 \text{ mark})$$

**(Sub-Total: 10 marks)**

Let  $A_1$  be the event he attends the first workshop **(1 mark)**

Let  $A_2$  be the event he attends the second workshop **(1 mark)**

$$P(A_1) = 0.45, \quad (1 \text{ mark}) \quad P(A_1 \cap A_2) = ?$$

$$P(A_2/A_1) = \frac{P(A_1 \cap A_2)}{P(A_1)} \quad (1 \text{ mark})$$

$$= \underline{0.35} \quad (1/2 \text{ mark})$$

$$0.45$$

$$= 0.77 \quad (1/2 \text{ mark})$$

**(Sub-Total: 10 marks)**

(c) Let  $A = \{ \text{the student who is taller than 1.8m} \}$ .

We want to compute  $P(W/A)$ , the probability that a student is a woman given that the student is taller than 1.8m.<sup>2</sup>

$$P(W) = 0.06 \quad (1 \text{ mark})$$

$$P(M) = 0.40 \quad (1 \text{ mark})$$

$$P(A/W) = 0.01 \quad (1 \text{ mark})$$

$$P(A/M) = 0.04 \quad (1 \text{ mark})$$

$$P(W/A) = \frac{P(W) P(A/W)}{P(W) P(A/W) + P(M) P(A/M)} \quad (3 \text{ marks})$$

$$= \frac{(0.06)(0.01)}{(0.06)(0.01) + (0.40)(0.04)} \quad (2 \text{ marks})$$

$$= 0.136364 \quad (1 \text{ mark})$$

**(Sub-Total: 10 marks)**

**(Grand Total: 30 marks)**

## **Chief Examiner's Comments**

### **Question 1**

Almost all candidates attempted this question with 96%. From the result it was discovered that 87% of the candidates have good knowledge of the question.

### **Question 2**

This question dealt with differences between non-parametric and sequential analysis. 91% of the candidate attempted the question while only 47% perform above average. This implies that candidate performance is below average.

### **Question 3**

All the candidates attempted this question and 87% of the candidate perform very well.

### **Question 4**

96% of the candidates attempted this question and 89% of the candidates perform relatively above average. The performance was good.

### **Question 5**

85% of the candidates attempted this question with a 40% pass rate. The question seem straight forward and easy to answer but most of the candidates did not get the right answers.

### **Question 6**

98% of the candidates attempted this question and 9% passed. The question was straight forward and easy to understand. The performance was excellent.

### **Question 7**

96% of the candidates attempted the question and 96% passed. This implies that all the candidates that attempted this question performed very well and score above average.

### **Question 8**

87% of the candidates attempted the question and 63% of the candidates passed. The question dealt with arithmetic mean which the candidates understood very well.

### **Question 9**

The question was about mathematical expression of equation and b part was on probability. 91% of the candidates attempted the question and 67% of the candidates scored above average.

### **Question 10**

89% of the candidates attempted the question and 76% of the candidate performed above average.

### **Question 11**

85% of the candidates attempted this question with a 50% pass rate notwithstanding the fact that the question was straight forward.

**Question 12**

74% of the candidates attempted this question and only 23% of the candidates that attempted this question performed above average.

**Question 13**

This question examined the knowledge of candidates on queuing system. 85% of the candidates attempted the question and 35% of them passed above average.

**Question 14**

This question was divided into part (a) and (b). Part (a) examined the knowledge of the candidates on functions of statistic and the (b) part examined them on the branches of statistical inference. 98% of the candidates attempted the question and 41% perform above average.

**Question 15**

66% of the candidates attempted this question and 13% performed above average. This shows that the performance on this question is not encouraging.

**Question 16**

This question examined candidates on the formulation of linear programming problem. 34% of the candidates attempted this question and 50% of the candidates who attempted this question performed above average.

**Question 17**

This question examined candidates on time series with time plot of data and the use of least square method. 17% of the candidates attempted the question and 38% of the candidate that attempted the question performed above average.

**Question 18**

This question examined candidates on definition of terms in probability and its practical application of probability. 77% of the candidates attempted this question and only 33% of them scored above average.

**Comments on Overall Performance**

The overall performance of the candidate is not encouraging.

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

Candidates should endeavor to study much deeper and understand what they are studying. They are encouraged to adequately prepare for the examinations and learn to deplore the use of the study material adequately.





CHARTERED INSURANCE INSTITUTE OF NIGERIA  
INTERMEDIATE

APRIL 2024 DIET EXAMINATION PAPER

SUBJECT I06  
OPERATIONAL MANAGEMENT

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

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

**FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL)  
WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2024  
DIET CANDIDATES' INSTRUCTIONS.**

CHARTERED INSURANCE INSTITUTE OF NIGERIA

I06 - OPERATIONAL MANAGEMENT

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

Part I - 140 marks.

Part II - 60 marks.

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

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

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

It is important to show each step in any calculation, even if you have used a calculator.

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

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

1. Enumerate the main categories of insurance firms in Nigeria and their capital requirements by NAICOM as at December 31, 2023.

**Solution**

The main categories of insurance firms in Nigeria and their capital requirements by NAICOM as at December 31, 2023 are:

- Life Insurance Company:                ₦2billion;
- General Insurance Company:            ₦3billion;
- Composite Insurance Company:        ₦5billion
- Reinsurance Company:                  ₦10billion

**(2½ marks for each correctly stated capital. Sub-Total: 10 marks)**

2. Explicitly state any two (2) main reasons why effective management of stress is becoming important to organisations.

**Solution**

The main reasons why effective management of stress is becoming important to organisations are:

- staff absence through the effects of stress is on the increase;
- industrial tribunals are actively looking at stress cases;
- the health & safety executive is increasingly taking the stress issue very seriously.

**(5 marks for each correct and correctly stated reason. Maximum of 2 to be graded. Total: 10 marks)**

3. If Managers are to perform effectively, it is important they look at the management of conflict in systematic stages. Enumerate any four (4) of the stages of conflict resolution.

**Solution**

It is helpful to look at the management of conflict in the following stages:

- recognise that differences are inevitable;
- recognise the symptoms of conflict;
- diagnose the conflict situation;
- encourage attitudes conducive to resolving conflicts;
- be aware of your own style of handling conflict;
- skillfully intervene to promote resolution of differences.

**(2½ marks for each correct and correctly stated stage. Maximum of 5 to be graded. Total: 10 marks)**

4. Balanced scorecard measures the performance of an organisation from four perspectives. What are these four (4) perspectives?

**Solution**

The four perspectives are:

- \* financial perspective;
- \* customer perspective;
- \* internal perspective;
- \* learning and growth.

**(2½ marks for each correct and correctly stated perspective. Total: 10 marks)**

5. Performance standard may be quantitative or qualitative. Briefly explain, in two (2) sentences each, the two terms as it relates to performance standard and give an example of each.

### **Solution**

Performance standards may be:

- quantitative: e.g. amount of premium earned, market shares etc;
- qualitative: e.g. attitudes of employees and customers.

**Candidates are required to briefly explain the standards. 2 marks for each correctly stated standard. 2 marks for the correct and complete explanation. 1 mark for each correctly stated example. Sub-Total per standard: 5 marks. Grand Total: 10 marks)**

6. Post-implementation review meeting of a project is critical.
- (a) What is the meaning of post-implementation review meeting? **(1 mark)**
- (b) Concisely and explicitly enumerate any three (3) objectives of a post-implementation review meeting of a project. **(9 marks)**

### **Solution**

(a) Post-implementation review meeting means assessing how successful the project has been and identifying the lessons learnt which may be of benefit in the future. **(1 mark)**

- (b) The review meeting should have the following objectives:
- check the project stood up to the business case and identify any key variances;
  - identify and list all the issues the project had to contend with;
  - review the project's budget spend;
  - review what the project actually achieved and capture learning points.
- (3 marks for each correct and completely stated objectives. Maximum of 3 to be graded. Sub-Total: 9 marks)  
(Grand Total: 10 marks)**

7. Call centers are used to handling a wide range of customer relationship issues like Tele-Sales and Tele-Marketing. Briefly explain the two (2) terms to show difference in meaning and give an explicit example of each.

### **Solution**

The two terms to show difference in meaning are:

- telesales: whereby sales agents will fulfil sales roles over the telephone;
- telemarketing – whereby marketing agents will make potential customers to be aware of products and services over the telephone.

**(Candidates are required to also give examples. 3 marks for correct explanation. 2 marks for correct example. Sub-Total per term: 5 marks. Grand Total: 10 marks)**

8. (a) What does the phrase “service level agreements” (SLAs) mean?”
- (b) Enumerate any two (2) reasons why SLAs can be expected to grow in relationship management with customers.

### **Solution**

(a) Service Level Agreement (SLA) means a document **(1 mark)** that outlines a commitment **(1 mark)** between a service provider **(1 mark)** and a client **(1 mark)**, including details and standards of the service to be provided **(1 mark)**. **(Sub-Total: 5 marks)**

- (b) Their use can be expected to continue to grow for two key reasons:
- people now want to know what level of service they can expect from organisations; and
  - for businesses that outsource part of their operations, the level of service to be delivered will be built into the supplier contract.

(2½ marks for each correct and completely stated reason. Maximum of 2 to be graded. Sub-Total: 5 marks)  
(Grand Total: 10 marks)

9. Coaching can be used to help people fill their required development gaps.
- (a) What is Development Gap? (3 marks) (b) What is coaching? (3 marks)
- (c) Give an example of each. (4 marks)

**Solution:**

(a) A **development gap** is the difference between what people need to know to do their job well or to progress, and their current level of knowledge.

(b) **Coaching** is a process of regular and continuous discussion, that helps an individual to identify, develop and reach performance goals (3 marks)

(c) Examples of (i) development gap are skills, knowledge, experience, e.t.c. (2 marks for any correct example) and

(ii) those of coaching are management coaching or directive coaching, Achievement coaching or nondirective coaching. (2 marks for any correct example).

(Grand Total: 10 marks)

10. “Person Specification” in recruitment identifies the attributes to be looked for at the interview in the person being interviewed. Enumerate any five (5) of these attributes.

**Solution**

The attributes of the person to be looked for at recruitment are:

- physical make-up;
- educational and business attainments;
- general intelligence – e.g. communication abilities, flexibility, problem solving;
- special aptitudes – e.g. computing skills, sales and selling;
- interests;
- disposition – e.g. ability to inter-relate with others, team working, leadership abilities, dependability, integrity;
- circumstances – e.g. flexibility to work overtime, mobility, driving license.

