



Chartered Insurance
Institute of Nigeria
Chief Examiners' Report
April 2026
Intermediate
(101 -110)

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 at the detriment of Parts B & C (Intermediate and Associateship Level)
Start each question on a fresh page	Write after the 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 the 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>CANDIDATES SHOULD VISIT & UNDERSTAND THE CONTENTS, REGULATIONS AND GUIDELINES/MARKING AGREEMENTS, ETC. ON THE FOLLOWING SITES: naicom.gov.ng (NAICOM), nigeriansurers.org (NIA); ncrib.net (NCRIB); ilan.com.ng (ILAN); ciinigeria.org (CIIN)</p>	
<p>INFRACTIONS ON ANY OF THE INSTRUCTIONS COULD LEAD TO STIFF SANCTIONS. DO NOT BE A CULPRIT. ANY CANDIDATE CAUGHT AND OR FOUND TO BE CHEATING/HAVE CHEATED WILL FACE NECESSARY DISCIPLINARY ACTIONS AND THE EMPLOYER WILL BE DULY INFORMED OF ANY SUCH INCIDENCE(S).</p>	
<p>STOP WORKING HARD TO FAIL!!! START WORKING EFFORTLESSLY TO PASS OUTSTANDINGLY!!!</p>	



CHARTERED INSURANCE INSTITUTE OF NIGERIA
INTERMEDIATE
APRIL 2026 DIET EXAMINATION PAPER

SUBJECT I01
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 2026
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 the maximum possible marks.

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

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

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

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

Chief Examiner's Comments

Question 1

The question focused on the registration of an insurance concept under the newly enacted Insurance Act and was attempted by approximately 90% of the candidates. Despite the high attempt rate, the pass rate was low at about 20%. This poor performance can be attributed to the recent introduction of the legislation, as many candidates had not become familiar with its provisions.

Question 2

The question examined an aspect of procedural law in practice and was attempted by approximately 90% of the candidates. However, the pass rate was relatively low at 40%, suggesting that this area remains less familiar and is an unpopular part of the syllabus.

Candidates are therefore advised to ensure comprehensive coverage of all aspects of the syllabus in future examinations, rather than focusing selectively on preferred topics.

Question 3

This question examined candidates' understanding of the general principles of law, particularly the rule of law. It recorded a 100% attempt rate, with a performance level of about 50%. The relatively average performance may be because the topic covered the general principle of law. Candidates are advised to adopt a more holistic approach to studying the syllabus and ensure thorough coverage of principles.

Question 4

This question was scenario-based and focused on legal principles relating to the rule of law. It was designed to assess candidates' ability to apply legal principles to given situations. While the attempt rate was above average, performance was low at about 30%. Candidates are encouraged to improve their application skills and prepare more thoroughly for future examinations.

Question 5

This question addressed the common law principle of contributory negligence and its impact on liability. It recorded a 100% attempt rate, with a very good performance of about 80%.

Question 6

This question examined the rule of strict liability established in *Rylands v Fletcher*, requiring candidates to apply the principle to a given scenario. It was attempted by all candidates, with a pass rate of about 70%, indicating a good understanding.

Question 7

This question focused on agency relationships, a topic generally popular among students. It recorded a 70% attempt rate and a performance level of about 65%.

Question 8

A practitioner-based question that examined the principle governing the return of premium. It had a 70% attempt rate, with performance above 65%, indicating a good level of understanding.

Question 9

This question covered the popular insurance principle of utmost good faith. It was attempted by over 95% of candidates, with a pass rate of about 75%, reflecting an impressive performance.

Question 10

Another practitioner-based question, with an 80% attempt rate and performance above 50%. However, about 25% of candidates misinterpreted the requirements of the question. Candidates are advised to ensure a clear understanding of the question demands.

Question 11

This question examined knowledge of promissory estoppel in contract law. Performance was poor, reflecting a lack of understanding of the concept. Many candidates avoided the question despite its simplicity. Adequate preparation is essential.

Question 12

The question was on the measurement of indemnity in insurance practice. Although the attempt rate was good, performance was poor, likely due to insufficient preparation.

Question 13

This question examined the disclosure under common law in both short- and long-term insurance. It recorded a 95% attempt rate and a good performance above 75%.

Question 14

This question examined knowledge of reinstatement as a method of indemnity in insurance. It was attempted by 95% of candidates, with performance above 75%. The performance suggests a good understanding of insurance-related concepts.

Question 15

The question examined privity to contracts and the assignment of contractual rights. It had an attempt rate of about 50%, with a pass rate between 30% and 35%.

Question 16

The coursebook-based question is on warranties in insurance contracts, including their purpose and application. It recorded an average attempt rate of 50%, but performance was low at about 20%, indicating poor understanding.

Question 17

This question examined knowledge of indemnity. It had an attempt rate of over 70% and a performance level of nearly 70%.

Question 18

This question assessed understanding of the concept of proximate cause. It recorded an attempt rate above 50% and performance above 45%. However, candidates are advised to take their preparation more seriously.

Comments on Overall Performance

There was a noticeable improvement in overall performance in this examination diet, with a pass rate of 44%.

Suggestions for Improvement

Candidates are strongly advised to approach their preparation with greater seriousness and commitment in future examinations. A comprehensive study of the syllabus and consistent practice will greatly enhance performance.

I01 – INSURANCE LAW

PART I

1. Dr. Ademola, MBBS and Professor Nelson are interested in setting up an insurance company in Nigeria and have contacted you for guidance on how to secure the requisite license from the Regulatory authorities. Provide them with four (4) guides as stipulated by the Nigerian Insurance Industry Act, No. 14, 2025. (N.I.I.R.A. 2025).

Solution

NIIRA 2025, Section 5, provides for conditions for licensing a person to commence or carry on insurance business in Nigeria in its Section 5. Steps to be taken are as follows:

- (a) Application for License as an insurer in a prescribed form accompanied by such other documents or information as the Commission may require.
- (b) The applicant must be:
- (i) incorporated a limited liability company under the Companies and Other Allied Matters Act, 2020 or any other law;
 - (ii) such a company to have or maintain while carrying on business, the required minimum capital requirements as may be required by the Commission.
 - (iii) the company has paid and maintained such statutory deposit with the Central Bank of Nigeria (CBN) as may be prescribed by the Commission.
 - (iv) the company has met all other requirements specified by the Commission which shall include submission of a business plan that identifies the niche market the applicant will address.
- (c) The Commission shall publish and make available to the general public a Service Charter which shall provide for products and services of the Commission and the complete list of requirements to obtain the products and services.
- (d) Where the Commission is satisfied that all requirements for licensing have been met, it shall license the company within the relevant timeline for the type of license being applied for in accordance with the Commission's Service Charter.

(Candidates need not provide the Section verbatim but must respond with related points. 2½ marks for each correct and completely stated guide. Maximum of 4 to be graded. Grand Total: 10 marks)

2. (a) What is the meaning of the term “Adversarial Judicial/Legal System”? **(2 marks)**
- (b) (i) Jumbo, a commercial bus driver, knocked down and killed a passerby on a highway. What type of case does he have and against which legal entity? **(4 marks)**
- (ii) How will the entity offended discharge the burden of proving that Jumbo killed the deceased? **(4 marks)**

Solution

- (a) “Adversarial Judicial/Legal System” is a legal system where, in the contestation of litigants before it, the court maintains studied silence as it listens to parties as they present their case and decides the case one way or the other. The court listens and does not investigate parties before it. **(2 marks)**
- (b) (i) Jumbo has committed an offence/crime/criminal wrong and he will be subjected to criminal proceedings. **(2 marks)** The crime or offence is against the State. **(2 marks)**
- (ii) It is the State through its apparatus that will prosecute him and the State will need to prove its case beyond a reasonable doubt. A little doubt in its case may make Jumbo go free.

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

3. You have been invited by the Insurance Students of a Polytechnic to address them during their “Democracy Week” on the topic: "RULE OF LAW". Highlight any four (4) key elements of the topic that should be spoken on as it relates to the elements of the rule of law.

Solution

The elements of “rule of law” are:

- powers exercised by politicians to have a proper foundation in law and be based on the authority given to them by law;
- respect to doctrine of separation of powers;
- law should be reasonably certain and predictive;
- there should be equality before the law to everyone;
- no one should be punished or deprived of their property, status or other rights unless they are given a fair hearing by any impartial court or tribunal;
- everyone should have access to the courts which will defend the liberties and freedoms of the individual.

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

4. (a) Distinguish a “natural person” from a “juristic person” with an example each. **(4 marks)**
- (b) The Women in Insurance Practice (WINP) is an Association of female insurance practitioners of which Dr. Chinaza is the President. As President, she took out an insurance cover for all 25 members of the Association who travelled to Abuja for their annual conference last April. The Rules of the Association do not provide for such a facility. She is asking the Association to reimburse her for the premium paid by her. The Association has refused to reimburse her.

In the arguments that ensued during the discussion of the issue, Madam Uban, the Treasurer, in defense of the Association's position not to reimburse, slapped Madam Titi who was supporting the President. Discuss the legal implications of what Dr Chinaza, Madam Uban and Madam Titi did, all in the name of the Association. **(6 marks)**

Solution

(a) **Natural persons** are human beings e.g., a baby in the womb when born alive, a minor, insane persons, married persons, e.t.c. while **juristic persons** are entities upon which the law has deemed it fit to confer legal personality e.g. corporations/companies.

(1 mark for each correct and completely stated explanation. 1 mark for each correctly stated example. Sub-Total per term – 2 marks. Grand Sub-Total: 4 marks)

(b) The question is: is WINP a person in law and if yes, what is the nature of the relationship between it and its members on one hand and the relationship amongst its members themselves?

The WINP is an unincorporated association which is not formed in the same way as a company. Its legal personality is not different from that of its officers. It does not lead a distinct or separate existence from that of its members. Members who enter into a contract on its behalf are personally liable. Members are also liable for any tort committed by them.

(3 marks for any correct and completely stated argument above)

Therefore, Dr. Chinasa is personally liable for the cost of insurance cover and should not look up to the Association for reimbursement **(1 mark)**. Madam Uju is personally liable for the tort

of assault committed against Madam Titi (1 mark). Madam Titi is to look up to Madam Uju for a remedy for the assault and not the Association (1 mark).

(Grand Sub-Total: 6 marks)

(Grand Total: 10 marks)

5. (a) What is “contributory negligence”? (2 marks)
(b) Is (a) above, a “plea in mitigation of liability” or a defence to it? (2 marks)
(c) Mr. A was injured in his poorly maintained car as a result of an automobile accident wholly caused by the negligence of Mr. B. Mr. A's injury was made more serious by his failure/ refusal to wear the seat belt in his car at the time of the accident. The cost of repairing Mr. A's car has been assessed at ₦1m. Mr. B has declined to accept full responsibility for the accident and alleges that Mr. A is himself partly responsible for the accident. Advise the parties.

(6 marks)

Solution

(a) Contributory negligence arises where a claimant is partly to blame for his injuries which he suffered at the hands of the defendant. At common law, it was a complete defence in that if the defendant was able to successfully plead it, he would go scot free. (2 marks)

(b) However, with statutory intervention, it no longer serves as a defence to tortious action. It is now a plea in mitigation of liability. (2 marks)

(c) The issue in this case bothers on contributory negligence and its legal effect. Whenever a party has a hand in the misfortune that befalls him in the law of tort due to his own negligence, there is said to be contributory negligence. In the situation, he cannot get full compensation and the party who partly causes the misfortune can also not go completely free.

Mr. A, by not wearing the seat belt at the time of the accident, is partly responsible for his injury because non-wearing of the seat belt worsened the injury and was against traffic rules. Mr. B in the circumstances, cannot also go free. The damages to be awarded against him will be reduced. The court will use those criteria in considering a reduction. These are:

- the cause of the accident: the claimant’s own part;
- claimant’s behaviour if it made the accident show;
- both criteria above.

As the claimant was not wearing a seat belt at the time, what will be awarded against Mr. B will be reduced by the court.

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

(Grand Total: 10 marks)

6. Chief Harris is a lover of pets. He keeps a lion in his compound as a pet and as a form of “guard pet” for security purposes. One day, the entrance gate to his compound was carelessly left open making the lion to escape to his neighbor’s cattle ranch where it, the lion, mauled three big cows. Discuss the liability of Chief Harris and his possible defense(s) in the law of tort.

Solution

This has to do with the rule in Rylands v. Fletcher which is a rule of strict liability. The rule states that an owner of land has the right and can keep anything dangerous on his land at his own peril but should any such things escape from his land on to the land of another, causing

damage there, such an owner of land is liable, notwithstanding that he was not negligent or he has taken all possible precautions against the escape.

Applying the law to the facts of the case, Chief Harris was within his right to keep the lion in his compound at his own peril. But the escape of the lion to the land of his neighbour to cause damage there will make him strictly liable to the neighbour.

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

7. (a) How can the relationship of principal and agent come about? **(2 marks)**
(b) If an agency relationship is created by express appointment, state any four (4) essential terms of such appointment? **(8 marks)**

Solution

(a) Agency relationship may be created either by agreement (or consent), ratification or by necessity. **(2 marks for any correctly stated way)**

(b) If an agency relationship is created by express appointment, the essential terms of such appointment are:

- * authority of the agent;
- * duties to be performed;
- * remuneration;
- * power of the agent;
- * commission or other;
- * period of the agreement, duration of the relationship.

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

8. Azeez has asked his insurer for the return of the premium he paid because the insurer has been at no risk at all and there is “a total failure of consideration” in that Azeez has not got any value for the money he paid. Advise Azeez and his insurers; first stating the principle (related to premium payment) that this case study has to do with.

Solution

This case study has to do with the principle governing the return of premium paid by the insured, which is that where premium has been paid and the insurer has started running the risk, the premium is not returnable. **(4 marks)**

However, where the insurer has not started running the risk in which case there is a total failure of consideration, in that the insured has not got value for his money, the premium is returnable to the insured. **(4 marks)**

As Azeez’s Insurer has not been at risk and there has not been a total failure of consideration Azeez’s premium should be returned to him. **(2 marks)**

(Grand Total: 10 marks)

9. (a) What does it mean when it is said that insurance contracts are contracts of utmost good faith? **(2 marks)**
(b) Compare the duty of disclosure in insurance contracts and in contract for the sale of goods. **(8 marks)**

Solution

(a) When it is said that insurance contracts are contracts of utmost good faith, it means parties i.e. the insurer and the insured, have a duty to deal honestly and openly with each other during the period of their contractual relationship.

(b) The duty of disclosure under contract for sale of goods is based on the principle of caveat emptor- 'buyers beware'. The seller owes the buyer little or no duty of disclosure because the buyer has the opportunity to examine what he wants to buy which is tangible. (4 marks)

However, in insurance contracts, parties deal in intangible products what cannot be seen physically, it cannot be tested. The contract is based on the principle of *Uberrimae fidei*- utmost good faith. The insured will have to trust the insurer to pay claim and the insurer will have to trust the insured to tell him everything about the risk being proposed for cover. (4 marks)

(Grand Total: 10 marks)

10. Abandonment is linked with subrogation and has the same general effect of preventing the insured from getting more than an indemnity but there are differences between the two. Highlight the four (4) differences.

Solution

Both concepts are similar but are not the same in that there are some differences:

- (i) subrogation gives the insurer the right to pursue a claim against a third party for the loss of the subject matter, abandonment and salvage confer rights only over the subject matter itself
- (ii) an action by way of subrogation cannot be brought in the insurer's own name, an insurer who accepts abandonment becomes the owner of the goods
- (iii) the insurer can make a profit on the abandoned property, subrogation does not allow the insurer to recover more than their own payment
- (iv) subrogation operates automatically as a result of the principle of indemnity, abandoned property need not be accepted by the insurer.

(2½ marks for each correct and completely stated difference. Grand Total: 10 marks)

11. (a) What is Promissory Estoppel? (2 marks)
- (b) At the outbreak of the scourge of banditry in Ankpa Town in the North Central Zone of Nigeria, Home Shield Realtors Limited let its block of flats to ABC Limited which in turn let the flats to its own tenants. As a result of the intensity of the Banditry, ABC Limited conveyed its intention to vacate and give up possession of the block of flats. Home Shield Realtors Limited, not wanting to lose income, promised ABC Limited half the normal rent for the flats to encourage them to stay in the premises.

After the wave of banditry went down considerably in the town, Home Shield insisted on the earlier rent amount that ABC Limited was paying which was higher. Meanwhile, the promises made to ABC Limited had made them to reduce the rent they were collecting from their own tenants in the premises.

Is Home Shield Limited permitted under the law of contract to go back on their promise to ABC Limited? (8 marks)

Solution

(a) Promissory Estoppel is an equitable principle that prevents a party who made a promise to another party that he will do or not do anything and which promise the other party relies upon to his own detriment, to go back on the promise. (2 marks)

(b) The issue here is the application of the principle of promissory estoppel. Will Home Shield Realtors Limited be allowed to go back on its promise made to ABC Limited, who had relied on the promise and altered its own position to its own detriment? (2 marks)

The principle is that in a situation like this, the promisor- Home Shield Realtors will not be allowed to go back on its promise to ABC Limited, who relied and altered its position to its own detriment, in that it had also reduced the rent to its own tenants. (4 marks)

In *Central London Property Trust vs High Trees House*, it was held that it would be inequitable to allow the promisor, in the case, like Home Shield in this case, to go back on its promise.

Therefore, Home Shield Realtors Limited is estopped from going back on its promise. (2 marks)
(Grand Total: 10 marks)

12. A claim under a Policy of Indemnity is a claim for liquidated damages.
- (a) What is liquidated damage? (1 mark)
 - (b) How is indemnity measured in:
 - (i) Credit Insurance; (2 marks)
 - (ii) Liability Insurance (2 marks);
 - (iii) Marine Insurance. (5 marks)

Solution

(a) **Liquidated damage** is a monetary award by the court the exact figure of amount is not known in advance but is to be fixed afterwards on the basis of the loss actually suffered. (1 mark)

(b) (i) **Credit Insurance:** indemnity here is the amount of the debt owed, less any recoveries. (2 marks)

(ii) **Liability Insurances:** indemnity here is the amount to be awarded by the court or the negotiated out of court settlement, plus the cost and expenses arising in connection with the claim, such as solicitor's fee, court fees and payment for medical report or the services of expert witness and other expenses incurred with the agreement of the insurers. (2 marks)

(iii) **Marine Insurance:** this depends on whether the policy is valued or unvalued. (1 mark)
If valued - the insurer pays the full value. (1 mark)

If unvalued, the insurer pays the insurable value which is the value of the subject matter at the time of commencement of the risk. (1 mark)

In case of partial loss, this depends on the insured- reasonable cost of repairs, if not fully repaired, the measure of indemnity is the depreciation in its value. (1 mark)

In the case of goods delivered in a damaged state, the insured gets a proportion of the insured value based on the difference in the sound and damaged values at the place of arrival. (1 mark)

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

13. (a) What is the duration of duty of disclosure at:
 - (i) common law; (ii) renewal;
 - (iii) in relation to long term insurances. (6 marks)
- (b) Anthony has a ten-year long life assurance cover from Reliable Insurance Limited. He pays his premium on yearly basis. In the fifth year of the policy, Anthony was informed by his doctors that he was terminally ill. Anthony seeks your advice whether or not he should inform his insurers about the information from his doctors. Advise him. (4 marks)

Solution

(a) The insured owes the insurer a duty of disclosure but the duration of this duty varies.

(i) **At Common Law:** the duty begins at the commencement of negotiation and ends when the contract is concluded/formed. No duty to disclose any material change thereafter. This is so because the insurer calculates the premium payable based on the facts disclosed and agreed

to run the risk based on the information. The insured also cannot ask for a reduction in premium if the risk improve. (2 marks)

(ii) **At Renewal:** if the insurer invites renewal of the contract, the duty of disclosure will be revived. The insured will be expected to disclose any new facts and circumstances that have taken place; otherwise, he would be taken to be affirming that nothing has changed. (2 marks)

(iii) **In relation to long-term insurances:** there is no need for disclosure of fresh facts by the insured. (2 marks)

(b) The question is under a long-term policy like life insurance, is the insured duty-bound to make disclosure of fresh facts that occur while the policy is running? Is Anthony duty bound to disclose his Doctor's Report to his insurers while his policy is still running? The legal position is that he is not duty bound to do so. Therefore, Anthony is not under any legal requirement to do so. So, the advice to him will be that he is not legally bound to inform his insurers. (4 marks)

(Grand Total: 10 marks)

14. (a) Explain "reinstatement" as a method of providing indemnity. (1 mark)

(b) Enumerate any three (3) reasons why insurers rarely exercise the method stated in "a" above in providing indemnity? (9 marks)

Solution

(a) Reinstatement as a method of providing indemnity refers to a situation where the insurers choose to settle the claim by actually rebuilding the property that has been damaged instead of paying money to the insured. (1 mark)

(b) Insurers rarely exercise this option because:

- if they do, they become responsible for any problems that arise in the reconstruction process, the original contract to pay money would become a contract to provide a restored building/ machinery. If the restored building becomes defective or in any way inferior to the old property or there is an unreasonable delay to hand over, the insurers may have to pay compensation to the policyholder for breach of contract. *Brown v Royal Insurance Co.*;
- reinstatement may necessitate spending more than sum assured;
- insurer may be liable in damages for loss of use of property if they choose to reinstate but fail to do so within a reasonable time;
- if they choose to reinstate, insurer becomes their own insurer responsible for further damage to the property.

(3 marks for each correct and completely stated reason. Maximum of 3 to be graded. Sub-Total: 9 marks)

(Grand Total: 10 marks)

PART 2

15. (a) What is the doctrine of "privity of contract"? (2 marks)

(b) What is an assignment in the law of contract? (2 marks)

(c) How many types of assignments do we have in insurance law? List them. (10 marks)

(d) Mr. A sells his car and house, which are insured to Mr. B. Is Mr. A's insurer liable to take on Mr. B, the new owner of both the car and the house, as its insured? Justify your response. (4 marks)

(e) Mrs. Similaye assigned the benefits of her household policy to her builder as a means of paying for the repair of storm damage which was covered by the Policy.

- (i) Is the above act permissible or in order? (3 marks)
- (ii) What is the implication of the above act? (3 marks)
- (iii) If the act is permissible or in order, enumerate any two (2) necessary steps to be taken to validate this assignment as a statutory assignment? (6 marks)

Solution

(a) “Privity of Contract” is a doctrine which restricts the rights and duties created by a contract to the persons who originally made it. Under the doctrine, a contract between Mr. A and Mr. B cannot confer any legally enforceable benefits on a third party and cannot impose any duties on the third party. Only a person who is party to a contract can sue upon it. (2 marks)

(b) An assignment in the law of contract means transfer of rights and obligations by a party under a contract. (2 marks)

(c) There are three (3) types of assignments in insurance law. (1 mark)

They are:

- (i) assignment of the subject matter of the contract; (3 marks)
- (ii) assignment of the benefits of the contract; (3 marks)
- (iii) assignment of the contract itself. (3 marks)

(Sub-Total: 10 marks)

(d) Both the house and the car are subject matters of the contract between Mr. A and his insurers. The legal principle is that upon an assignment of the subject matter of an insurance contract, the contract terminates. This is because the cover was granted based on the personal information, bio-data of the insured under the policy that covered the subject matter- the house and car in this instance. (2 marks)

The foregoing being the case, the insurers of Mr. A are not liable to take on Mr. B as their insured automatically. In any case, upon assignment, A will no longer have any insurable interest in the property. (2 marks)

(Sub-Total: 4 marks)

(e) (i) Yes, it is permissible for Mrs. Similaye to assign the benefits of her insurance policy as she has done. (3 marks)

(ii) The implication of the act in (a) above is that nothing is done to affect the subject matter and the insurance money is payable on exactly the same event(s). (3 marks)

(iii) However, if she intends a statutory assignment, she must:

- notify her insurer for the insurer to be liable directly to her builder;
- if the notice is not given, the builder will only be able to enforce his right by bringing an action against her, being the assignor;
- consent of the Insurers is not needed, although she has to give notice;
- she can do the assignment either before or after the loss;
- the builder need not have an insurable interest in the subject matter of the insurance.