(2 marks for each correct and completely stated attribute. Maximum of 5 to be graded. Total: 10 marks)

11. One of the competencies for a Manager is his/her ability to improve performance. Explicitly enumerate any two (2) actions that he /she will do in this regard.

**Solution**

In improving performance, a manager can do the following to improve performance:

- looks for ways to improve work methods: asks ‘how can this be done better?’;
- works to improve against own past performance;
- proactively learns new skills and develops self, for current role or progression.

(5 marks for each correct and completely stated action. Maximum of 2 to be graded. Total: 10 marks)

12. Performance-related rewards have become popular in recent years.
- (a) What does the phrase mean? (1 mark)
- (b) State any three (3) reasons for the recent popularity. (9 marks)

**Solution**

- (a) Performance-related rewards mean incentives and compensations given to an employee according to his/her performance or contribution to the organisation's goals. (1 mark)
- (b) Performance-related rewards have become popular for the following reasons:
- they fit with the development of a results-oriented culture;
  - they focus effort on the organisation's priorities;
  - financial rewards can be used as a substitute for lack of internal promotion opportunities;
  - they help to retain valuable individual employees.
- (3 marks for each correct and completely stated reason. Maximum of 3 to be graded. Sub-Total: 9 marks)  
(Grand Total: 10 marks)

13. Enumerate any four (4) benefits that can be got from an effective team.

**Solution**

The benefits of an effective team are:

- improved performance;
- a feeling of belonging and support;
- improved communication;
- improved problem solving; and
- increased commitment.

(2½ marks for each correct and completely stated benefit. Maximum of 4 to be graded. Total: 10 marks)

14. (a) Business components consist of three resources namely, material resources, financial resources and human resources. What does material resources mean? (2 marks)
- (b) "Tuckman Model" suggests that teams go through four stages of development. State the four (4) stages in the correct order. (8 marks)

**Solution**

- (a) Material resources are physical resources at the disposal of the business which can be used to help it to achieve its objectives. (2 marks)
- (b) The four stages that teams go through according to "Tuckman Model" are from Forming – Storming – Norming – Performing.  
(2 marks for each stage. Sub-Total: 8 marks)  
(Grand Total: 10 marks)

**Part II**

**Answer TWO (2) out of the following FOUR (4) questions.**

**Each question carries 30 marks.**

15. (a) Some leadership traits are associated with leadership effectiveness. Identify and briefly explain five (5) of these leadership traits. (20 marks)
- (b) Dr. John Adair's Action Centred Leadership identified three (3) key areas of leadership effectiveness namely: "the task; the team and the individual". Enumerate any five (5) components of "the task" needs that the leader should know. (10 marks)

## Solution

(a) These leadership traits are:

- **physical characteristics:** energy, age; height; weight and physical fitness;
- **personality:** dominance; aggression; self-confidence; creativity; stress tolerance and self-control;
- **social background:** economic and social status; education and job mobility;
- **work orientation:** need to achieve; initiative; empowerment of others and persistence;
- **intellectual abilities:** logical thinking; intelligence; judgment; linguistic ability and abstract reasoning;
- **social skills:** co-operation; amiability; people skills; diplomacy and supportiveness.

(2 marks for correctly stated trait. 2 marks for any correct example or explanation. Sub-Total per trait: 4 marks. Maximum of 5 to be graded. Grand Sub-Total: 20 marks)

(b) The components of “the task” needs that the leader should know are:

- define the team’s goals and objectives;
- ensure the appropriate resources are available;
- develop work plans and define team tasks;
- allocate the work and resources;
- control the work rate and quality;
- check performance against plans;
- adjust the plans as necessary.

(2 marks for correct and completely stated component. Maximum of 5 to be graded. Sub-Total: 10 marks)  
(Grand Total: 30 marks)

16. Team Managers should often sit regularly and talk with team members about the performance of the team members.

(a) Itemise any five (5) questions that will be useful for the discussion. (10 marks)

(b) Discuss the four (4) ways by which a team leader can help him/herself to perform better as a team leader. (20 marks)

## Solution

(a) The questions that will be useful for the discussion are:

- how do you see the key elements of your role?
- how will you know you have done each element well (hard and soft criteria)?
- talk about key objectives during the next period.
- in what ways might you, other team members and outsiders, help your performance?
- in what ways might you, other team members and outsiders, hinder your performance?
- what actions does each need to take?

(2 marks for each correct and completely stated question. Maximum of 5 to be graded. Sub-Total: 10 marks)

(b) The ways by which a team leader can help him/herself to perform better as a team leader are:

- **Use Your Boss:** ensure that you sit down together to review your success criteria and how you are doing;
- **Encourage Frank Feedback from Others:** ask others at all levels from time to time how they see you and your performance, and how they think you could improve;

- **Develop A Support Network:** get together with other leaders, formally or informally, to discuss common problems;
- **Monitor Your Stress Levels:** realise when stress is having an adverse effect and do something about it.

(3 marks for each correctly stated way. 2 marks for each correct and completely stated explanation. Sub-total per way: 5 marks. Grand Sub-Total: 20 marks)  
(Grand Total: 30 marks)

17. (a) Lack of willingness to take decisions leads to the growth of a host of procrastinating techniques and/or statements. For example, “I need more time to think this one over.” Enumerate any other five (5) of such similar statements. (10 marks)
- (b) T. Y Aroba identified six decision making styles. List and briefly explain the six (6) styles. (12 marks)
- (c) Enumerate four (4) actions that one should do when using brainstorming technique for individual decision making. (8 marks)

### Solution

- (a) Other five similar statement are:
- ‘You cannot rush into anything like this overnight.’
  - ‘This is not a suitable time to go ahead.’
  - ‘We ought to sit on this idea for a while.’
  - ‘We have done it this way before.’
  - ‘We have always done it this way in the past.’
  - ‘That is how I met it and it had always worked out fine’.
- (2 marks for any correct and completely stated way. Maximum of 5 to be graded. Sub-Total: 10 marks)

- (b) The six decision making styles identified by T. Y. Arroba are:
- **No Thought** : the decision is taken on a whim and without reason;
  - **Compliant**: the decision takes others’ expectations into account;
  - **Logical**: the decision follows a careful, objective evaluation of he alternatives;
  - **Emotional**: the decision is made on the basis of individual wants and likes;
  - **Intuitive**: the decision is made according to ‘gut’ feelings or intuition.
  - **Hesitant**: the decision is made slowly, without any sense of commitment.
- (1 mark for correctly stated style. I mark for correct and completely stated explanation. Sub-Total: 12 marks)

- (c) Brainstorming can be carried out on an individual basis by performing the following actions:
- writing down the problem;
  - writing down at least 20 ideas and their opposites;
  - using lateral thinking (looking at things in different ways);
  - evaluation of the ideas should follow later;
  - prioritising the ideas and choosing the best ones.
- (2 marks for each correct and completely stated action. Maximum of 4 to be graded. Sub-Total: 8 marks)  
(Grand Total: 30 marks)



18. (a) Control is a necessary management function at all levels in the management hierarchy. Enumerate the four (4) essential ingredients in Henry Fayol's definition of control. **(8 marks)**
- (b) Enumerate two (2) basic requirements that a manager must have in order to carry out his/her control functions. **(6 marks)**
- (c) Enumerate and explain the four (4) basic control process/cycle. **(16 marks)**

**Solution**

- (a) The four essential ingredients in Henry Fayol's definition of control are:
- In an undertaking, control consists in:
  - verifying whether everything occurs in conformity with the plan adopted;
  - verifying whether everything occurs in conformity with the instructions issued;
  - verifying whether everything occurs in conformity with the principles established;
  - verifying that it points out weaknesses and errors in order to rectify them and prevent recurrence;
  - ensuring that it operates on everything: things, people, actions.
- (2 marks for each correct and completely stated ingredient. Maximum of 4 to be graded. Sub-Total: 8 marks)**
- (b) The basic requirements that a manager must have in order to carry out his/her control functions are:
- plans, which indicate the targets or goals which the efforts of themselves and their subordinates should be directed towards achieving;
  - an organisation structure, in particular a clear indication of the managers responsible for the actual results achieved and deviations from plan (and the managers who should therefore have the authority to instigate corrective action);
  - a thorough understanding of what the whole process is all about.
- (3 marks for each correct and completely stated requirement. Maximum of 2 to be graded. Sub-Total: 6marks)**

C . The four basic control process or control cycle has five stages:

- making a plan: i.e. deciding what to do and identifying the desired results. Without plans there can be no control;
- recording the plan formally or informally, in writing or by other means, statistically or descriptively: the plan should incorporate standards of efficiency or targets of performance;
- carrying out the plan, or having it carried out by subordinates, and measuring actual results achieved;
- comparing actual results against the plans. This is sometimes referred to as the provision of feedback; evaluating the comparison and deciding whether further action is necessary to ensure the plan is achieved. Where corrective action is necessary, this should be implemented.

**(4 marks for each correct and completely stated process. Sub-Total: 16 marks)**

**(Grand Total: 30 marks)**

## **Chief Examiner's Comments**

### **Question 1**

The pass rate was 5%. The question was on the statutory NAICOM requirements which candidates appeared not familiar with.

### **Question 2**

The pass rate was 19%. The question was on the importance of stress management, which should be familiar with the candidates but from the responses, candidates depended more on residual knowledge.

### **Question 3**

The pass rate was 22%. Approach to the answering of the question was not technical; instead, candidates used personal understandings to answer the question.

### **Question 4**

The pass rate was 46%. The question was technical and straightforward. It centred on the balanced score card.

### **Question 5**

The pass rate was 48%. It was a straightforward question but not well responded to by the candidates. The question centres of definitions of terms which requires exactness.

### **Question 6**

The pass rate was 52%. The question was on post implementation review of project and it was fairly understood from the responses.

### **Question 7**

The pass rate was 57%. The question examined candidates on call centres. It was popular and friendly.

### **Question 8**

The pass rate was 8%. The question was on service-level agreement and it appeared not familiar to the candidates.

### **Question 9**

The pass rate was 43%. The question that examined on definitions was fairly attempted but the part on relevant examples was not.

### **Question 10**

The pass rate was 20% pass rate. The question was on "person specification" in recruitment. Candidates saw it as being technical as residual approach could not get the required marks.

**Question 11**

The pass rate was 30%. The question was on how managers could improve performance and candidates mixed it with personal improvement of staff.

**Question 12**

The pass rate was 45%. Performance related rewards should be friendly enough but the performance was average.

**Question 13**

The pass rate was 6%. Candidates should note that benefits within the team is different from benefits of team efforts. Candidates placed the former for the latter.

**Question 14**

The pass rate was 53%. Candidates were examined on Tuckman's model of team formation, which is direct but technical.

**Question 15**

The pass rate was 40%. Candidates were examined on leadership – an interesting topic. Better performance should have been supplied, if there had been optimal preparation by the candidates.

**Question 16**

The pass rate was 36%. The dismal performance recorded on this question on team management was unexpected.

**Question 17**

The pass rate was 58%. Candidates were examined on conflict management. The performance was just above average.

**Question 18**

The pass rate was 36% pass rate. Candidates were examined on control management.

**Comments on Overall Performance**

The overall performance was not too encouraging. Candidates should be ready to give all it takes to succeed in the examination.

**Suggestions on Improvement (if any)**

Candidates are encouraged to prepare more adequately to ensure performances that will secure them a pass in the examination. They need to study the more as the questions are friendly enough.



CHARTERED INSURANCE INSTITUTE OF NIGERIA  
INTERMEDIATE

APRIL 2024 DIET EXAMINATION PAPER

SUBJECT I07  
MARINE AND AVIATION INSURANCE

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

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

**FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL)  
WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2024  
DIET CANDIDATES' INSTRUCTIONS.**

CHARTERED INSURANCE INSTITUTE OF NIGERIA

I07 – MARINE AND AVIATION INSURANCE

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

Part I - 140 marks.

Part II - 60 marks.

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

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

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

It is important to show each step in any calculation, even if you have used a calculator.

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

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

1. Outline any five (5) sources of insurance information/data in any insurance market.

**Solution**

The sources of insurance information/data in any insurance market are:

- (i) The Regulators Office;
- (ii) Insurers Association (Nigerian Insurers Association, Institute of Loss Adjusters; Nigerian Council of Registered Insurance Brokers, e.t.c.)
- (iii) Chartered Insurance Institutes; (iv) Professional Insurance Associations;
- (v) Central Banks; (vi) Ministry of Finance (Insurance Department);
- (vii) Bureau of Statistics /Federal Office of Statistics;
- (viii) Insurance magazines, e.t.c.

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

2. (a) In respect of a claim, when does the right of subrogation accrue to a marine insurer? **(4 marks)**
- (b) In subrogation, enumerate the three (3) different types of claim where a marine insurer may recover from third parties. **(6 marks)**

**Solution**

a) The right of subrogation accrues to a Marine Insurer after he must have paid the claim.

**(4 marks)**

b) Three different types of claims where a marine underwriter may recover from third parties are:

- liabilities for damage in collision where the other vessel is at fault;
- recovery from parties under contract, such as ship owners' liability for damage to cargo;
- general average contributions to property sacrificed.

**(2 marks for each correct and completely stated type. 6 marks)**

**(Grand Total: 10 marks)**

3. Aviation insurance has four popularly used policy forms. List these four (4).

**Solution**

The four forms popularly used in Aviation Insurance are:

- AVN1C: hull and liability insurance.
- AVN16: US general aviation hulls.
- AVN20: US general aviation liabilities.
- Ariel: airport owners 'and operators' liabilities.

**(2½ marks for each correctly stated form. Grand Total: 10 marks)**

4. (a) Enumerate the three (3) other persons that are entitled to limit their respective liabilities under the convention for the Limitation of Liability for Maritime Claims 1976, apart from the shipowner. **(6 marks)**
- (b) Explain how the insurer benefit from the limitation of claims liability by these other persons. **(4 marks)**

### **Solution**

a) The three other persons that are entitled to limit their respective liabilities under the convention for the Limitation of Liability for Maritime Claims 1976 are the:

- \* charterer;                      \* manager or operator; and                      \* salvor.

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

b) Where the shipowner, the master and the charterer are sued for their fault in causing a particular collision, all the claims will be subject to one limitation amount **(2 marks)**; and the insurer benefits because he needs only to pay out a maximum of the and the limitation sum **(2 marks)**.  
**(Sub-Total: 4 marks)**

5. Concisely explain the following:

(a) facultative/obligatory reinsurance. **(4 marks)**

(b) surplus treaty or surplus line. **(6 marks)**

### **Solution**

a) Facultative/obligatory reinsurance is a contract where the insured can select which risks, they cede to the reinsurer and how much of each risk. **(2 marks)** The reinsurer is however obliged to accept all cessions made **(2 marks)**. It is often abbreviated as fac/oblig. **(2 marks)**

**(Maximum of 2 points to be graded. Sub-Total: 4 marks)**

b) Surplus treaty or surplus line is a reinsurance contract where the surplus of the reassured's retention is ceded up to an agreed amount. **(3 marks)** The reinsurers will normally base their participation on the retention of the ceding insurer. **(3 marks)** Once accepted, the reassured and the reinsurers pay their proportions of losses arising. **(3 marks)**.

**(Maximum of 2 points to be graded. Sub-Total: 6 marks)**

**(Grand Total: 10 marks)**

6. Enumerate any:

(a) two (2) aircrafts typically used for Air Taxi/Private Charter. **(4 marks)**

(b) three ((3) aircrafts used as passenger airlines scheduled operations. **(6 marks)**

### **Solution**

a. Aircraft used for private/air taxi charter are:

\* Beech King Air                      \* Cessna Citation

\* Bell Jet Ranger Helicopter   \* Eclipse 500 VLJ

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

b. Aircraft used as passenger airlines in scheduled operations are:

\* Fair Child Dornier 228;                      \* Airbus A330;

\* Airbus A340;                                      \* Boeing 747;

\* Boeing 747-400;                                \* Boeing 777;

\* Boeing 787 Dreamliner.

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

**(Grand Total: 10 marks)**

7. (a) In the course of risk placement by a broker, explain how 'failure to complete' arise. **(4 marks)**

(b) Briefly explain in any two (2) ways, how the challenge in (a) above may be resolved. **(6 marks)**

### Solution

a) "Failure to complete" sometimes arise in the course of risk by a broker, where some insurers consider the rate too low (2 marks). In such circumstance, the broker has to inform his principal before the attachment of the risk so that he may not be found negligent (2 marks).

(Sub-Total: 4 marks)

b) To resolve the challenge:

- the broker may contact another broker for assistance in another market which may accept the rate;
- the broker may increase the rate to place the balance of the risk but this may be to the displeasure of the insurers who had accepted the lower rate;
- the risk may be rewritten altogether to ensure its complete placement;
- the broker may resort to accommodation and oblige approach, where he simply asks the underwriters for help in accepting the risk, based on the existing goodwill between them.

(3 marks for any correctly stated way. Maximum of 2 to be graded. Sub-Total: 6 marks)

(Grand Total: 10 marks)

8. The overhead sun appears to move from the Tropic of Cancer to the Tropic of Capricorn. What dates does these occur (move from and arrive at)?

### Solution

The overhead sun moves from the tropic of cancer on 21 June (5 marks) and arrives at the Tropic of Capricorn on 22 December (5 marks).

(Grand Total: 10 marks)

9. (a) According to the Marine Insurance Act 1906, explain what is "Actual Total Loss".

(b) Is it possible for a missing ship to constitute a "total loss"? Justify your response.

### Solution

a) Actual total loss, according to the Marine Insurance Act 1906 is where the subject-matter insured is destroyed or so damaged (2 marks) as to cease to be a thing of the kind insured or where the assure, is irretrievably deprived thereof (2 marks). In the case of actual total loss, no notice of abandonment need be given (1 mark). (Sub-Total: 5 marks)

b) A missing ship can constitute a total loss (2 marks), when after the lapse of a reasonable time (1 mark), no news of her has been received, an actual total loss may be presumed (2 marks).

(Sub-Total: 5 marks)

(Grand Total: 10 marks)

10. Enumerate:

(a) the two (2) prominent cocoa processing plant in Nigeria. (6 marks)

(b) any two (2) produces from cocoa processing plants in Nigeria. (4 marks)

### Solution

a) The two prominent cocoa processing plant in Nigeria are

- Ede Cocoa Processing Plant in Osun State;
- Cross River State Cocoa Processing Plant.

(3 marks for each correctly stated plant. Sub-Total: 6 marks)

b) The cocoa processing plants in Nigeria produce the following cocoa products:

- \* cocoa powder; \* chocolate;
- \* cocoa butter; and \* cocoa cake.

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

(Grand Total: 10 marks)



11. (a) There are some important operators in the Marine Insurance Market of London. List any two (2) of these operators. (4 marks)
- (b) Marine insurers put their collected premiums to various uses. List any three (3) of these uses. (6 marks)

**Solution**

a) Important operators of the Marine Insurance Market of London are:

- Lloyd;
- The principal British Insurance Companies;
- The agencies and branches of many overseas companies;
- Underwriting agency companies writing on behalf of member companies and mutual associates.

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

b. The main uses that marine insurers put their collected premiums to are:

- payment of claims;
- payment of expenses;
- building reserve funds against future losses; and
- securing a margin of profit.

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

(Grand Total: 10 marks)

12. Fully define a “bill of exchange”.

**Solution**

A bill of exchange is an unconditional order in writing (2 marks), addressed by one person to another (2 marks), signed by the person to which it is addressed (2 marks), to pay on demand or at a fixed or determinable future time (2 marks), a sum certain in money, to or to the order of, a specified person or bearer (2 marks).

(Grand Total: 10 marks)

13. The assured in its duty of disclosure, may choose not to disclose some facts, unless asked by the marine underwriter. Explicitly state these two (2) groups of facts that the assured may choose not to disclose, unless asked.

**Solution**

In the duty of disclosure of the assured, the following facts may not be disclosed, unless asked by the marine underwriter:

- **facts of common notoriety**, such as appearing in the newspapers; and
- **facts which the underwriters should know** in the ordinary course of their business, such as trade wages, shipping routes, information in Lloyd’s Register

(5 marks on each correct and completely stated fact. Maximum of 2 to be graded. Grand Total: 10 marks)

14. (a) When does the contract of carriage come into existence in carriage by rail? (4 marks)
- (b) Enumerate the three (3) important reasons for a Rail Consignment Note? (6 marks)

**Solution**

a) The contract of carriage comes into existence as soon as the forwarding railway has accepted the goods for carriage with the consignment note (2 marks). The forwarding station signifies

acceptance of the goods by affixing to the consignment note, its stamp, bearing the date of acceptance (2 marks). (Grand Total: 4 marks)

b) The three important reasons for the consignment note are that:

- when stamped is the evidence of the marking and content of the contract;
- it is however, not a negotiable instrument or a document of title;
- it is a receipt for the goods and evidences the terms of the contract and thus a document of fundamental importance in regulation the contract of carriage between the parties.