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

Grand Sub-Total: 12 marks)

(Grand Total: 30 marks)

16. (a) What constitutes “warranties” in insurance contracts? (4 marks)

(b) What is the main purpose of including “warranties” in an insurance policy? (4 marks)

- (c) Should there be exact compliance with the terms of warranties by the insured? Justify your response. (10 marks)
- (d) How are “warranties” made? (12 marks)

Solution

(a) Warranties in insurance are terms which, when broken, allow the insurer to repudiate the contract as a whole- similar to a condition in the general contract – but this is the old position. A warranty is now seen as a promise made by the insured relating to facts or to something which he agrees to do. It may relate to the last or present promise that something was so or is so. It may be a continuing warranty in which the insured promises that a state of affairs will continue to exist or that (s)he will continue to do something. (4 marks)

(b) The main purpose of including “warranties” in an insurance policy is to ensure that certain high-risk practices or activities are not introduced without the insurers’ knowledge. (4 marks)

(c) Yes, there should be exact compliance; otherwise, (4 marks) if there is a breach, cover will be suspended even if the breach has no connection with a loss (6 marks). (10 marks)

(d) Warranties are made in the following ways:

- i. Expressly. They may be stated expressly in the Policy from the beginning of the contract
- ii. Warranties may be made impliedly, especially in Marine insurance. S.39 of the Marine Insurance Act, 1906, enacted an implied warranty of seaworthiness automatically into every Policy of Marine Insurance. In non-Marine Insurances. Warranties must be expressly worded in the contracts.
- iii. Through "Basis of the Contract's Clauses. Such clauses in a Policy are used to convert the statement of the insured into warranties e.g a clause like "Statements made by the insured in the proposal form are the basis of the contract" is sufficient to render such statements to mean warranties.

(4 marks for each correctly stated method. Sub-Total: 12 marks)

(Grand Total: 30 marks)

17. (a) What does it mean when it is said that insurance policies are contracts of indemnity? (6 marks)
- (b) Enumerate the four (4) well recognised methods of providing indemnity. (12 marks)
- (c) Enumerate any three (3) instances when an insured will recover more than an indemnity. (12 marks)

Solution

(a) It means that the contracts are intended to provide financial compensation for a loss which the insured has suffered and put him in the same position after the loss as he enjoyed immediately before it. The concept of indemnity implies that the object of insurance is to provide exact financial compensation for the insured. At the same time, it also implies that the insured should not be overcompensated. (6 marks)

(b) The four (4) well recognised methods of providing indemnity are:
 * cash payment; * reinstatement; * repair; * replacement.
 (3 marks for each correctly stated method. Sub-Total: 12 marks)

(c) An insured will most probably recover more than an indemnity in the following circumstances:

- where cover is on a reinstatement basis;
- where there is new for old cover;

- where cover is on an agreed value basis;
- where there are partial losses, undervalued policies.

(4 marks for each correct and completely stated circumstance. Maximum of 3 to be graded. Sub-Total: 12 marks)

(Grand Total: 30 marks)

18. (a) What do you understand by the term “proximate cause” in relation to claims in insurance policy? (6 marks)
- (b) Which of the events in the following scenarios will be regarded as the proximate cause of the loss giving rise to liability:
- (i) A ship was damaged by a torpedo (an excluded war risk) which after reaching port, tried to move to an outer berth during storm (insured peril of the sea)
- (ii) Alexander, the great horse rider, fell off his horse and suffered some injuries that forced him to lie in cold and damp conditions, so that he contracted pneumonia from which he eventually died.
- (iii) Stephen’s house got razed by fire when an earthquake caused an oil stove to overturn. Spilt oil was ignited by the wick and the building caught fire. The fire spread from one house to the other by radiant heat and sparks and embers carried on the breeze until the insured, Stephen’s house 500 metres from the scene, was touched and razed by fire from the earthquake which was an excluded peril in the Policy.
- (iv) A policy insured against breakage of glass but excluded breakage by fire. There was an outbreak of fire which caused a mob to gather and a riot broke out, leading to breakage of glass and the mob took to plundering. The riotous conduct of the mob was not an inevitable or probable result of the fire and so the chain of event of was broken. (24 marks)

Solution

(a) Proximate Cause in relation to claims in insurance policy has no standard definition but it can be described as the ‘active’/‘direct’/‘real’/‘immediate’/‘dominant’/‘operative’/‘efficient’ cause of a loss- the cause that is most powerful in effect. (6 marks)

(b) The issue is determining the proximate cause in the unbroken chain of events situation leading to loss. Traditionally, it was common to treat the penultimate event as the cause of the loss but the legal position has changed. It is now mandatory that the cause must be proximate in efficiency and not closest in time.

(i) Applying the above to the case at hand, it would be the torpedo (earlier in time) and not the storm (closest in time) that would be taken as the proximate cause of the loss it, being proximate in efficiency. See **Leyland Shipping vs. Norwich Union Fire Insurance Society**. (6 marks)

(ii) The issue is determining the proximate cause in the unbroken chain of events situation leading to loss in personal accident situation. In **Etherrington vs. Lancashire & Yorkshire Accident Insurance Company**, it was held that the proximate cause of the death of a similar horse rider was the original accident of the fall from the horse and not the pneumonia that ultimately killed him (which was an excluded peril). Therefore, it is the fall and not the disease that would be taken as the proximate cause of Alexander’s death. (6 marks)

(iii) The issue is, determining the proximate cause in the unbroken chain of events situation leading to loss in fire insurance situation where there was an excluded peril. In this situation, there would not be liability if the loss flows directly from an excluded peril. The position is that the loss would be taken as uninsured because the fire caused by the earthquake was excluded by the policy. In **Tootal Broadhurst Lee Company vs. London and Lancashire Insurance Fire Company**, it was held that a similar loss was insured because the policy excluded fire caused by earthquake, even though the chain of causation was not broken.

(6 marks)

(iv) In this situation, chain of event would only be unbroken only if where each event is natural and probable result of what happened before. If the chain is broken by some intervening causes, the position will be different. In **Marsden vs. City & County Insurance**, a case whose facts are on all fours as the case at hand, it was held that the riotous conduct of the mob was not an inevitable or probable result of the fire and so the chain of events was broken and so, the riot and not the fire was the proximate cause of the loss. Therefore, the cause of the breakage of the glass would be the riot and not the fire.

(6 marks)

(Sub-Total: 24 marks)

(Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA
INTERMEDIATE
APRIL 2026 DIET EXAMINATION PAPER

SUBJECT I02
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 2026
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), e.t.c., marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

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

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

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

Chief Examiner's Comments

Question 1

A compulsory question that assessed candidates' knowledge of the Insurance Act. 89% attempted, but the pass rate was 14%

Question 2

Coursebook question on the Theft Act. 96% attempted the question with a pass rate of about 71%.

Question 3

The question assessed candidates' understanding of the schemes available and the implications of underinsurance during periods of inflation. A total of 91% of candidates attempted the question, out of which 63% passed.

Question 4

The question examined candidates' knowledge of the items to be found in a surveyor's report of a business interruption proposal. Approximately 98% of candidates attempted the question, with a pass rate of about 52%.

Question 5

The question assessed candidates' knowledge of the objective of the pre-loss survey. About 98% of the candidates attempted the question with 57% pass.

Question 6

The question assessed candidates on the transfer of heat. About 93% attempted the question with a pass rate of 42%.

Question 7

The question examined candidates' understanding of indemnity as it relates to property. 99% of the candidates attempted the question with a pass rate of 88%

Question 8

The question examined candidates' knowledge of the theft risk survey. 93% attempted the question with 15% pass rate.

Question 9

The question assessed candidates' knowledge of the use of electrical apparatus. 84% attempted the question with 14% pass.

Question 10

The question examined candidates' understanding of money insurance. All the candidates attempted the question with a pass rate of 73%.

Question 11

This question assessed candidates' knowledge of policy claims. 95% attempted the question with about 85% pass rate.

Question 12

The question examined candidates' knowledge of indemnity settlement and Reinstatement. 94% attempted the question with a pass rate of 77%.

Question 13

The question was on business interruption. About 94% attempted the question with a pass rate of 72%.

Question 14

This question examined candidates' knowledge of Reinsurance. 94% attempted the question with a pass rate of 72%.

Question 15

The question examined candidates' understanding of contingencies and its underwriting. 63% attempted with 12% pass rate.

Question 16

The question assessed candidates' knowledge of the content of a survey report. 212 candidates attempted the question with a pass rate of 51%.

Question 17

The question assessed candidates' knowledge about the theft risk. 42% attempted the question with a pass rate of 97%.

Question 18

A question of settlement of claim. About 36% attempted the question with about 77% pass rate.

Comments on Overall Performance:

The overall performance of 54% pass rate was recorded.

Suggestions on Improvement(s) (if any):

Candidates are advised to study adequately to achieve success.

I02 – Commercial and Business Interruption Insurances

Part I

1. (a) What is the full name of the legal framework enacted by the Nigeria's National Assembly on the 31st day of July, 2025 to regulate the insurance industry in Nigeria? **(2 marks)**
- (b) List any four (4) of the five Acts of Parliament that the legal framework repealed? **(8 marks)**

Solution

- (a) The name is The Nigerian Insurance Industry Reform Act No. 14 of 2025, i.e. NIIRA 2025. **(2 marks)**
- (b) The Act repealed the following insurance Acts:
 - (i) The Insurance Act, Cap I17, Laws of the Federation of Nigeria, (LFN), 2004,
 - (ii) The Marine Insurance Act, Cap M2, LFN, 2004
 - (iii) The Motor (Vehicle) Third Party Insurance Act , Cap.M22, LFN, 2004
 - (iv) The Nigerian Insurance Corporation Act, Cap N54, LFN, 2004
 - (v) The Nigerian Reinsurance Corporation Act, Cap N131 LFN, 2004. 5Mks**(2 marks for each correctly stated Act. Maximum of 4 to be graded. Sub-Total: 8 marks)**
(Grand Total: 10 marks)

2. (a) When a person is guilty of **theft** as defined in the Theft Act 1968. **(6 marks)**
- (b) Define “robbery” as defined in Section 8 of the Theft Act 1968? **(4 marks)**

Solution

(a) Theft is defined in the Theft Act 1968 as: “A person is guilty of theft if he or she **dishonestly** appropriate property belonging to another **(3 marks)** with the intention of permanently depriving the other of it, and thief and stealing shall be construed accordingly **(3 marks)**”. It is immaterial whether the appropriation is made with a view to gain or is made for the thief's own benefit.

(Sub-Total: 6 marks)

(b) Robbery is defined in S8 of the Theft Act 1968. ‘a person is guilty of robbery if he steals **(2 marks)** and immediately before or at the same time of doing so and in order to so, he uses force on any person or puts or seeks to put any person in fear or being there and then subjected to force **(2 marks)**.