(2 marks for each correct and completely stated reason. Sub-Total: 6 marks)

(Grand Total: 10 marks)

## Part II

Answer TWO (2) out of the following FOUR (4) questions.

Each question carries 30 marks.

15. The slip of a marine insurance broker usually contain some very important information. Enumerate and briefly explain any ten (10) of these important information.

### Solution

The important information often contained in the slip of a Marine Insurance Broker are:

- **type:** total loss, partial loss, all risks etc
- **form:** which policy form and appropriate institute clauses
- **insured:** name, address and business/occupation
- **period:** the term of insurance
- **interest:** subject-matter, hull, cargo or freight
- **sum insured or value:** value of subject-matter
- **situation:** trading area of vessel or voyage intended
- **condition:** various institute clauses required
- **premium:** usually designated as rates
- **brokerage:** usually a percentage of total gross premium
- **information:** broker's representation usually accompanied by a phrase 'not limit or warranty' (low)

(Candidates are required to correctly explain in one sentence any stated information. 2 marks for each correctly stated information. 1 mark for each correct explanative sentence. Sub-Total per information: 3 marks. Maximum of 10 to be graded. Grand Total: 30 marks).

16. (a) Surface currents occur in the two hemispheres. What causes these surface currents, and in what direction do they move in each of the two hemispheres? (9 marks)

(b) In the Northern hemisphere, enumerate any four (4) and three (3) different effects of warm and cold currents respectively on ship navigation, giving examples? (21 marks)

### Solution

a) What causes surface currents is the direction of the wind blowing on the sea surface. (3 marks). Ocean currents circulate around the subtropical high pressure area in a clockwise direction in the Northern hemisphere. (3 marks). It circulates in the anticlockwise direction in the Southern Hemisphere (3 marks)

b) The effects of warm currents are:

- Currents flowing from the Equator will be war,
- An example is the warm Gulf Stream which flows up the east coast of the United States and later becomes North Atlantic Drift.
- The effect on the Norwegian coast and ports, such as Narvice, is to keep them free from ice throughout the year.
- As it is a strong current, it increases ships speed moving in its direction.
- It has adverse effect on ships moving against its direction.

**(3 marks for each correctly stated effect. Maximum of 4 to be graded. Sub-Total: 12 marks)**

The effects of cold currents are as follows:

- Current flows the Article circle are cold currents.
- An example is the cold Labrador Current which flows from the Arctic Circle down the Labrador coast, bringing with it sea ice and icebergs.
- The ice and icebergs cause serious hazards cause to shipping off Newfoundland.
- The cold currents result in the additional hazard of sea fog when it meets the warm Gulf Stream off Newfoundland.

**(3 marks for each correctly stated effect. Maximum of 3 to be graded. Sub-Total: 9 marks)**

**(Grand Sub-Total: 21 marks)**

**(Grand Total: 30 marks)**

17. Briefly explain, in a minimum of five (5) complete sentences under each phrase, how the Marine Insurance Act 1906 describe:

- (a) variations in the voyage;                      (b) general average loss.

### **Solution**

The Marine Insurance Act 1906 describe:

a) variations in voyage as follows:

- where the place of departure is specified by the policy, and the ship instead sails from a different place, the risk does not attach;
- where the destination is specified by the policy, and the ship instead sails for a different destination, the risk does not attach;
- where the destination of the ship is voluntarily changed from the destination contemplated by the policy, after the commencement of the risk, there is said to be a change in the voyage;
- unless the policy otherwise provides, where there is a change of voyage, the insurer is discharged from liability as from the time when the determination to change it is manifested;
- it is immaterial that the ship may not in fact have left the course of the voyage contemplated by the policy when the loss occurs.

**(5 marks for each correct and completely stated description. Maximum of 3 to be graded. Sub-Total: 15 marks)**

b) general average loss as follows:

- a general average loss is a loss voluntarily incurred for the common safety and is made good proportionately by all parties concerned in the marine adventure;
- a general average loss is a loss caused by or directly consequential on a general average act. it includes general average expenditure as well as a general average sacrifice;
- there is a general average act where any extraordinary sacrifice or expenditure is voluntary and reasonably made or incurred in time of peril for the purpose of preserving the property imperiled in the common adventure;

- where there is a general average loss, the party on whom it falls is entitled, subject to the conditions imposed by maritime law, to a rate able contribution from the other parties interested as such contribution is called a general average contribution;
- subject to any express provision in the policy, where the assured has incurred a general average expenditure, he may recover from the insurer in respect of the proportion of the loss which falls upon him and in the case of a general average sacrifice, he may recover from the insurer in respect of the whole loss without having enforced his right of contribution from the other parties liable to contribute;
- subject to any express provision in the policy, where the assured has paid or is liable to pay a general average contribution in respect of the subject-matter insured, he may recover therefore from the insurer.

**(5 marks for each correct and completely stated description. Maximum of 3 to be graded. Sub-Total: 15 marks)**

**(Grand Total: 30 marks)**

18. (a) In exporting trade, the commercial invoice is of a main essence. What is this main essence? **(5 marks)**
- (b) Enumerate any five (5) of the key information normally stated on a commercial invoice. **(15 marks)**
- (c) What are the four (4) certificates that are used in exporting trade? **(10marks)**

### **Solution**

a) The main essence of the commercial invoice is that it is *the document made by the exporting company or a shipper* which is *a claim for payment for the goods under the commercial contract with the buyer*.

**(2½ marks for each bolded phrase. Sub-Total: 5 marks)**

b) The key information normally stated on the Commercial Invoice include the following:

- description of the goods;
- unit prices;
- total weight;
- terms of payment;
- packing details;
- shipping marks;
- packing list where several packages are involved in one consignment.

**(3 marks for each correctly stated information. Maximum of 5 to be graded. Sub-Total: 15 marks)**

c) The four (4) certificates that are used in export trade are:

- insurance certificate.
- certificate of origin.
- certificate of health, quality or inspection.
- certificate of blacklist.

**(2½ marks for each correctly stated certificate. Sub-Total: 10 marks)**

**(Grand Total: 30 marks)**

## **Chief Examiner's Comments**

### **Question 1**

The question was intended to examine candidates' knowledge of sources of insurance information/data in any insurance market. Attempt was excellent (100%). Performance was good at 70%.

### **Question 2**

The question was intended to examine candidates' knowledge on subrogation in marine claims. The attempt was excellent (100%). Performance was excellent at 85%.

### **Question 3**

The attempt was excellent at 92%, while the performance was just good at 60%. This shows fair good knowledge of the question but candidate must study their coursebooks very well for deeper knowledge.

### **Question 4**

The question was intended to examine candidates' knowledge on respective liabilities under the various Conventions for the limitation for marine claims and liabilities. The attempt was excellent (100%) however, performance was below average at 46%. This shows that the candidates did not have a clear knowledge of the question. Candidates should attend tutorials and study in-depth their coursebooks.

### **Question 5**

The attempt was excellent at 100%; however, the performance was just above average at 53%. Candidates should study their coursebooks and attend tutorials for better understanding of the course.

### **Question 6**

The attempt was excellent at 92% and performance was equally excellent. This showed that candidates had a good knowledge of the question.

### **Question 7**

The question was intended to examine the role of a broker in policing risk and challenges faced with low rate. The attempt was excellent at 83% and performance was good at 70%.

### **Question 8**

The attempt was excellent at 85% and performance was good at 72%. It showed that candidates had good knowledge of the question.

### **Question 9**

The attempt was excellent at 100% and performance was equally excellent at 83%. It showed that candidates had good understanding of the question.

**Question 10**

The question was intended to examine candidates' knowledge of cocoa plants and nuts produced in Nigeria. The attempt was excellent at 92% and performance was equally excellent at 83%.

**Question 11**

The attempt was excellent at 83% and all the candidates performed excellently well at 100%.

**Question 12**

The question was intended to examine on the definition of the bill of exchange. The performance and attempt were excellent with 100% and 83% result respectively.

**Question 13**

The attempt was excellent at 92% and performance was equally excellent at 92%. It can be deduced that the candidates understood the question.

**Question 14**

The attempt was excellent at 92%, however the performance was first average at 50%. This showed that the candidates did not really understand the question. Candidates are encouraged to read wide and attend tutorials for broader knowledge.

**Question 15**

The attempt and performance were excellent at 83% respectively. This showed that the candidates showed very good knowledge of the question.

**Question 16**

The attempt was excellent at 100%; however, the performance was just fairly good at 60%. Candidates should attend tutorials and diligently study their coursebooks.

**Question 17**

The attempt and performance were excellent at 100%. Candidates displayed good knowledge of the question. This showed that candidates displayed excellent knowledge of Marine Insurance Act (1906); general average and variations in the voyage.

**Question 18**

The attempt was very good at 70%; while the performance was equally very good at 67%. This showed that candidates displayed a good knowledge of the question.

**Comments on Overall Performance**

As stated under each of the questions above.

**Suggestions on Improvement (if any)**

Candidates should attend tutorials and diligently study their coursebooks for impressive performances at any diet examination.



CHARTERED INSURANCE INSTITUTE OF NIGERIA  
INTERMEDIATE

APRIL 2024 DIET EXAMINATION PAPER

SUBJECT I08  
AVIATION AND SPACE INSURANCE

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

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

**FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL)  
WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2024  
DIET CANDIDATES' INSTRUCTIONS.**

CHARTERED INSURANCE INSTITUTE OF NIGERIA

I08 – AVIATION AND SPACE INSURANCE

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

Part I - 140 marks.

Part II - 60 marks.

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

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

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

It is important to show each step in any calculation, even if you have used a calculator.

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



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

1. Outline any five (5) sources of insurance information/data in any insurance market.

**Solution**

The sources of insurance information/data in any insurance market are:

- (i) The Regulators Office;
- (ii) Insurers Association (Nigerian Insurers Association, Institute of Loss Adjusters; Nigerian Council of Registered Insurance Brokers, e.t.c.)
- (iii) Chartered Insurance Institutes; (iv) Professional Insurance Associations;
- (v) Central Banks; (vi) Ministry of Finance (Insurance Department);
- (vii) Bureau of Statistics /Federal Office of Statistics;
- (viii) Insurance magazines, e.t.c.

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

2. Enumerate any five (5) functions of the Directorate of Aerodrome and Airspace Standards (DAAS), which has as its objective: to ensure the provision of aviation safety and security at all Nigerian aerodromes and the airspace.