(Sub-Total: 4 marks)

(Grand Total: 10 marks)

3. (a) By reason of inflation, an insured might have a property being insured to having a sum insured that qualifies it as under-insured. List any two (2) of the scheme types that are available to protect the insured from experiencing under-insurance caused by the effect of inflation. **(4 marks)**
- (b) Enumerate any three (3) contingencies that are normally suitable for “first loss cover”. **(6 marks)**

Solution

(a) The schemes that are available to protect the insured from experiencing under-insurance caused by the effect of inflation:

* index link scheme; * day one basis (adjustable)

* day one basis (unadjustable).

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

(b) The contingencies that are normally suitable for first loss cover are:

* storm; * flood; * escape of water;

(iii) **radiation:** this occurs from anybody at a higher temperature than its surrounding. Heat is radiated or lost from every surface of the hot body until the air has attained then reduced temperature of the hot body.

(3 marks for each correctly stated way. 2 marks for each correct and completely stated explanation. Sub-Total per way: 5 marks. Maximum of 2 ways to be graded. Grand Total: 10 marks)

7. (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 *Castellan vs. Preston* (1883). Indemnity means 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 limitations contained in the policy. **(2 marks)**

(Sub-Total: 6 marks)

(Grand Total: 10 marks)

8. Give any four (4) purposes of surveillance on theft risk.

Solution

The purposes of surveillance on theft risk:

- view everyone who wishes to gain access to the premises, or at least to hear them if a remote two-way telephone is used;
- provide the watcher with an opportunity to grant or delay access;
- take action upon discovering an unauthorised access;
- call police for help;
- provide a deterrent to the potential thief.

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

9. Electrical apparatus is designed to work at high speeds and may use and produce an enormous amount of power. Enumerate any four (4) main challenges that can arise in connection with the use of electrical apparatus.

Solution

The main challenges that may arise in connection with the use of electrical apparatus:

- * overload; * lack of maintenance; * power leads;
- * external factors; * environment.

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

10. (a) Define “money” as defined in a standard money insurance policy. **(2 marks)**
(b) List four (4) items described as money in money insurance policy. **(8 marks)**

Solution

(a) “Money” is defined in the policy as “negotiable” and “non-negotiable” money belonging to the insured or for which the insured is responsible. **(2 marks)**

(b) The items identified as money in money insurance policy are:

- * postal and money orders; * credit company sales;
- * bank draft; * cheques; * voucher;
- * national insurance and two ways with pay stamps; * cross warrants;
- * postage stamps; * revenue * war bonds;

* bills of exchange and securities for money; * national saving certificate.
(2 marks for each correctly stated item. Maximum of 4 to be graded. Grand Sub-Total: 8 marks)
(Grand Total: 10 marks)

11. Enumerate any two (2) reasons why business interruption losses cannot generally be detailed on a standardised claim form apart from the general question such as name, policy number, e.t.c.

Solution

The main reasons why business interruption losses cannot be detailed on a standard form are:

- (i) the formula for dealing with the claim is similar as between each basis of cover (insured, profit, gross revenue, gross rentals) but the firm would have to provide space for all the variations;
 - (ii) it is practically impossible to provide the correct amount of space on the form for all the items which go into the settlement, the adjustment formula for the special circumstances clauses the savings, their adjustment for uninsured working expense and the text for (and application of) average;
 - (iii) all the work cannot be done until the end of the indemnity period in any event.
- (5 marks each for any correctly stated point. Maximum of 2 to be graded. Total mark 10 marks)

12. What is the distinction between the terms “indemnity settlement” and “reinstatement”?

Solution

The term indemnity settlement means that the insured is put back into its same financial position as occupied by the insured immediately before the damage, by the method of settlement made by the insurer (5 marks). Reinstatement in its widest sense means the restoration of the property insured to the condition in which it was immediately before the damage or destruction (5 marks).

(Grand Total: 10 marks).

13. (a) Explain the aim of Business Interruption (BI) Insurance. (4 marks)
(b) List any two (2) ways that a BI Insurance policy can achieve the stated aim in (a) above. (6 marks)

Solution

(a) The aim of business interruption (BI) insurance is to replace the loss of income/profit which would have been achieved by the business if the interruption to the business had ever happened. (4 marks)

(b) The ways that a BI Insurance policy can achieve the stated aim in (a) above are:

- continuing to pay that part of the ongoing costs and expenses which cannot be paid out of the reduced income;
- making up the shortfall in net profit;
- paying for extra costs incurred in order to prevent or reduce the loss in income.

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

14. (a) Explain the term “reinsurance”. (4 marks)
(b) Enumerate any two (2) instances when facultative reinsurance is used. (6 marks)

Solution

(a) Reinsurance is the natural extension of the fundamental concept of insurance, namely the sharing of risks. It may be defined as the further provisions of insurable risk from the insurance companies to the reinsurance companies. (4 marks)

(b) The instances when facultative reinsurance is used are:

- where treaty capacity has been filled;
- where the risk is outside the terms of the treaty;
- where the risk is of an unusual kind.

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

(Grand Total: 10 marks)

Part 2

15. Subsidence and Heave are other contingencies that are normally grouped with fire in property damage policy.

- (a) What is the difference between the two contingencies? **(10 marks)**
- (b) Enumerate any five (5) underwriting considerations for granting such covers by the underwriter. **(15 marks)**
- (c) What is the difference between fire and explosion? **(5 marks)**

Solution

(a) **Subsidence** can be caused by the presence of underground working or shrinkage of the sub-soil by the removal of water either by a period of drought or by tree roots; **(5 marks)** while **Heave** is the opposite of subsidence and can occur when the water returns at the ground after a drought or of a tree is felled. **(5 marks)**

(Sub-Total: 10 marks)

(b) The underwriting considerations for granting such covers by the underwriter are:

- types of subsoil present; * whether any mining is done;
- whether other underground activities have previously been done around the area;
- any sign of cracking or fracturing in/on the building; * conditions of drainage;
- age and construction of the building; * age and proximity of trees and vegetation;
- types and depth of foundation; * climatic conditions;

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

(c) Fire is defined as the 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 the terms is the speed of ignition which is higher in an explosion than in fire. **(5 marks)**

(Grand Total: 30 marks)

16. (a) State and explain any three (3) objectives of a risk survey. **(9 marks)**

(b) A business interruption survey report has standard contents/headings. State and briefly explain any seven (7) of the contents/headings of such a survey report. **(21 marks)**

Solution

(a) The objectives of a risk survey are to:

- provide an assessment of the risk;
- offer benefits to the parties concerned;
- suggest improvements to the commercial features of the risk;
- develop risk management programme.

(Candidates are required to explain any three of these objectives. 2 marks for each correct and completely stated objective. 1 mark for each correct and completely stated explanation. Maximum of 3 to be graded. Sub-Total per objective: 3 marks. Grand Sub-Total: 9 marks)

(b) The contents/headings of a business interruption survey report are:

- * business overview; * building; * machinery;
- * stock; * workforce * outwork;
- * sum insured and maximum indemnity period; * period in the market;

* overtime/night work; * other premises; * buying in; * IT reliance.
 (Candidates are required to explain any seven of these contents/headings. 1 mark for each correct and completely stated explanation. Sub-Total per content/heading: 3 marks. Maximum of 7 to be graded.
 Grand Sub-Total: 21 marks)
 (Grand Total: 30 marks)

17. You, as an underwriter who received a proposal received for the underrating of a “theft” risk. What are the significances of the following for acceptable underwriting consideration
- (a) Location; (b) Security; (c) Safes.

Solution

The significances are as stated below:

(a) **Location:** The proposal form will indicate the address/ location of the risk: from the insurer data/ record that the location of risk has a bearing on the incident of theft to such an extent that:

- the levels of acceptance vary from area to area;
- the security/detection devices are appropriate;
- the rating for the same value and property varies from area from area;
- the amount insurer will insure without a survey varies from area to area.

(b) **Security:** The security should be considered under the following/heading:

- physical: this carries the locks and other security devices such as doors, windows, skylights, trapdoors, chutes and other ways in and outside the building
- detection: this comprises intruder alarms including telephones and other links to the central alarm station then to the police. CCTV surveillance systems, remote-controlled and monitored (12marks)

(c) **Safes:** safes are classified into

- free standing;
- wall maintained;
- under floor mounted and they should be given a secure limit.

(5 marks for each correct and completely stated significance. Maximum of 2 under each term. Sub-Total per term: 10 marks. Grand Total: 30 marks)

18. (a) A fire occurred at a factory, the declared value being ₦800,000.00 subject to average. The loss Adjuster provided these as the relevant figures:

- value at the time of loss: ₦840,000.00
- loss on indemnity basis: ₦105,000.00

Adjust the claim (10 marks)

(b) On the same loss, the Adjuster noted that the factory was insured on reinstatement basis with the following figures:

- value on reinstatement basis: ₦920,000.00
- loss on reinstatement basis: ₦114,800.00

It was also reported by the loss Adjuster that the value at the time of reinstatement was in the region of ₦1,105,000.00 instead of ₦920,000.00.

- (i) State the formula for calculating on reinstatement. (2 marks)
 (ii) Apportion the loss. (12 marks)
 (iii) Calculate the difference between the reinstatement amount and that of the indemnity basis. (6 marks)

Solution

(a)
$$\frac{\text{sum insured}}{\text{value}} \times \text{Loss} \quad (4 \text{ marks})$$

$$= \frac{800,000}{840,000} \times 105 \quad (4 \text{ marks})$$

$$= \text{N}100,000.00 \quad (2 \text{ marks})$$

(Sub-Total: 10 marks)

(b) (i) $\frac{\text{Reinstatement sum insured}}{\text{Cost of Reinstatement}} \times \text{Reinstatement Claim}$ (2 marks)

(ii) Apportionment of loss:
 $\frac{920,000}{1,105,000} \times 114,800$ (6 marks)

= $\text{N}95,580.00$ (6 marks)

(Sub-Total: 12 marks)

(iii) Difference between the reinstatement amount and that of indemnity
= $\text{N}100,000 - \text{N}95,580$ (4 marks)

= $\text{N}4,420.00$ (2 marks)

(Sub-Total: 6 marks)

Grand Total: 30 marks



CHARTERED INSURANCE INSTITUTE OF NIGERIA

INTERMEDIATE

APRIL 2026 DIET EXAMINATION PAPER

SUBJECT I03

INSURANCE BUSINESS AND FINANCE

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 2026
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), e.t.c., marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

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

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

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

Chief Examiner's Comments

Question 1

Most candidates were unable to determine the meaning of the minimum capital requirement. More than 60% of the candidates wrote out of point. Management cost ratio, marginal capital requirement, mandatory control revenue. etc. However, an overall 95% pass rate was recorded. Part (b) of the question cushions the effect.

Question 2

A very popular question, the majority of candidates demonstrated deep knowledge and understanding of the classes of insurance available in the industry. A few candidates who failed were not able to know the difference between types of insurance and classes of insurance. Some were giving captive takaful as classes of insurance. 55% of the candidates passed.

Question 3

The question examined candidates' knowledge of captive insurance and the method of transferring risk. Majority of candidates did not know what captive means, this resulted in a poor performance.

Question 4

The question examined the candidates' understanding of leadership. Poorly attempted and majority of the candidates did not get the approach for the effective leadership called the Action Center Leadership Approach.

Question 5

The question assessed candidates' understanding of paternalistic and democratic management styles, with a pass rate of 83%. The loss of marks by some candidates was due to their inability to correctly explain the meaning or concept of the paternalistic management style.

Question 6

The question assessed candidates' knowledge of the factors that make internal communication effective, and a pass rate of 68% was recorded. Some candidates lost marks because they focused on the advantages of internal communication rather than addressing the specific requirements of the question. It was a direct question drawn from the coursebook.