**Solution**

The functions of the Directorate of Aerodrome and Airspace Standards (DAAS) are:

- 1) Ensuring that aerodromes and airspace are safe and secure in accordance with the convention on International Civil Aviation and Nigerian Civil Aviation Regulations (hereafter referred to as “Nig. CARs”).
- 2) Reviewing ICAO state letters on the subject of Aerodromes and Airspace, and preparing response thereto and taking action thereon.
- 3) Notifying ICAO of differences between national regulations and SARPs contained in ICAO annexes 2,3,4,5,9,10,11,12,14,15,16 and 18.
- 4) Carrying out of aerodrome and heliport with the Nigerian Civil Aviation Act of 2006 and Nig. CARs.
- 5) Participation in site selection for construction of aerodromes.
- 6) Inspection of aerodrome operational activities including airside management, Aero-bridge operation, Aircraft slot Allotment, Carousels.
- 7) Oversight and licencing of ground handling operation and activities to ensure compliance with ICAO and National Standards, and best practices.
- 8) Ensure compliance of aerodrome operator / owner to the ICAO and National Standards of Bird / Wild life Management.
- 9) Conduct aerodromes related incident investigation.

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

3. Enumerate any four (4) of the main applications for which satellites are used.

**Solution**

The main applications for which satellites are used are:

- \* communication services;
- \* earth observation;
- \* science.
- \* meteorology;
- \* navigation systems; and

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

4. In aviation and space insurance, enumerate any four (4) categories that passenger claims may be divided into.

**Solution**

The categories that passenger claims may be divided into in aviation and space insurance are:

- Accident site survey and investigation.
- Survey of aircraft damage.
- Survey of engines and components.
- Meetings to discuss costs and settlement matters.
- Meetings with repairers.
- Meetings with owners and lessor.

**(2½ marks for each complete and correctly stated category. Maximum of 4 to be graded. Total: 10 marks)**

5. Enumerate any four (4) of the substantive elements that significantly govern air travels from the Warsaw Convention and Hague Protocols.

**Solution**

The elements are:

- 1) Definitions of Key Terms
- 2) Documents of Carriage
- 3) Liability of the Carrier
- 4) Provisions Relating to Combined Carriage
- 5) General and Final Provisions.

**(2½ marks for each correctly stated element. Maximum of 4 elements to be graded. Total: 10 marks)**

6. In relation to Aviation insurance, explain the following terms/phrases:

- (a) a deposition; **(3 marks)**
- (b) the purpose of a pre-trial conference; **(3 marks)**
- (c) the definition of “flight” under the Hague Convention 1970. **(4 marks)**

**Solution**

(a) a deposition is the proceeding in which the person requested to appear (the deponent) can be asked questions under oath by attorneys for any of the parties. The deposition testimony may be used at trial to discredit a deponent if their trial testimony conflicts with their prior deposition testimony. **(3 marks)**

(b) the purpose of a pre-trial conference is to determine whether a pre-trial settlement can be reached or if the action will ultimately go to trial. **(3 marks)**

(c) “Flight” under the Hague Convention 1970 is defined as commencing once the external doors of the aircraft are closed and lasts until the doors are opened for disembarkation. **(4 marks)**

**(Grand Total: 10 marks)**

7. State any four (4) of the market segments that the aviation and space insurance market is fundamentally divided into as it relates to the aerospace industry.

### Solution

The segments that the aviation and space insurance market is fundamentally divided into, as it relates to the aerospace industry, are:

- general aviation operators, including light aircraft operations;
- airline operators, both passenger and cargo operations;
- product manufacturers, airframe, engine and component manufacturers;
- airport owners/operators and third-party service providers at airports such as cleaners, caterers, refuellers and security providers;
- space vehicle launch and in-orbit.

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

8. (a) State any two (2) of the ways that deductible insurance can be arranged in aviation and space insurance. (4 marks)
- (b) (i) Under the aircraft laying-up returns clause, what return of premium will typically be made? (4 marks)
- (ii) When will this (in (b) (i) above) be usually made? (2 marks)

### Solution

(a) In aviation and space insurance, deductible insurance can be arranged in the following ways:

- reducing, by a fixed amount, the deductible on all aircraft
- reducing the deductible on all aircraft to the same level, irrespective of the type of aircraft
- limiting the total amount they could pay during any one year, irrespective of the number of claims.

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

(b) (i) **Seventy-five per cent** (2 marks) of the **difference between the hull flight rate and ground rate** (1 mark) **for any lay-up of 30 days or more** (1 mark).

(Sub-Total: 4 marks)

(ii) Return of premium will be made at expiry. (2 marks)

(Grand Total: 10 marks)

9. (a) What are the three axes that an aircraft has to be controlled in, which will cover three (3) main focal points around its centre of gravity? (6 marks)
- (b) In aviation, what does the term “free flight” refer to? (4 marks)

### Solution

(a) An aircraft has to be controlled in three axes covering **roll, pitch and yaw**.

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

(b) Free Flight refers to a situation **where aircrafts are able to select or change their own track, altitude and speed as they wish (within given parameters)** and **provide their own separation from other traffic when outside a terminal area with only minimal intervention from air traffic control**.

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

(Grand Total: 10 marks)

10. (a) Aviation insurers provide indemnity usually provided by third-party policies. What is this indemnity similar to in general insurance? (4 marks)
- (b) After the expiry of an aircraft policy, discounts can still be granted by the aircraft insurer(s). Name the two (2) types of such discounts. (6 marks)

**Solution**

(a) The indemnity provided by third-party policies issued by aviation insurers is similar to the cover provided by general insurers where the basic cover applies **when the insured becomes legally liable to pay for third-party personal injury (2 marks) and for third-party property damage (2 marks)**.  
 (Sub-Total: 4 marks)

(b) The types of discount that may be given after expiry of an aircraft policy are:

- \* no-claims bonus
- \* profit commission.

(2 marks for each correctly stated type. Sub-Total: 4 marks)

(Grand Total: 10 marks)

11. Enumerate any five (5) aspects that a claims adjuster must be satisfied with to validate a claim in aviation and space insurance.

**Solution**

In aviation and space insurance, the aspects that a claims adjuster must be satisfied with to validate a claim are:

- The aircraft was one of the aircraft insured under the policy.
- The policy was in effect when the accident occurred.
- The accident occurred within the geographical limits of the policy.
- The purpose of use to which the aircraft was being put at the time of the accident was a purpose of use covered by the policy.
- The pilot was a permitted pilot under the terms of the policy.
- None of the general exclusions apply or the general conditions have been breached.
- The proposed settlement represents an equitable settlement under the terms of the policy.

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

12. Complete the areas in the aviation industry that any four (4) of the following statutes apply to.

- (a) Air Carrier Access Act 1996;
- (b) Air Transportation Safety Act 1974
- (c) Aviation Security Improvement Act 1990
- (d) General Aviation Revitalization Act 1994 (GARA)
- (e) Air Transportation Safety and System Stabilization Act 2001
- (f) Aviation and Transportation Security Act 2001

**Solution**

S/No	Statutes	Applicable Areas
a.	Air Carrier Access Act 1996	relates to access of handicapped persons on airlines.
b.	Air Transportation Safety Act 1974	introduced requirement that all passengers be screened by weapon detecting procedures.
c.	Aviation Security Improvement Act 1990	strengthened passenger screening and required background checks of security personnel.
d.	General Aviation Revitalization Act 1994 (GARA)	discussed later in this chapter in Section F2B.
e.	Air Transportation Safety and System Stabilization Act 2001	set out a framework for the preservation and viability of the US air transport industry and a mechanism for compensation for victims of the events of 9/11.

f.	Aviation and Transportation Security Act 2001	established the Transportation Security Administration, following 9/11, giving it responsibility for security and law enforcement in the aviation industry.
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(2½ marks for each complete and correctly stated area. Maximum of 4 to be graded. Total: 10 marks)

13. (a) List the three (3) conventions in force related to offences committed on board an aircraft in flight? (6 marks)
- (b) List the two (2) insurance covers that are available in respect of cargo? (4 marks)

**Solution**

(a) The three (3) conventions in force related to offences committed on board an aircraft in flight are the:

- (1) Tokyo Convention 1963
- (2) Hague Convention 1970
- (3) Montreal Convention 1971.

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

(b) The insurance cover available in respect of cargo are **cargo liability** and **cargo all-risks**.

(2 marks for each correctly stated cover type. Sub-Total: 4 marks)

(Grand Total: 10 marks)

14. Enumerate any five (5) details that the schedule of an aviation/space insurance policy will have.

**Solution**

The details that the schedule of an aviation/space insurance policy will have are:

- \* Policy number
- \* insured's name and address
- \* Policy period
- \* details of the aircraft insured
- \* Uses covered
- \* geographical limits
- \* Pilots' proficiency requirements
- \* policy limits.

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

**Part II**

Answer TWO (2) out of the following FOUR (4) questions.

Each question carries 30 marks.

15. (a) Some documents are required to be carried in the aircraft in compliance with Article 29 of the Chicago Convention 1944 when an aircraft is engaged in international navigation. Enumerate any four (4) of these documents. (8 marks)
- (b) (i) List the three (3) sources by which law itself is created in the Aviation Industry. (6 marks)
- (ii) With four (4) explicitly stated reasons, explain why major aviation litigation take place in Federal Courts. (16 marks)

**Solution**

(a) The documents are required to be carried by an aircraft that is engaged in international navigation in compliance with Article 29 of the Chicago Convention 1944 are:

- (i) aircraft's certificate of registration and airworthiness
- (ii) appropriate licences for crew
- (iii) log book requirements

- (iv) radio station licence (if applicable)                      (v) passenger manifest  
(vi) cargo manifest  
**(2 marks for each correctly stated document. Maximum of 4 to be graded. Sub-Total: 8 marks)**

(b) The three sources by which law itself is created in the aviation industry are:

- (i) federal statutes, treaties, executive agreements  
(ii) common law  
(iii) State statutes.

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

(ii) The reasons why major aviation litigation take place in Federal Courts are:

- federal laws generally are involved;
- federal judges are more familiar with federal laws;
- federal court cases tend to move more quickly than state court cases;
- federal court juries are drawn from a wider pool of people than state court juries, thereby tending to lessen local biases;
- federal procedures are more uniform and allow for national as opposed to intra-state consolidation of cases;
- most aviation trial lawyers, both claimant and defence, prefer to be in federal courts.

**(4 marks for each correctly stated reason. Maximum of 4 to be graded. Sub-Total: 16 marks)**

**(Grand Total: 30 marks)**

16. (a) Captive insurers are generally domiciled in locations where legislation is specifically geared to their needs in aviation and space insurance. Concisely explain five (5) factors that govern the choice of location. **(20 marks)**
- (b) The rate used on a majority of aircraft used for hull coverage are usually based at a percentage of the agreed value of the aircraft. This rate depends on a number of factors. List and briefly explain any two (2) of these factors. **(10 marks)**

### **Solution**

(a) The factors that govern the choice of location are:

- domicile's experience of captives and reputation as a credible financial services centre
- availability of other necessary service companies (legal, accountancy, actuarial, banking, e.t.c.)
- reduced operating costs (cost of renting an office, wage level, e.t.c.)
- fiscal considerations including levels of corporation and personal tax
- accessibility in terms of travel
- accessibility in terms of communication networks
- beneficial regulatory framework.

**(4 marks for each correctly stated factor. Maximum of 5 to be graded. Sub-Total: 20 marks)**

(b) The factors that affects the rating of majority of aircraft for hull coverage are:

- \* aircraft type    \* use of the aircraft
- \* experience of pilots                                      \* past experience of the operator/insured

**(3 marks for correctly stated factor. 2 marks for each correct explanation on each. Sub-Total per factor: 5 marks. Maximum of 2 factors to be graded. Sub-Total: 10 marks)**

**(Grand Total: 30 marks)**

17. List and explain the two categories that space insurance coverages fall into.

**Solution**

Space insurance coverages fall into two categories. These are:

(i) **risks of physical loss, damage or failure:** is, itself, broken down into three distinct classes: pre-launch, launch and in orbit and finally in orbit. *Pre-launch insurance* applies while a satellite is being transported to the launch site and undergoing last minute testing, fuelling and mating with the launch vehicle for the purpose of launch. From the moment of launch the coverage converts to what is known as *launch and in-orbit insurance* (sometimes referred to as launch and early orbit insurance; the terms being generally interchangeable), which usually covers the satellite up until the first anniversary of the launch. After that a third coverage, known simply as *in-orbit insurance* comes into effect which covers the satellite, one year at a time, for the remainder of its life. Some insurers offer coverage for more than one year and many satellite operators choose to hedge their insurance procurement; buying some multi-year cover, as well as some one-year cover, thus reducing their insurance spend if the market were to harden and rates start to increase.

(2 marks for each complete and correctly stated point. Maximum of 3 points to be graded. 3 marks for the three bolded items. Sub-total: 15 marks)

(ii) **third-party liability risks:** For a launch to be conducted in a safe manner, minimising to the greatest extent possible any threat to public health or to the safety of persons or property.

The parties involved in launching activities agree to a no fault, inter-party waiver of liability for damage to, or injury suffered by, its own personnel or property while at the launch site.

One Party, most usually the licensee, process third party liability insurance for a limit of indemnity as required.

In particular, the third-party liability insurance must include the launching State as an insured party but, without exception where such insurance is a condition of the licence; all parties to the mission have to be covered. In many cases, the licensee, usually the launch contractor, will pass responsibility for the procurement of insurance to their customer, the satellite operator.

(2 marks for each complete and correctly stated point. Maximum of 3 points to be graded. 3 marks for the three bolded/coloured statements. Sub-total: 15 marks)

(Grand Total: 30 marks)

18. (a) Cyber risks are both first party and third party in nature and has been described as the biggest and most systemic risk facing the insurance market in the last half century. Enumerate two (2) examples each of first party risks and third-party risks. (8 marks)

(b) Fully explain the following between the Warsaw Convention System and the Montreal Convention 1999 as it relates to various conventions and protocols governing travels having interactions and similarities, which guide the affairs of air travels within member participating nations.

(i) the interaction; (12 marks) (ii) the similarities. (10 marks)

**Solution**

(a) **First Party Risks:** property damage, business interruption, theft and loss of data.

**Third Party Risks:** litigation, regulatory investigations  
(2 marks for each correctly stated example. Maximum of 2 points to be graded under each term. Sub-Total: 8 marks)

(b) (i) **The interactions are as explained below:**

The Montreal Convention prevails expressly over the Warsaw Convention system. Consequently, the Warsaw Convention, The Hague Protocol, the Guatemala City Protocol 1971 and the Montreal Additional Protocols 1–4 (commonly known as MAP 1–4), as well as the *Guadalajara Convention 1961*, will cease to have any effect in respect of international carriage which is now governed by the Montreal Convention. However, until all States have ratified the Montreal Convention, these conventions will coexist, raising thus questions as to which convention applies to the flight in question. This question is replied on the basis of the ‘highest common denominator’: the most recent applicable convention to which both the country of origin and destination are parties will apply. A few examples will illustrate this point.

A passenger is flying one way from Singapore to Cambodia on Singapore Airlines. Singapore as the place of departure has ratified the Warsaw Convention as amended by The Hague Protocol and as amended by MAP 4, as well as the Montreal Convention. Cambodia, as the country of destination has ratified the Warsaw Convention as amended by The Hague Protocol, but it has not ratified either the MAP 2 and MAP 4 or the Montreal Convention – the highest common denominator is the Warsaw Convention as amended by The Hague Protocol.

If the same passenger was flying a round trip from Singapore to Cambodia and back to Singapore, as Cambodia is an agreed stopping place and it is irrelevant for determining which convention applies. In this scenario, the place of origin and destination is Singapore and as such the Montreal Convention will apply since this is the most recently applicable convention in Singapore.

If the same passenger was flying one way from Singapore to Cambodia on a British Airways or any other European carrier, the Montreal Convention would apply by virtue of EU Regulation 2027/97 as amended by EU Regulation 889/2002. This is because the Montreal Convention applies to all European carriers irrespective of their actual routes.

However, the Montreal Convention only applies to **international carriage** and consequently, the existing rules relating to domestic carriage (or non-international carriage) will still apply subject, in the EU, to the aforementioned regulation, thus applying a modified version of the Montreal Convention to all carriage performed by community air carriers.

(4 marks for each complete and correctly stated point. Maximum of 3 to be graded. Sub-Total: 12 marks)

(ii) **The similarities are as explained below:**

The Montreal Convention includes large elements of the Warsaw Convention, as amended by The Hague Protocol, together with substantive provisions of MAP 4, the Guadalajara Convention and key elements of the IATA Inter-carrier Agreements.

However, the main feature of the Montreal Convention is that it clarifies a number of issues that have been litigated around the world. It deals clearly with the issue of postal items, for example, setting out in Article 2 that the carrier will only be liable to the relevant postal administration in



accordance with any rules applicable between the two parties. With this one exception, the Convention does not apply to the carriage of postal items. This approach can be contrasted with that under the Warsaw Convention which, while excluding postal claims, does not give guidance concerning how such claims should be dealt with.

Courts in the UK (*Barclay v. British Airways plc (2009)*) and the USA (*Baah v. Virgin Atlantic (2007)*) have decided that the judicial decisions interpreting terms of the Warsaw Convention system are to be preserved when dealing with the same terms in the Montreal Convention. This way time and money will be saved. For example, the decision of the US Supreme Court in *Air France v. Saks*, which defines the term accident in Article 17 of the Warsaw Convention, remains the leading authority under the Montreal Convention which uses the same term in Article 17.

**(5 marks for each complete and correctly stated point. Maximum of 2 to be graded. Sub-Total: 10 marks)  
(Grand Total: 30 marks)**

## **Chief Examiner's Comments**

### **Question 1**

The question was intended to examine candidates' knowledge of source of insurance information. Attempt was excellent (100%). Performance was equally excellent at 100%.

### **Question 2**

The question was intended to examine candidates' knowledge on Directorate of Aerodrome and Airspace Standards (DAAS). The attempt was excellent at 100%. Performance was equally excellent at 100%.

### **Question 3**

The question dealt with applications for which satellites are used. Both the attempt and performance were excellent at 100% each.

### **Question 4**

The question was intended to test the candidates' knowledge on claims. Attempt was 100% excellent. However, the performance was woeful at 0%. This showed a lack of understanding of the knowledge of claim.

### **Question 5**

The attempt and performance were excellent at 100%. This showed that candidates have a very good inventory of the question.

### **Question 6**

The attempt was excellent at 100%. Performance was equally excellent at 100%. This showed good understanding of the question.

### **Question 7**

The question was intended to examine candidates' knowledge of market segment of aviation and space insurance. The attempt was excellent at 100%; however, the performance was woeful at 0%. Candidates should study all aspects of the coursebook and attend tutorials for better knowledge of the course in its entirety.

### **Question 8**

The performance was excellent at 100% and also the attempt was excellent at 100%.

### **Question 9**

Both attempt and performance were excellent at 100%. This showed good understanding of the question.

### **Question 10**

The attempt was excellent at 100%; however, the performance was woeful. Candidates should study all aspects of the course for all round good performance and better understanding of the course.

**Question 11**

The attempt was excellent at 100% and performance was equally excellent at 100%.

**Question 12**

The attempt was excellent as well as performance at 100%. This showed a good understanding of the question.

**Question 13**

The attempt and performance were excellent at 100%. This showed an understanding/knowledge of the question.

**Question 14**

The attempt was excellent at 100%; the performance was equally excellent (also at 100%).

**Question 15**

The attempt was excellent at 100% as well as the performance at 100%) This showed an understanding/knowledge of the question.

**Question 16**

The question was not attempted.

**Question 17**

The question was not attempted.

**Question 18**

The attempt was excellent at 100%; however, the performance was woeful at 0%. This showed that there was no understanding of the question at all. Candidates are encouraged to diligently study their coursebooks and also attend tutorials for better understanding.

**Comments on Overall Performance**

The performance was excellent, which can be implied to be that the examination was adequately prepared for.

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

Continuous studying of the coursebook for better understanding of all aspects of the course and attendance at tutorials and/or lectures should go a long way towards improved performances.



CHARTERED INSURANCE INSTITUTE OF NIGERIA  
INTERMEDIATE

APRIL 2024 DIET EXAMINATION PAPER

SUBJECT I09  
INSURANCE PRACTICE AND REGULATION

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

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

**FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL)  
WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2024  
DIET CANDIDATES' INSTRUCTIONS.**

CHARTERED INSURANCE INSTITUTE OF NIGERIA

I09 - INSURANCE PRACTICE AND REGULATION

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

Part I - 140 marks.

Part II - 60 marks.

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

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

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

It is important to show each step in any calculation, even if you have used a calculator.