Question 7

The question was misunderstood, as many candidates wrote on the functions of actuaries instead of addressing the parameters used in establishing solvency. Consequently, performance was very low, with only 4% of candidates passing.

Question 8

The performance was 37%, indicating a shallow understanding of mergers and acquisitions.

Question 9

The question assessed candidates' knowledge of the steps managers should take in decision making. A pass rate of 60% was recorded, while 40% of candidates failed, mainly because they discussed the functions of decision-making instead of the required steps.

Question 10

The question was designed to assess candidates' knowledge of the required content of an audit. The performance rate was 17%, indicating a very low level of understanding. This poor outcome suggests that the topic was largely unfamiliar to the majority of candidates.

Question 11

The question examined candidates' understanding of the statutory duties of the Corporate Affairs Commission (CAC). A pass rate of 76% was recorded. However, candidates who performed poorly appeared not to understand the concept of the CAC itself, which affected their responses.

Question 12

The overall performance was good, with a pass rate of 80% and a failure rate of 20%. However, some candidates demonstrated misunderstanding by listing documents not relevant to the context such as BVN, passport, and driver's license, instead of focusing on the required content.

Question 13

The question assessed candidates' knowledge of the company secretary and their roles. A relatively high pass rate of 72% was recorded, indicating a good understanding of the topic among students.

Question 14

The question assessed candidates' understanding of the forms of assets used in funding business operations. Performance was fair, with a pass rate of 45%. However, several candidates demonstrated poor attempts, mixing up the relevant items.

Question 15

63% of candidates attempted the question, which assessed their understanding of organic growth in relation to business operations. However, performance was very poor, with only 13% pass rate.

Question 16

The question assessed candidates' knowledge of the functions of the MD/CEO, Board of Directors, management staff, and stakeholders within the corporate governance structure of an insurance company. A high pass rate of 86% was recorded, indicating that candidates demonstrated a good understanding of corporate governance.

Question 17

The question assessed candidates' knowledge of market research and development. Overall performance was poor, with a pass rate of 28%. Many candidates found it difficult to correctly interpret the question.

Question 18

The question assessed candidates' knowledge of the recruitment process in the insurance industry. Performance was encouraging, indicating a good level of understanding among candidates.

Comments on Overall Performance:

The overall performance was fairly good, with a pass rate of 59.2%.

Suggestions on Improvement(s) (if any):

Improved performance is expected in the next diet, provided candidates make diligent efforts by thoroughly studying the prescribed coursebook as well as previous examination reports.

I03 – Insurance Business and Finance

Part 1

1. In NIIRA, 2025,
- (a) What is MCR? (2 marks)
- (b) List out:
- (i) three (3) groups of business classes of a life assurance company. (3 marks)
- (ii) five (5) groups of business classes of a non-life insurance company. (5 marks)

Solution

- (a) MCR is Minimum Capital Requirement. (2 marks)
- (b) (i) The groups of business classifications of a life assurance company are:
- * individual life assurance business;
 - * group life assurance business;
 - * annuity;
 - * health insurance business.
- (1 mark for each correct and completely stated group. Maximum of 3 to be graded. Sub-Total: 3 marks)
- (ii) The groups of business classifications of a non-life assurance company are:
- * Fire Insurance Business;
 - * General Accident Insurance Business;
 - * Motor Vehicle Insurance Business;
 - * Marine Insurance Business
 - * Energy (Oil, Gas and Power) Insurance Business;
 - * Engineering Insurance Business;
 - * Bonds Credit Guarantee and Suretyship Insurance Business; and
 - * Agricultural Insurance business other than schemes covered by the Nigerian Agricultural Insurance Corporation Act.
- (1 mark for each correct and completely stated group. Maximum of 5 to be graded. Sub-Total: 5 marks)
- (Grand Total: 10 marks)

2. Insurance companies charge equitable and relatively small premiums in comparison to the large numbers of the same type of customers. Give five (5) examples of classes of insurance and reinsurance that are available.

Solution

The examples of classes of insurance and reinsurance that are available are:

- * accident and health insurance;
- * motor;
- * aviation;
- * fire and other causality insurance;
- * marine;
- * liability insurance
- * householder/ houseowner insurance;
- * bond;
- * goods-in-transit;
- * burglary;
- * money insurance.

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

3. (a) What is “captive insurance”? (1 mark)
- (b) Captive insurance is a tax-efficient method of transacting risk transfer among the large national and multinational companies. Enumerate any three (3) incentives of this scheme. (9 marks)

Solution

- (a) Captive insurance refers to an insurance arrangement where a company creates its own identity, usually a subsidiary, to provide leverage for its own risks (1 mark)
- (b) The incentives of tax-efficient method of transaction in captive insurance are:
- to obtain the full benefits of the group risk control techniques by paying an equitable premium based on its own loss experience;
 - to avoid the direct insurances overhead;
 - to obtain a lower overall risk premium level by purchasing reinsurance at a lower cost than that required by conventional and direct insurer;
 - to achieve their risk financing objectives.
- (3 marks for each correct and completely stated incentive. Maximum of 3 to be graded. Sub-Total: 9 marks)

(Grand Total: 10 marks)

4. Effective leadership and communication are crucial for organisational success. Describe the Action Centre Leadership Approach using the three (3) areas of team leaders' effectiveness.

Solution

The Action Centre Leadership Approach using the three (3) areas of team leaders' effectiveness are:

- The Task: the primary need to effectively get the job done;
- The Team: the need to build a credible unified team;
- The Individual: we all have a society of needs which motivate us to be wanted and useful. The team is necessary in order for the whole process to become effective and for goals not to be aborted or to avoid the process to becoming ineffective.

(1 mark for correctly stating the three areas. 2 marks for each correctly stated area. 1 mark for each correct and completely stated explanation. Sub-Total per area: 3 marks. Grand Total: 10 marks)

5. Different management styles, such as paternalistic and democratic can impact organisational performance. Discuss these two (2) styles of management in an organisation.

Solution

Paternalistic: the organisation looks after its employees in a friendly way and fatherly way. The employees respect the organization manager in the way that children respect their parents. The style is sometimes perceived as too interfering. **(5 marks)**

Democratic: Decision taking in the organisation is made with prior reference to as many staff as possible. IT also ensures that staff are carried along on all issues and their buy-ins secured before commencing on any action. **(5 marks)**

(Grand Total: 10 marks)

6. Many insurance organisations have recognised the importance of democratic participation in the decision-making of their organisations by welcoming ideas and suggestions from their Staff. Enumerate any five (5) characteristics of effective internal communication.

Solution

The characteristics of effective internal communication are:

- * accurate;
- * clear;
- * relevant
- * reliable;
- * credible;
- * timely

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

7. ABC Insurance Company is assessing its solvency capital requirements to support its insurance operations; the actuaries are evaluating the full range of risks to the enterprise. Identify any five (5) areas that the actuaries will use to assess the risks and determine the solvency capital requirements for the ABC insurance company.

Solution

The areas that the actuaries will use to assess the risks and determine the solvency capital requirements for the ABC insurance company are the:

- * credit;
- * market;
- * operation
- * group;
- * strategic;
- * insurance;
- * reserving.

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

8. During a merger and acquisition action, each party provides, to the other, mutually beneficial information that are relevant and important for the business. State any five (5) vital information that are needed to be disclosed.

Solution

The vital information that are needed to be disclosed are:

- * financial record;
- * sales/revenue;
- * claim profile;
- * staff members;
- * service contracts;
- * cost;
- * regulatory status.

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

9. A manager is faced with a critical decision and needs to follow a structured approach in taking a decision. State and briefly explain the four (4) main steps in a decision-making process.

Solution

The four main steps in the decision-making process are:

- **to understand why:** such a decision must be taken, know the current situation and need for such a decision;
- **prior consideration and discussion of the options:** this involves the analysis of the option available for changing the status quo and consideration of the impact of the potential decision;
- **taking the most appropriate decision:** appropriate decision some of the time may not always be the obvious one. the decision maker should weigh up the merits and demerits of such a decision;
- **review:** once a decision has been taken, it's appropriate to review and go back to the drawing board if need to be.

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

10. A company is required to have an external audit under the Company and Allied Matter Act 2004 but the company is confused about the audit requirements. State and briefly explain any four (4) contents of an external audit report.

Solution

The report must state clearly whether, in the auditor's opinion, the annual accounts:

- (a) give a true and fair view:
- In the case of an individual balance sheet; of the state of affairs of the company as at the end of the financial year.
 - In the case of an individual profit and loss account, of the profit or loss of the company for the financial year.

In the case of group accounts, of affairs as at the end of the financial year and of the profit or loss for the financial year of the undertakings included in the consolidation as a whole, so far as concerns members of the company.

- (b) have been properly prepared in accordance with the relevant financial reporting framework, and
- (c) have been prepared in accordance with the requirements of this Act.

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

11. (a) Enumerate any two (2) statutory duties of the Corporate Affairs Commission (CAC) in Nigeria. (6 marks)
- (b) Outline any two (2) benefits of merger and acquisition. (4 marks)

Solution

(a) The statutory duties of CAC in Nigeria are:

- incorporate and dissolve companies;

- examine and store company information delivered under CAMA and other related legislation;
- make this information available to the public.

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

(b) The benefits of merger and acquisition are:

- large economic of scale; * improved market share;
- return on investment.

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

(Grand Total: 10 marks)

12. A friend of yours is experiencing difficulties in understanding the registration process for an organisation with the Corporate Affairs Commission (CAC) in Nigeria. Advise the friend on any five (5) required documents needed for the registration.

Solution

The required documents needed for the registration are:

- the company's name;
- whether the company is private or public;
- whether the liability of members of the company is to be limited: by shares or by guarantee;
- the situation or seat of the company's registered office;
- the address of the registered office;
- the statement of the proposed officers;
- the proposed articles of association.

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

13. (a) Who is a company secretary? **(2 marks)**

(b) State any four (4) roles of a company secretary. **(8 marks)**

Solution

(a) A Company secretary is a vital officer in a limited liability company (LLC) in Nigeria, responsible for ensuring the company's compliance with regulatory requirements and maintaining its statutory record.

(2 marks)

(b) The roles of a company secretary:

- guiding the Chairman and the Board on their responsibilities under the rules and regulations;
- overseeing the day-to-day administration of the company;
- supporting the Chairman in ensuring that Board functions are efficiently and effectively carried out;
- ensuring information flows within the Board and various Committees;
- monitoring changes in relevant legislation and regulatory requirements;
- serves as Secretary to the Board Committees;
- responsible for facilities, insurance pensions administration, e.t.c.
- development and overseeing the system that ensures that the company comply with applicable codes and regulation
- maintain shareholder relationship

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

(Grand Total: 10 marks)

14. Insurance companies hold some forms of assets to fund their business operations. Enumerate any two (2) types each of current assets and non-current assets.

Solution

Examples of current assets are:

- cash and cash equivalent held in bank and in hand; * finished products;
- stock in trade; * debtors i.e. accounts receivable

Examples of non-current assets are:

- Goodwill and other intangible assets; * freehold property;
- land used by the business for trading; * investments.

(2½ marks for each correct and completely stated example. Maximum of 2 to be graded under each term.

Sub-Total per term: 5 marks. Grand Total: 10 marks)

Part B

15. Organic growth is a key driver of business expansion.

- (a) What is organic growth in relation to business expansion? **(3 marks)**
(b) Enumerate any five (5) reasons why a business will want to grow. **(15 marks)**
(c) Outline any four (4) key drivers of organic growth **(12 marks)**

Solution

(a) Organic growth as relation to business growth can be described as a situation where a company develops and expands by increasing its sales revenue and outputs through its own current business, activities and efforts, rather than through mergers or acquisition i.e. expanding and producing above productivity possibility curves.

(3 marks)

(b) The reasons why a business will want to grow are:

- buoyant market; * low interest rate
- availability of finance or capital; * expert opportunities;
- economic of large scale production; * increasing consumer income;
- opportunity of increase revenue and profit.

(3 marks for each correct and completely stated reason. Maximum of 5 to be graded. Sub-Total: 15 marks)

(c) The key drivers of organic growth are:

- it is a favoured approach of many executives and investors as it provides a sound means to measure progress and success;
- organic growth seems to be a more profitable route and a better investment return;
- it enables executive management to demonstrate long term commitment;
- management can fully focus on growing the business and the achievement of goal;
- it brings/fosters self-actualization.

(3 marks for each correct and completely stated driver. Maximum of 4 to be graded. Sub-Total: 12 marks)

(Grand Total: 30 marks)

16. The Board of Directors of a company is responsible for making dimensional and broad policies for the Management to execute.

- (a) Enumerate any five (5) main functions and responsibilities of the Board of Directors.
(b) List any four (4) main functions of MD/CEO of an insurance company.
(c) List any ten (10) roles or responsibilities of a team manager.

Solution

- (a) The following are the main functions and responsibilities of the Board of Directors.
- ensure the compliance with corporate governance is adhered to.
 - overseeing the executive directors and the senior or principal officers.
 - setting strategic and determining policy.
 - overseeing risk management process.
 - selecting, appraising and rewarding CEO.
 - ensuring that company integrity and principles are upheld.

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

- (b) The main functions of MD/CEO of an insurance firm are:
- to be a link between the Management and the Board of Directors;
 - to execute and oversee the business functions;
 - to be the chief accounting officer as the CEO;
 - to be vicariously liable for acts of omission and commission under his supervision;
 - to represent the company at external events and minutes.

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

- (c) The roles or responsibilities of a team manager are:
- classification and accountabilities and activities of junior staff;
 - structure and organise team members to meet the needs of the job;
 - establishment of a system of personal targets and a performance and reward review;
 - ensure correct decisions are taken appropriately;
 - ensure free flow of communication;
 - take a positive attitude towards employee representation and participation;
 - adopt influence, lead by example;
 - ensure equitable and fair job distribution and delegation;
 - establish a system of personal target and performance and reward review;
 - must not be a leader of double tongues;
 - ensure that staff are adequately trained;
 - monitoring performance and result;
 - maintenance of discipline, sanction the err and reward handwork.

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

17. CYZ Insurance Company wants to launch a new product line but is unsure about the market demand and the potential risks. As a market research analyst,

- (a) inform them of ten (10) marketing functions that could be recommended to the company to drive the product development strategy. **(20 marks)**
- (b) enumerate any four (4) key functions that could help CYZ Insurance Company understand its target market and develop a successful product. **(10 marks)**

Solution

(a) The marketing functions that could be recommended to the company to drive the product development strategy are:

- * market research;
- * competitor research;
- * customer profiling;
- * market segmentation;
- * advertising;
- * media relations;
- * product development;
- * public relation;
- * image laundering and sponsorship;
- * development of marketing plans.

(2 marks for each correct and completely stated function. Maximum of 10 to be graded. Sub-Total: 20 marks)

(b) The key functions that could help CYZ Insurance Company understand its target market and develop a successful product are:

- * development of marketing plans;
- * identification of target market;
- * formulation of marketing strategy;
- * control of marketing operations;
- * monitoring the success of products or services;
- * product development.

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

(Grand Total: 30 marks)

18. (a) GHI Insurance Company is looking to improve its recruitment processes to attract top talents. Outline and discuss the five (5) recruitment processes.

(20 marks)

(b) The European Union introduced Solvency II, a regulatory framework for insurance companies for financial stability and, by extension, shareholders' protection. List the four-level process of Solvency II as advanced by Lamfalussy. (10 marks)

Solution

(a) The recruitment processes are:

- **Sign off:** this is the confirmation that the recruitment has been authorized by the management
- **Recruitment:** The HR team is equipped to commence the recruitment which could be by direct advertising through agency or head hunting
- **Interview:** candidates are shortlisted and interviewed by panel probably headed by the head of HR. Many parameters are considered. The two or best are recommended for management approval
- **Job Offer:** The preferred candidate is selected, offer is made and conditions of service are stated in offer letter.
- **Induction:** In-Service training are conducted for the staff to understand the terrain of the assignment.

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

(b) The four - level process of Solvency II as advanced by Lamfalussy are:

- Level 1: Framework Principle;
- * Level 2: Implementing Measure;
- Level 3: Guidance;
- * Level 4: Enforcement

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

(Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA
INTERMEDIATE
APRIL 2026 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.

**FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL)
WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2026
DIET CANDIDATES' INSTRUCTIONS.**

CHARTERED INSURANCE INSTITUTE OF NIGERIA

I04 – BUSINESS AND ECONOMICS

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), e.t.c., marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

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

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

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

Chief Examiner's Comments

Question 1

This question, based on NIIRA 2025, was compulsory and recorded a low performance, with only 33 candidates passing, representing 19%.

Question 2

This question examined candidates' knowledge of outsourcing. It was well attempted, with 124 candidates passing, representing 72.5%.

Question 3

This question examined the theory of factors of production. It was well attempted, with 147 candidates passing, representing an 86% pass rate.

Question 4

This question examined candidates' knowledge of risk management. A total of 77 candidates passed, giving a 45% pass rate.

Question 5

This question assessed knowledge of exchange rates. 84 candidates passed, representing approximately a 50% pass rate.

Question 6

This question examined the concept of the marketing mix. It was very well attempted, with only about five candidates failing to reach the pass mark, giving an impressive pass rate of about 97%.

Question 7

Candidates were expected to differentiate between deflation and devaluation as well as related concepts. Over 70% of candidates scored a pass mark.

Question 8

This question examined knowledge of SWOT analysis in business strategy. 132 candidates passed, representing about 77%.

Question 9

This question examined knowledge of national income. All candidates were expected to attempt it, and 115 candidates passed, representing a 67% pass rate.

Question 10

This question examined the theory of cost. It was compulsory, and 125 candidates passed, representing 73%.

Question 11

This question examined the concept of investment and the credit multiplier. Only 27% of candidates passed.

Question 12

This question examined knowledge of business culture. It was compulsory, and 125 candidates passed, representing a 73% pass rate.

Question 13

This question examined knowledge of tax and taxation. 127 candidates passed, representing 74%.

Question 14

This question examined the concept of profit maximization. Performance was poor, with only 45 candidates passing it.

Question 15

This question examined the theory of money. 150 candidates attempted it, while 107 passed, giving a pass rate of 71%.

Question 16

This question examined break-even analysis. Only 51 candidates attempted it, with 30 passing, representing 59%.

Question 17

This question examined demand and supply as applied to the insurance business. Out of 171 candidates, only 71 attempted it, and just 18 passed, representing 25%. This result indicates a poor understanding of the course content among candidates.

Question 18

This optional question examined monetary policy. Only 56 candidates (33%) attempted it, and 8 candidates passed, representing a 14% pass rate.

Comments on Overall Performance:

The overall performance rate of 58% is slightly above average; however, a higher performance level is expected from candidates in this course.

Suggestions on Improvement(s) (if any):

Candidates are advised to study the coursebook more closely, as over 90% of the questions were drawn directly from it. A stronger engagement with the syllabus content and examination reports is recommended to improve future performance.

I04 - BUSINESS AND ECONOMICS

Part I

Each question carries 10 marks.

1. What are the two (2) main objectives of the Nigerian Insurance Industry Act (NIIRA) 2025 and in what three (3) ways does the Act set to achieve these objectives, according to Section 1 of the Act?

Solution

According to Section 1 of the Act, the two main objectives of the Nigerian Insurance Industry Reform Act (NIIRA) 2025 are to:

- (i) regulate the insurance industry in order to develop the insurance sector of the national economy; (2 marks)
- (ii) to protect the interests of policyholders, prospective policyholders and other stakeholders under insurance Policies in ways that are consistent with the continued development of a viable, competitive and innovative Insurance Industry. (2 marks)

The three ways set to achieve these objectives are by:

- (i) determining who carries on insurance business in Nigeria and requiring insurance operators, the directors and management of insurance operators to meet certain suitability requirements; (2 marks)
- (ii) imposing on insurance operators, requirements to promote prudent management, good business practice and good corporate governance; (2 marks)
- (iii) providing for an effective mechanism for settlement of insurance disputes. (2 marks)

(Grand Total: 10 marks)

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

Solution

Outsourcing is the contracting-out of various business functions to companies, which could be either in the country where the organisation is located or not. Examples are giving over the following functions of the organisation to external parties to manage on behalf of the organisation-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 strictly to overseas companies. Same example as for outsourcing suffices but with emphasis that the location of the partner must not be in the same country with the organisation that is offshoring.

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

Maximum of 2 examples to be graded under each term. Subtotal per term: 5 marks. Grand Total: 10 marks)

3. List, with a brief explanation, the four (4) basic agents of production, stating their respective rewards.

Solution

The four basic agents of production and their respective rewards are:

- (i) **Land:** all natural means or nature given means of production. Reward of land is Rent.
- (ii) **Labor:** efforts of men or workforce involved in production. Reward of labor is Wages.
- (iii) **Capital:** man made goods and equipment used for further production. Reward of capital is interest.
 - a. **Entrepreneur or Organiser:** the coordinator of production as well as the risk bearer. Reward of an entrepreneur is profit.

(1 mark for each correctly stated agent. ½ mark for each correct and completely stated explanation. 1 mark for each correctly stated reward. Sub-Total per agent: 2½ marks. Grand Total: 10 marks)

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

5. (a) What is a fixed exchange rate? (2 marks)
(b) List two (2) merits and two (2) demerits of floating exchange rates. (8 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. (2 marks)

(b) **Merits of Floating Exchange Rates**

- (i) Automatic adjustments; (ii) No need for large foreign exchange reserves;
(iii) Insulation from price shocks;

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

Demerits of Floating Exchange Rates

- (i) Uncertainty; (ii) Inflation;
(ii) Speculation may be destabilising.

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

(Grand Sub-Total: 8 marks)

(Grand Total: 10 marks)

6. 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)

7. (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 (2½marks) 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)

8. 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)

9. (a) What is national income? (1 mark)
 (b) In relation to National Income Equilibrium, explain the following variables:
 $Y = C + I + G + X - M$ (3 marks)
 (b) 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)

Solution

(a) National income is the addition of Consumption, Investments, Government Spending and Exports minus Imports. (2 marks)
 (b) Y = Income or national income (½ mark)
 C = Consumption (½ mark)
 I = Investment (½ mark)
 G = Government Spending (½ mark)
 X = Exports (½ mark)
 M = Imports (½ mark)
 (Sub-Total: 3 marks)
 (c) 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 problem. Sub-Total: 6 marks)
 (Grand Total: 10 marks)

10. 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 examples to be graded. Sub -Total per term: 5 marks. Grand Total: 10 marks)

11. 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 ($\text{₦}2,000,000.00 / \text{₦}1,000,000.00$); 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 $\$1,000 \times 5 = \$5,000$. If a bank decides to keep a cash reserve ratio of 30%, the credit multiplier = $1 / 0.30 = 3.333$.(Chap.

(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)

12. (a) What is business culture? (2 marks)
 (b) Explain these two terms and state two (2) examples on each: "public goods" and "merit goods". (8 marks)

Solution

(a) In the business world, business culture is the model of style of business operations within a company which determines how different levels of staff communicate with one another as well as how employees deal with clients and customers. It sets standards for determining the difference between good and bad decision-making and behaviour. A firm's culture and management's ethical stance can influence the firm's approach to. (2 marks)

(b) **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.