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

**I09 - INSURANCE PRACTICE AND REGULATION**

**Part I**

**Answer ALL questions in Part I.**

**Each question carries 10 marks.**

1. What is:
- (a) the provision of Section 50 (1) of the Insurance Act 2003 in Nigeria. (6 marks)
- (b) its effect on the Nigerian Insurance Industry? (4 marks)

**Solution**

- (a) Section 50 (1) of the Insurance Act 2003 provides that the receipt of an insurance premium shall be a condition precedent to a valid contract of insurance and there shall be no cover in respect of an insurance risk, unless the premium is paid in advance. (6 marks)
- (b) The effect of this provision of the Act has been positive on the Industry by way of improved liquidity of insurance organisations. (4 marks)

**(Total: 10 marks)**

2. (a) Define the term “insurance”. (2 marks)
- (b) Enumerate any four (4) characteristics of an insurable risk. (8 marks)

**Solution**

- (a) Insurance is a promise to make payment (referred to as the claim) if an event of a specified nature occurs. **OR** Insurance is a risk transfer mechanism. (2 marks)

**(Any correct and complete definition of insurance suffices. 2 marks)**

- b. The characteristics of an insurable risk are that it must:

- \* be pure risks;   \* be determinable;   \* be fortuitous;
- \* have insurable interest;   \* be homogeneous;
- \* be independent;   \* must not be against public policy.

**(2 marks for any correct and completely stated characteristic. Maximum of 4 to be graded. Sub-total: 8 marks)**   **(Grand Total: 10 marks)**

3. Briefly explain the following terms:
- (a) Utmost Good Faith;   (b) Subrogation;   (c) Indemnity;
- (d) Contribution   (e) Insurable Interest

**Solution**

- (a) **Utmost Good Faith:** this is one of the basic principles of insurance which buttresses the fact that the parties to the contract has a duty of law to disclose all the facts that would influence the other party in making an informed decision.
- (b) **Subrogation:** this is a corollary of indemnity which buttresses the fact that the insurer is permitted to take over the right of the insured in order to recover any amount paid to the insured from the other party(ies) that might be liable for the loss.
- (c) **Indemnity: :** this is another basic principle of insurance which buttresses the fact that the insurer has a duty to place the insured in a position that the insured was in immediately prior to the occurrence of the loss. It is a principle that projects that the insured is not expected to make profit from the loss occurrence.
- (d) **Contribution:** this is also a corollary of indemnity which come into use when two or more insurers cover the same insured property.

(e) **Insurable Interest:** this is an financial right/interest of a person on a property/life, based on a relationship that is recognised at law.

**(2 marks for each correct and completely stated explanation. Grand Total: 10 marks)**

4. (a) What is the difference between “life assurance business” and “general insurance business”. Give an example of each. **(6 marks)**

(b) Explain the term “average” stating also an example. **(4 marks)**

### **Solution**

(a) Life assurance business is a long-term insurance business due to the extended period of many of the contracts. Examples are term assurance, endowment assure, whole life assurance, investment linked policies, e.t.c. WHILE general insurance business is a short-term insurance business (although renewable at expiration). Examples are fire insurance, burglary insurance, all risk insurance, general accident insurance, e.t.c.

**(Any correct and completely stated difference duly stated on each of the two terms should each 2 marks on each. Each correctly stated example should earn 1 mark. Sub-Total per term: 3 marks. Grand Sub-Total: 6 marks)**

(b) Average is the principle that is applied when a claim occurs on an insurance contract and it is realised that the sum insured amount is less than the full value of insured property. In this instance, the insured will be considered to be the insurer for the difference in the value. **(2 marks)**

For example: if a jewelry with current market price of ₦200,000.00 is insured for ₦100,000.00 and a loss occurs on the jewelry. During the claim adjustment, insurers will apply average, which is the sum insured on the jewelry divided by the actual value of the jewelry multiplied by 100.

i.e. Real Value: ₦200,000.00; Insured Value ₦100,000.00;

$$\begin{aligned} \text{Loss of the Jewellery} &= \frac{\text{Sum Insured}}{\text{Real Value}} * 100 \\ &= \frac{100,000.00}{200,000.00} * 100 \end{aligned}$$

Claim = ₦50,000.00 as the jewellery was under ₦50,000.00

**(2 marks for correct and completely stated explanation of the term. 2 marks for any correct and completely stated example, which can either be in prose or in calculation form. Sub-Total: 4 marks)**

**(Grand Total: 10 marks)**

5. Enumerate any five (5) major service providers in the insurance industry in your country and state what exact service such providers provide.

### **Solution**

In Nigeria, the following are the major service providers in the insurance industry:

- loss adjusters (ILAN): provide loss adjusting functions for the industry;
- underwriter (NIA): carries the insured risk and provide cover for the insureds;
- brokers (NCRIB): act as intermediary between the insured and the insurer;
- agents (ARIAN): act as intermediary between the insured and the insurer;
- PRIAN: this is the association of reinsurers who are the ones backing up the underwriters and supporting them on risks placements;
- CIIN: this is the educational arm of the industry that is saddled with the task of determining the standards of skills and knowledge of in the Nigeria insurance industry;

- lawyers: provide legal services on claims that require legal expertise;
- medical doctors/personnel: provide medical expertise for the industry;
- also helps to hand claims that involved legal doctor helps in attending to personal accident

(1 mark for each correctly stated service provider. 1 mark for each correctly explained service that they provide. Sub-total per provider: 2 marks. Maximum of 5 to be graded. Grand Total: 10 marks)

6. (a) What is a: (i) pension scheme? (ii) a defined contribution scheme. (4 marks)  
 (b) Enumerate any three (3) reasons why government make some insurance policies to be compulsory for its citizens. (6 marks)

**Solution**

- (a) (i) A pension scheme is a scheme that is set up to build up over time a fund of investment sufficient to pay the pensions/agreed retirement benefits earned by the employees during their service at any point when such a contribution will be/is required or is allowed by regulation to be accessible by the contributors. (2 marks)  
 (ii) A defined contribution scheme is a form of pension scheme where the payout is based on the total contributions made plus accumulated investment income. (2 marks)  
 (b) The reasons why government make some insurance policies to be compulsory for its citizens are:  
 (i) to make funds available to meet the liabilities when it occurs;  
 (ii) to ease off financial burden on the Government from having to pay compensation to injured persons that the compulsory insurance would pay to ion the event of the insured losses;  
 (iii) to boost confidence in the insurance sector of any economy;  
 (iv) as a means of national concern, where the government brings in legislation in respect of public risks which could have catastrophic implications if the insurance covers were not made compulsory.  
 (v) it grants more definitive access to controlling the risks being made compulsory.

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

7. Briefly define/explain the following insurance covers:  
 (a) commercial guarantees; (b) money insurance; (c) Public Liability;  
 (d) contractors all risk; (e) professional indemnity.

**Solution**

- (a) **commercial guarantee:** these are policies effected by the employers in respects of persons who have some post within the company and may be in position to perpetrate some form of fraud.  
 (b) **money insurance:** this is a product type that covers all risks which provides compensation to the insured in the event of money being stolen from the business, home, or from the bank;  
 (c) **public liability:** this is a product type that covers any injury /damage which suffered by the general public and provides compensation for those who may have to pay for damages and legal costs for such injuries or for the damage to such third parties' property.  
 (d) **contractor all risk:** this is a product type that is developed to meet the specific needs of the construction industry to cover all the agreed risks associated with the contract being executed.



(e) **professional indemnity**: : this is a product type that cover risk that could arise as a result of professional negligence which results into financial liability or the insured.

(2 marks for each correct and completely sated explanation. Grand Total: 10 marks)

8. List any five (5) information/detail that should be found on a Broker's slip.

**Solution**

The information/detail that should be found on a Broker's slip are:

- \* details of the insured;      \* period of cover;      \* inception of date of cover;
- \* perils / type of cover required;      \* expected premium; \* property to be insured;
- \* sums insured or limit of liability;      \* special conditions to be incorporated.

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

9. Itemise any ten (10) information that an insurer will include in any claim file to establish a claim.

**Solution**

The information that an insurer will include in any claim file to establish a claim. Are:

- \* policy number;      \* name of policyholder/claimant ;      \* description of the loss;
- \* information on claimant;      \* claim file number;      \* completed claim form;
- \* checklist of all relevant documents; \* progress report schedule;
- \* opening date of the file;      \* date and amounts of payments;
- \* initial value of the claim reserve and any subsequent changes.
- \* reporting date      \* details on request for/appointment of an adjuster or investigator;
- \* date on which the adjuster report is received;
- \* electronic or pay copy of the adjuster or investigation reports (where applicable);
- \* date of repudiation/reduced settlement;      \* name of broker or agent (as applicable);
- \* document recording the contact with the policyholder;
- \* documented evidence of agreements or settlement;
- \* claims discharge from/ acceptance forms;      \* date of file closures.

(1 mark for each correctly stated information/detail. Maximum of 10 to be graded. Grand Total: 10 marks)

10. Write short notes on the following:

- (a) CIIN;      (b) NCRIB;      (c) Client Account;      (d) Deferred Annuity.

**Solution**

(a) **CIIN**: Chartered Insurance Institute of Nigeria is the educational arm of the industry that is saddled with the task of determining the standards of skills and knowledge of in the Nigeria insurance industry;

(b) **NCRIB**: Nigerian Council of Registered Insurance Brokers and their members are called Brokers. The Brokers act as intermediary between the insured and the insurer;

(c) **Client Account**: this is the accounts into which all monies, premiums, claims and recoveries from and on behalf of the client/insurer/re-insurers are recorded/tracked/monitored/ and/or paid from;

(d) **Deferred Annuity**: is a type of annuity that has its payout commencement start to start ay some date in the future, based on the request of the customer.

(2½ marks for each correct and completely stated explanation. Grand Total: 10 marks)

11. Explain in details the following terms used in insurance contracts:  
(a) operative clause; (b) heading; (c) signature section/clause; (d) bancassurance.

**Solution**

- (a) **Operative Clause:** this is section in the policy document where the cover provided by the policy is explicitly stated/outlined in the document.  
(b) **Heading:** this is section in the policy document which shows the name of the insurer, address of the insurer and the insurance company logo at the very least;  
(c) **Signature Section/Clause:** this is the section in the policy document that has the signature of the official that signs off the policy document on behalf of the insurance company, which is usually printed to avoid it being cumbersome.  
(d) **Bancassurance:** is the channel of distributing insurance products using the convergence of the banking and insurance industry.

12. (a) Is it possible to amend an existing insurance policy? (2 marks)  
(b) Justify your response in (a) above with two (2) justifications; stating an example under each. (8 marks)

**Solution**

- (a) Yes, it is possible to amend an existing insurance policy.  
(b) The reasons for the response in (a) above are that:
- the sum insured can change for whatever reasons during the policy duration; e.g. change of value of motor vehicles in recent years in motor insurance; improvements to a building or purchase of additional household items in holders policy; e.t.c.
  - inclusion of additional drivers in a fleet of vehicle in motor insurance;
  - change of address of the insured in all commercial insurance types;
  - business expansion in all commercial insurance types;
  - change of beneficiary in life assurance policy;
  - additional premises included in fire insurance.

(The list above is not exhaustive. 3 marks for each correct and completely stated reason. 1 mark for each correctly stated example under each reason. Sub-Total per reason: 4 marks. Maximum of 2 reasons to be graded. Grand Sub-Total: 8 marks) (Grand Total: 10 marks)

13. (a) What is a package policy? (2 marks)  
(b) Enumerate any four (4) advantages of a package policy. (8 marks)

**Solution**

(a) A package policy is a policy that is issued by an insurance company as a combined policy that has a conglomerate of risks covered in different segments, with different ratings, different terms and conditions but all contained in a single policy document. (2 marks)

- (b) The advantages of a package policy that it:
- is less costly to effect than if effected individually;
  - has a single premium payable;
  - has a single/same renewal date;
  - reduces the likelihood of excluding any cover;
  - is easier to market as one product;
  - is easier to administer;

(2 marks for each correct and completely stated advantage. Maximum of 4 to be graded. Sub-Total: 8 marks) (Grand Total: 10 marks)

14. (a) Who is: (i) an insurer; (ii) an intermediary; (iii) a reinsurer? (6 marks)
- (b) Enumerate any four (4) of the different types of general business insurance products in your country. (4 marks)

**Solution**

- (a) (i) **An insurer:** is the organisation/firm that carries insurance risks and provides insurance coverage/services for the general public. (2 marks)
- (ii) **An intermediary:** is the middleman who sell insurance to the general public or buyers. (2 marks)
- (iii) **A reinsurer:** is the organisation that covers the risks of the primary insurer. (2 marks)
- (Sub-Total: 6 marks)
- (b) The different types of general business insurance products in any/my/your country are:  
 \* fire insurance; \*general accident insurance; \*burglary insurance; \* motor insurance; \* oil & gas insurance; \* bonds; \* credit guarantee; e.t.c.  
 (1 mark for each correctly stated type. Maximum of 4 to be graded. Sub-Total: 4 marks)
- (Grand Total: 10 marks)

**Part II**

**Answer TWO (2) out of the following FOUR (4) questions.**

**Each question carries 30 marks.**

15. (a) What is a complaint? (5 marks)
- (b) Complaints are inevitable to insurance organisations. Enumerate any three (3) reasons why complaints are important to insurance organisations. (9 marks)
- (c) As part of NAICOM's consumer protection requirements, all licensed insuring organisations are required to have appropriate complaints handling procedures in their office procedural manual and are subject to the jurisdiction of Complaints Bureau at NAICOM. Specifically, the NAICOM guidelines made provision for 'Complaints and Dispute Resolution' which required that each insurance institution shall establish well-documented policies, procedures and processes for complaint and dispute management to ensure, as far as possible, that such situations are resolved promptly and fairly. Explicitly enumerate any four (4) minimum procedures that NAICOM requires of these organisations. (16 marks)

**Solution**

- (a) 'A complaint is any **expression of dissatisfaction** (2 marks) **whether written or oral** (1½ marks), **whether justified or not** (1½ marks).  
 (Candidates are not required to memorise/cram. Any supplied answer that is synonymous to the above should be graded accordingly. Sub-Total: 5 marks)

- (b) Complaints are important to firms for the following reasons:
- they may be the most valuable form of feedback(s) to a company;
  - they are a source of information about where its customers want it to improve its service and product offerings;
  - they represent an opportunity for direct contact with the customer;
  - they represent a chance to save the business from collapse;
  - they provide important information to help a company improve its products and services;

- they enable the firm to comply with regulation.  
(3 marks for each correctly stated point. Maximum of 3 to be graded. Sub-Total: 9 marks)

(c) At a minimum, the procedures shall include:

- acknowledgement of receipt of the complaint within two (2) working days from the receipt of correspondence, details of how-the complainant will be kept informed of the status of their complaint.
- that there shall be provisions for arbitration clause in the policy document but any arbitrator so appointed shall not be a former employee of the insurer/intermediary or one simultaneously performing other functions which could affect their independence or one subjected to unnecessary influence or instruction from the insurers/intermediaries.
- information to complainants on how and when to resort to the market’s dispute resolution mechanism and ultimately the Commission’s Complaints Bureau as an alternative dispute resolution mechanism or litigation; and
- establishment of the time line for sending a final response in writing to the complainant.
- keep record of each complaint received and the measures taken for its resolution

Insurance institutions are also to ensure that letters of instructions, policies, renewal documents, contain the complaint handling procedures. They shall accept complaints whether intimated by phone or in writing and ensure that complaints are dealt with expeditiously. It shall be the responsibility of the top management of the insurance institution to ensure the management of all complaints.

(3 marks for each correctly stated requirement. Maximum of 5 to be graded. Sub-Total: 15 marks)

**Grand Total: 30 marks)**

16. (a) Who is a risk control surveyor? (3 marks)
- (b) What role does the risk control surveyor perform? (3 marks)
- (c) State and explain any two (2) details that an acceptable “risk control survey” should contain. (8 marks)
- (d) Enumerate any four (4) uses/purpose of “Risk Control Survey” in General Business Insurance Underwriting. (16 marks)

**Solution**

(a) A **risk control surveyor** is the person who acts as the eyes and ears of the underwriter over the risks proposed to them or insured by them, majority of underwriters appoint risk control surveyors in cases of large fire, engineering and liability risks. (3 marks)

(b) The risk control surveyor role is to access and evaluate large industrial risk in order to determine the MPL (Maximum Probable Loss) of the risk and after evaluating the risk, the surveyor would prepare his report to the underwriter. (3 marks)

(c) An acceptable “risk control survey” report should contain the following details:

- **Full description of the risk:** this include the plan of the premises, the processes involved in the business activity being carried out in the insured’s business/on the insured premises, and other crucial insured’s information

- **Implications Assessed Risks:** it details the risks seen by the surveyor, the interpretation of such risks, after taking into cognizance all relevant hazard factors – both moral and physical
- **Pictorial Representations of the Risk:** this details very crucial aspects of the insureds business and helps bring to the fore of the underwriter the business contents of what is being placed in their books.

(2 marks for any correctly stated point detail. 2 marks for any correct explanation under each term. Sub-Total per term: 4 marks. Maximum of 2 terms to be graded. Grand Sub-Total: 8 marks)

- (d) The uses of “risk control survey” report in general business insurance underwriting are to:
- guide the underwriter to decide the degree of risk to accept
  - assist in setting the terms, conditions and warranties to impose in the policy
  - determine the maximum probable loss amount
  - make loss prevention recommendations to the underwriter
  - advise the insured on steps to take to protect the risk and if the sum insured is adequate.

(4 marks for each correct and completely stated use. Maximum of 4. Sub-Total: 16 marks)

(Grand Total: 30 marks)

17. Enumerate five (5) types of liability policies that can be purchased in most insurance industries. Concisely explain them.

### Solution

The types of liability policies that can be purchased in most insurance industries are:

- Employers Liability Insurance \* Public Liability Insurance
- Business Public Liability Insurance \* Product Liability Insurance
- Professional indemnity \* Personal Liability Insurance
- Directors and Others’ Liability Insurance.

(Candidates are required to concisely explain any five of the above. 3 marks for each correctly stated type of liability policy. 3 marks for each correct and completely stated explanation. Sub-total per type: 6 marks. Maximum of 5 to be graded. Grand Sub-Total: 30 marks)

18. Without much practicality, almost anything is insurable at a price, but in actual practice there are certain common characteristics among those risks that are acceptable to the prudent insurance market. Enumerate and explain any five (5) of the characteristics of those risks that are acceptable.

### Solution

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

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

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

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

## **Chief Examiner's Comments**

### **Question 1**

The question examined candidates' knowledge of the provision of the Insurance Act. A large percentage of the candidates did not have an understanding of the question. This resulted in a high percentage of failure.

### **Question 2**

The question examined candidates' knowledge of the term of insurance and various characteristics of insurable risks. A larger percentage passed very well.

### **Question 3**

The question examined candidates' knowledge of basic principles of insurance. The performance of those who attempted the question was very commendable.

### **Question 4**

The question was well attempted by all the candidates, but most of them did not understand the question, which was to examine the candidates' knowledge of average. The pass rate was 27%.

### **Question 5**

The question was to examine candidates' knowledge of various technical aspect of the course so it affected the pass rate despite a larger percentage of people who attempted the question.

### **Question 6**

The question was to examine candidates' knowledge on pension schemes and a large percentage of the candidates were able to correctly explain.

### **Question 7**

The question was to examine the various insurance available. All the candidates who attempted it got it correctly to a very large extent. The pass rate was 80%.

### **Question 8**

The question was to examine candidates' knowledge of brokers' slips. 80% of the candidates had a good understanding of the question and got the answer correctly.

### **Question 9**

The question was to examine candidates' knowledge of about claim settlements, which was well understood by all and most got it correctly and invariably passed the question very well.

### **Question 10**

The question was to examine candidates' knowledge on annuities and the performance showed a lack of knowledge by the candidates on the topic.

**Question 11**

The question was to examine candidates' knowledge on insurance documentation and most of the candidates were not well prepared on this topic and did not get the solution correctly.

**Question 12**

The question was well understood by many of the candidates. The pass rate was 95%.

**Question 13**

The question was to examine candidates' knowledge on package policy. A large percentage used residual knowledge which positively affected the pass rate. Candidates are encouraged to study their coursebooks extensively so as to be able to record maximum successes.

**Question 14**

The question was to examine candidates' knowledge on some technical definitions of insurance terminologies. It was well attempted and over 50% of candidates who attempted it performed well.

**Question 15**

The question was to examine candidates' knowledge of the complaints in insurance transactions and the importance of such to the organisation along with regulatory requirements and procedures on complaints. 48% of the candidates attempted the question with a 59% pass rate.

**Question 16**

The question was to examine candidates' knowledge of risk control and the duty of a surveyor. Less than 50% of the candidates attempted this question and it was only a handful of them that passed the question.

**Question 18**

The question was to examine candidates' knowledge of insurable risk but most of the candidates showed a very shallow knowledge of the question and this affected the pass rate.

**Comments on Overall Performance**

From the responses received from candidates, and the eventual pass rate, it can be deduced that the candidates were not adequately prepared for the examination and this trend is worrisome as A09 (Marketing) is not a course that should not be properly understood by candidates.

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

Candidates should prepare more diligently and also attend tutorial lectures to support the private studies, which will make them to be conversant with the current insurance regulation in the Industry.