(2 marks for each correct and completely stated definition. 1 mark for each example. Maximum of 2 examples to be graded. Sub-Total per term: 4 marks. Grand Sub-Total: 8 marks)
 (Grand Total: 10 marks)

13. Outline three (3) types of direct taxes and two (2) types of indirect taxes.

Solution

Types of Direct Taxes are:

- Personal Income Tax; * Company Tax (also known as corporate tax).
- Poll Tax; * Capital Tax;
- Capital Gains Tax;

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

Types of Indirect Taxes are:

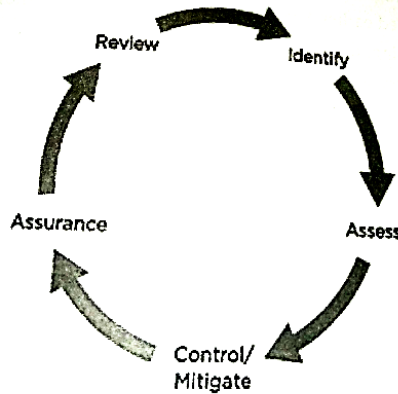
- Custom Duties or Tariffs; * Excise Duties;
- Sales Tax; * Value Added Tax

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

14. (a) With the aid of a simple diagram, explain the risk management cycle of activity in an organisation. (5 marks)
- (b) What happens to profit maximization under the following conditions?
 (i) $MR=MC$; (1 mark) (ii) $MR>MC$; (2 marks) (iii) $MR<MC$ (2 marks)
 where MR = Marginal Revenue and MC = Marginal Cost

Solution

(a)



(1 mark for correctly labeled and presented diagram. Sub-Total: 5 marks)

- (b) (i) $MR=MC$ – Profit is maximized. (1 mark)
 (ii) $MR>MC$ – It is advisable to increase output to maximise profits. (2 marks)
 (iii) $MR<MC$ – It is advisable to reduce output to avoid losses. (2 marks)
 (Sub-Total: 5 marks)
 (Grand Total: 10 mar)

Part II

Each question carries 30 marks.

15. (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: 18 marks)

- (b) The functions of the Chief Risk Officer (CRO) in an insurance organisation are:
- 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.
 - promoting a risk awareness and ownership culture throughout the company,
 - reporting to the Board of Directors or the CEO (as appropriate) on risk exposures of the organisation.

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

(Grand Total: 30 marks)

16. The following figures are in respect of Triumph Insurance PLC.

- Premium per policy: ₦5,000.00.
- Fixed cost of producing policies: ₦1,200,000.00
- 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) Triumph Insurance Plc will break even at the quantity where gain or loss equals zero.

$$i. e., \frac{Fixed\ Cost}{(Premium\ Rate - Variable\ Cost)} \quad (4\ marks)$$

$$\frac{1,200,000.}{(5,000 - 3,500)}\ units \quad (2\ marks)$$

$$= 800\ units\ or\ policies \quad (2\ marks)$$

(Sub-Total: 8 marks)

- (b) At 1000 policies,

$$Profit\ or\ Gain = (1,000 - 800) \times (5,000 - 3,500) \quad (4\ marks)$$

$$= (200 \times 1,500) \quad (2\ marks)$$

$$= ₦300,000 \quad (2\ marks)$$

(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:

$$\frac{\text{Total loss.}}{\text{Profit margin}} = \frac{\text{₦450,000}}{1,500} = 300 \text{ Policies.} \quad (4 \text{ marks})$$

Quantity of policies produced for a loss of ₦450,000 =

$$800 \text{ units} - 300 \text{ units} \quad (2 \text{ marks})$$

$$= 500 \text{ units of policy} \quad (2 \text{ marks})$$

(Sub-Total: 8 marks)

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

$$= \frac{\text{Fixed Cost}}{(\text{Selling price per unit} - \text{Variable cost per unit})} \quad (6 \text{ marks})$$

Full marks should be awarded any candidates who apply other formula and gets the answers right in any of the questions

(Grand Total: 30 marks)

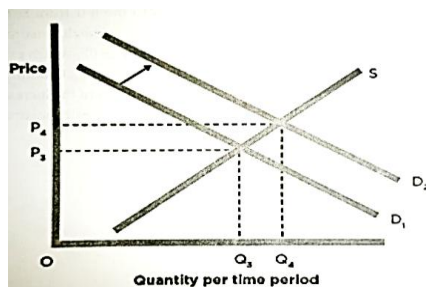
17. (a) With the aid of an annotated diagram/graph, explain what will happen if the Insuring population increases while the supply of insurance remains constant, ceteris paribus. (10 marks)

(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)



(8 marks)

From the diagram above, the demand for insurance increased from Q3-Q4 as indicated in the shift of the demand curve from D1- D2 due to the increase in the insured population. As the supply remains constant, the Price of insurance (premium) will increase from P3-P4. (2 marks)

(Grand Sub-Total: 10 marks)

(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)

18. (a) What does “monetary policy” mean? (6 marks)
(b) State and explain any four (4) basic techniques of monetary policy in Nigeria. (24 marks)

Solution

(a) Monetary policy involves attempting to control the money supply and altering the country’s level of interest rates in order to achieve macroeconomic policy goals. In most countries, Nigeria inclusive, the country’s central bank carries out monetary policy. Its main tasks are to achieve the inflation targets set by the Government and to maintain sustainable growth and employment. It currently uses the manipulation of interest rates as its main weapon or ‘instrument’.
(5 marks)

(b) Some basic techniques of monetary policy in Nigeria are:

- **Changing the Minimum Reserve Ratio:** In Nigeria and some other countries, banks are required to maintain a minimum reserve ratio of liquid assets to total assets. If this minimum reserve ratio were increased, banks would have to reduce their lending and the money supply would fall. If the ratio were reduced, banks could increase their lending and the money supply would rise. However, some economists believe that this kind of banking regulation would have a disruptive effect on the banking industry by interfering with banks’ freedom to determine their own reserve limits. However, given that it is accepted that a number of banks reserves of liquid assets were clearly insufficient to meet the recent financial difficulties additional liquidity is going to be required.
- ❖ **Funding:** Funding is a form of open-market operation in which the central bank attempts to change the balance of short-term and long-term government securities held by banks. So, for example, if the central bank sold more long-dated government stock, this would reduce banks’ liquidity and lead to a fall in the money supply.
- ❖ **Ceilings on Lending:** A central bank could impose quantitative limits on bank lending to prevent them from lending too much. The ceiling could then be raised or lowered depending on whether an increase or decrease in the money supply was desired.
- ❖ **Special Deposits:** Banks could be required to hold extra deposits (known as ‘special deposits’) with the central bank. The central bank could then increase the amount required if it wished to restrict banks’ lending, and reduce the amount required if it wished to expand banks.
- ❖ **Lending Requests:** The central bank could simply ask banks to increase or decrease their lending, or to direct their lending into certain areas. For example, banks may be requested to direct their lending to firms for investment purposes in order to boost economic growth. Of course, in a free market, banks will not necessarily change their lending policies simply in response to a request from the central bank.

(4 marks for each correctly stated technique. 2 marks for each correct and completely stated explanation.
Sub-Total per technique: 6 marks. Maximum of 4 to be graded. Grand Sub-Total: 24 marks)
(Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA
INTERMEDIATE
APRIL 2026 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 2026
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), e.t.c., marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

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

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

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

Chief Examiner's Comments

Question 1

This question assessed candidates' knowledge of regulatory activities in insurance. Out of 67 candidates expected to answer it, 57 attempted the question, representing 85%, and 65% of those who attempted it passed.

Question 2

This question assessed candidates' knowledge of statistical analysis. It was well attempted, with 98% participation, and 85% of those who attempted it passed.

Question 3

This question examined candidates' understanding of the types of population. It recorded a 94% attempt rate, and 90% of candidates who attempted it passed, which is above average.

Question 4

55% of candidates attempted this question, with a pass rate of 30.9%, indicating a below-average performance.

Question 5

60% of candidates attempted this question, and 86.7% of those who attempted it passed.

Question 6

66% of candidates attempted this question, with 57% of those who attempted it passing, reflecting an above-average performance.

Question 7

A pass rate of 92% was recorded, as most candidates demonstrated a clear understanding of the characteristics of good questionnaires.

Question 8

A pass rate of 63% was recorded. Most candidates performed poorly in Part A, showed a fair understanding in Part B, and answered Part C correctly.

Question 9

A pass rate of 52% was recorded. Out of 67 candidates, 61 attempted the question. Those who passed demonstrated correct calculation procedures, although many did not arrive at the final answer.

Question 10

88.1% of candidates attempted this question, with a pass rate of 64.4%.

Question 11

This was a straightforward question. 92.5% of candidates attempted it, while 61.5% passed.

Question 12

This question was poorly understood by most candidates. 71% attempted it, and 37.5% passed.

Question 13

72% of candidates attempted this question, with a pass rate of 54%, indicating an average performance.

Question 14

This question assessed knowledge of the foundation of Linear Programming Problems (LPP). 67% of candidates attempted it, and 36% passed.

Question 15

This question assessed knowledge of the trend equation. 66% of candidates attempted it, and 94% passed, indicating a strong performance.

Question 16

This question assessed knowledge of moving averages. Only 10% of candidates attempted it, while 57% of those who attempted it passed.

Question 17

This question assessed knowledge of probability. 67% of candidates attempted it, and 47% passed, indicating below-average performance.

Question 18

This question assessed knowledge of statistics and methods of data collection. 77.6% of candidates attempted it, while 49.3% passed.

Comments on Overall Performance:

The overall performance is slightly average, with a pass rate of 55.2%.

Suggestions on Improvement(s) (if any):

Candidates are advised to intensify their study efforts and prepare more thoroughly for future examinations in order to improve their performance.

105 - BUSINESS STATISTICS AND OPERATIONS RESEARCH

Part 1

1. According to NAICOM Prudential Guidelines for Insurers, Insurers' activities by guidelines are broadly classified into two categories; core and non-core activities. List any four (4) of the core activities and any six (6) of the non-core activities.

Solution

The core activities of insurers, according to NAICOM Prudential Guidelines for Insurers, are:

- * Underwriting;
- * Enterprise Risk Management;
- * Compliance with AML/CFT requirements
- * Claims Management;
- * Investment and Related Benefits

(1 mark for any correctly stated activity. Maximum of 4 to be graded. Sub-Total: 4 marks)

The non-core activities, according to NAICOM Prudential Guidelines for Insurers, are:

- * Reinsurance Cession;
- * Loss Adjusting Services;
- * Marine Superintendent Services;
- * Utilities and Phones Services;
- * Maintenance of Company Assets;
- * Printing Services;
- * Banking Services;
- * Market Information Service;
- * Purchase of Goods and Services;
- * Transportation Services.

(1 mark for any correctly stated activity. Maximum of 6 to be graded. Sub-Total: 6 marks)

(Grand Total: 10 marks)

2. (a) Differentiate between non-parametric statistics and sequential analysis. **(4 marks)**
(b) Outline any three (3) areas of profession or industry where statistics can be applied. **(6 marks)**

Solution

(a) Non-Parametric Statistics is the branch of statistics that is not based solely on parameterised families of probability distributions **(2 marks)**; while Sequential Analysis is statistical analysis where the sample size is not fixed in advance **(2 marks)**. **(4 marks)**

- (b) The areas of profession or industry where statistics can be applied are:
* insurance; * industry; * agriculture; * economics;
* planning; * medicine; * modern applications.
(2 marks for each correctly stated area. Maximum of 3 to be graded. Sub-Total: 6 marks)
(Grand Total: 10 marks)

3. (a) Differentiate between finite population and infinite population. **(4 marks)**
(b) State two (2) advantages of the census method of enumeration. **(4 marks)**
(c) State one (1) limitations of the census method of enumeration. **(2 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 **(2 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. **(2 marks)**
(Sub-Total: 2 marks)

- (b) The advantages of the census method of enumeration are:
- the data are collected from each and every item of the population;
 - the results are more accurate and reliable, because every item of the universe is required;

- intensive study is possible;
- 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: 6 marks)

(c) The limitations of the census method of enumeration are:

- It requires a large number of enumerators and it is a costly method
- It requires more money, labour, time, energy, etc.
- It is not possible in some circumstances where the universe is infinite.

(2 marks for each correct and completely stated limitation. Only 1 to be graded. Sub-Total: 2 marks)

(Grand Total: 10 marks)

4. State and explain the four (4) principles of sampling.

Solution

The four principles of sampling are:

1. **principle of statistical regularity:** a moderately large number of units chosen at random from a large group are almost sure on the average to possess the characteristics of the large group.
2. **principle of inertia of large numbers:** Other things being equal, as the sample size increases, the results tend to be more accurate and reliable.
3. **principle of validity:** This states that the sampling methods provide the most valid estimates about the population units (parameters).
4. **principle of optimisation:** This principle takes into account the desirability of obtaining a sampling design which gives optimum results.

(1½ marks for each correctly stated principle. 1 mark for each correct and completely stated explanation. Grand Total: 10 marks)

5. (a) Differentiate between “sampling without replacement” and “sampling with replacement”. **(4 marks)**
- (b) Enumerate any two (2) types of probability sampling method. **(2 marks)**
- (c) Enumerate any two (2) advantages of using random numbers. **(4 marks)**

Solution

(a) In “sampling without replacement” population elements can enter the sample only once (i.e.) the units once selected is not returned to the population before the next draw **(2 marks)**; while in “sampling with replacement” population units may enter the sample more than once. Simple random sampling may be with or without replacement **(2 marks)**. **(Sub-Total: 4 marks)**

(b) The types of probability sampling method are:

- * simple random sample; * systematic sampling; * stratified sampling;
- * cluster sampling; * multistage sampling.

(1 mark for each correctly stated type. Only 2 to be graded. Sub-Total: 2 marks)

(c) The advantages of using random numbers are:

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

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

(Grand Total: 10 marks)

6. (a) Enumerate any four (4) methods of collecting primary data. (4 marks)
 (b) Enumerate any three (3) advantages of Direct Personal Interviews. (6 marks)

Solution

- (a) The methods of collecting primary data are:
 * direct personal interviews; * indirect oral interviews;
 * information from correspondents; * mailed questionnaire method;
 * schedules sent through enumerators.

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

- (b) The advantages of “Direct Personal Interviews” are:
 i. People willingly supply information because they are approached personally. Hence, more response noticed in this method than in any other method.
 ii. The collected information are likely to be uniform and accurate. The investigator is there to clear the doubts of the informants (respondents).
 iii. 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.
 iv. Answers for questions about which the informant (respondent) is likely to be sensitive can be gathered by this method.
 v. 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. (a) State any five (5) characteristics of a good questionnaire.

Solution

The characteristics of a good questionnaire are:

- i. Number of questions should be minimised.
- ii. Questions should be in logical orders, moving from easy to more difficult questions.
- iii. Questions should be short and simple.
- iv. Technical terms and vague expressions capable of different interpretations should be avoided.
- v. Questions fetching YES or NO answers are preferable. There may be some multiple-choice questions requiring lengthy answers are to be avoided.
- vi. Personal questions and questions which require calculations should be avoided.
- vii. Question should enable cross check. Deliberate or unconscious mistakes can be detected to an extent.
- viii. Questions should be carefully framed so as to cover the entire scope of the survey.
- ix. The wording of the questions should be proper without hurting the feelings or rousing resentment.
- x. Leading questions should be avoided.

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

8. (a) Enumerate any two (2) main reasons of constructing frequency distribution. (2 marks)
 (b) Outline four (4) significances of “diagrams and graphs”. (4 marks)
 (c) Outline four (4) general rules for constructing diagrams. (4 marks)

Solution

- (a) The main reasons of constructing frequency distribution
- to facilitate the analysis of data;
 - to estimate frequencies of the unknown population distribution from the distribution of sample data; and
 - to facilitate the computation of various statistical measures.

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

- (b) The significance of “diagrams and graphs” are:
- * they are attractive and impressive;
 - * they make comparison possible;
 - * they have universal utility;
 - * they have a great memorising effect.
 - * they make data simple and intelligible;
 - * they save time and labour;
 - * they give more information;

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

- (c) The general rules for constructing diagrams are:
- a diagram should be neatly drawn and attractive;
 - the measurements of geometrical figures used in diagram should be accurate and proportional;
 - the size of the diagrams should match the size of the paper;
 - every diagram must have a suitable but short heading;
 - the scale should be mentioned in the diagram;
 - diagrams should be neatly as well as accurately drawn with the help of drawing instruments;
 - index must be given for identification so that the reader can easily make out the meaning of the diagram;
 - footnote must be given at the bottom of the diagram;
 - economy in cost and energy should be exercised in drawing the diagram.

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

(Grand Total: 10 marks)

9. Compute median for the following data.

Class	1-10	11-20	21-30	31-40	41-50	51-60	61-70	71-80	Total
Frequency	7	10	15	17	9	8	6	8	80
Cummulative Frequency	7	17	32	49	58	66	72	80	

Solution

$$\frac{N}{2} = \frac{80}{2} = 40, \text{ the median class is } 31 - 40 \quad (2 \text{ marks})$$

Here $L = 30.5$, $N = 80$ (1 mark), $f_m = 17$ (1 mark), $c = 10$ (1 mark), $cf = 32$ (1 mark)

$$\text{Median} = L + \left(\frac{\frac{N}{2} - cf}{f_m} \right) \times c \quad (2 \text{ marks})$$

$$= \text{Median} = 30.5 + \left(\frac{40 - 32}{17} \right) \times 10 \quad (1 \text{ mark})$$

$$= 30.5 + 80/17$$

$$= 35.51 \quad (1 \text{ mark})$$

(Grand Total: 10 marks)

10. (a) 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 been 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) The following rules are applicable in probability theory, whether it be objective or subjective probability:

Let event A be in the sample space S, then

(i) $P(A) \geq 0$ (2 marks)

(ii) $P(S) = \sum P(A_i) = 1$ (2 marks)

Then for every event A, $0 \leq P(A) \leq 1$

$P(A^c) = 1 - P(A)$ (2 marks)

Where A^c means “not in A”

(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: 10 marks)

(Grand Total: 10 marks)

11. (a) Outline three (3) types of models used in insurance. (6 marks)
(b) Differentiate between Normative Models and Descriptive Models. (4 marks)

Solution

- (a) The types of models used in insurance are:

- | | |
|--------------------------------|-----------------------------------|
| *. Resource Allocation Models; | * Queueing Models; |
| * Inventory Models; | * Replacement Models; |
| * Competition Models; | * Random Number Simulation Models |

(2 marks for each correctly stated type. Maximum of 2 to be graded. Sub-Total: 6 marks)

- (b) **Normative Models** concerned with finding the best optimum or ideal solution to a problem. Many mathematical models fall into this classification (2 marks); while **descriptive models** described the behavior of a system without attempting to find the best solution to any problem. Simulation model tends to fall within these categories (2 marks). (4 marks)

(Grand Total: 10 marks)

12. (a) What is “linear programming”? (2 marks)
(b) State and explain the four (4) basic requirements for the use of a linear programming technique. (8 marks)

Solution

- (a) Linear programming is a mathematical technique for finding the best uses of organisation 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 for any correct and completely stated definition)

- (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, e.t.c.
- **Structural Constraints:** Decision problems involving the use of linear programming technique usually require the optimization 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.

(1 mark for each correctly stated requirement. 1 mark for each correct and completely stated explanation. Sub-Total per requirement: 2 marks. Grand Total: 10 marks)

13. Identify any five (5) characteristics of linear programming problem.

Solution

The characteristics of linear programming problem are:

- well defined objective functions
- alternative course of action
- additive of resources and activities
- linearity of the objective function and constraints
- non negative of decision variables
- divisibility of activity and resources.
- finiteness of the activities and resources
- single valued expectations.

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

14. A factory uses three different resources for the manufacture of two different products, 25 units of resource A, 17 units of B and 21 units of C being available. 1 unit of the first product requires 2,2 and 4 units of the respective resources and 1 unit of the second product requires 4,2 and 3 units of the respective resources. It is known that the first product gives a profit of 2 monetary units per unit and the second 3. Formulate the Linear Programming Problem.

Solution

Let X_1 represent the total number of the 1st product.

X_2 represents the total no of the 2nd product.

The total information is summarized below in tabular form.

RESOURCES	X_1	X_2	TOTAL UNITS AVAILABLE
A	2	4	5
B	2	2	7
C	4	3	1
P r o f i t	1 2	1 3	

(2 marks)

∴ The total profit $Z = 12X_1 + 13X_2$

Constraints:

$2X_1 + 4X_2 \leq 25$

(1 mark)

$2X_1 + 2X_2 \leq 17$

(1 mark)

$$4X_1 + 3X_2 \leq 21 \quad (1 \text{ mark})$$

$$X_1, X_2 \geq 0$$

The LPP is:

$$\text{Max } Z = 12X_1 + 13X_2 \quad (1 \text{ mark})$$

$$\text{s.t } 2X_1 + 4X_2 \leq 25 \quad (1 \text{ mark})$$

$$2X_1 + 2X_2 \leq 17 \quad (1 \text{ mark})$$

$$4X_1 + 3X_2 \leq 21 \quad (1 \text{ mark})$$

$$X_1, X_2 \geq 0 \quad (1 \text{ mark})$$

Section B

15. The data below obtain from Bright Insurance Company on premium received on yearly basis by between Years 2000 and 2004 as given in the table below.

Year	2000	2001	2002	2003	2004
Premium (NGN-Millions)	12.75	14.99	16.48	22.10	25.00

- (a) Obtain the trend equation $Y = a + bt$ using coding method (24 marks)
- (b) Predict the premium in: (i) Year 2006 (3 marks) and (ii) Year 2010. (3 marks).

Solution

Year	Code (t)	Profit (Y)	Yt	t ²
2000	-2	12.75	-25.50	4
2001	-1	14.99	-14.99	1
2002	0	16.48	0.00	0
2003	1	22.10	22.10	1
2004	2	25.00	50.00	4
Total:	0 (5 marks)	91.32	31.60 (5 marks)	10 (5 marks)

The trend line equation is $Y = a + bt$
where

$$\bar{Y} = \frac{\sum Y}{n} = \frac{91.32}{5} = 18.264 \quad (1 \text{ mark})$$

$$\bar{t} = \frac{\sum t}{n} = \frac{0}{5} = 0 \quad (1 \text{ mark})$$

$$b = \frac{n\sum Yt - Y(\sum t)}{n\sum t^2 - (\sum t)^2} \quad (1 \text{ mark})$$

$$= \frac{5(31.61)}{5(10)} = \frac{31.61}{10} = 3.161 \quad (1 \text{ mark})$$

$$\text{also, } a = \bar{Y} - b\bar{t} \quad (1 \text{ mark})$$

$$= 18.264 - 3.161(0) \quad (1 \text{ mark})$$

$$= 18.264 \quad (1 \text{ mark})$$

∴ The trend equation becomes $Y = 18.264 + 3.161t$ (2 marks)
(Sub-Total: 24 marks)

- (b) The Venture's profit in the years ahead is computed as thus (1 mark)
- (i) In Year 2006, $t = 4$

$$Y = 18.264 + 3.161 (4) \quad (1 \text{ mark})$$

$$= \text{N}30,908,000:00 \quad (1 \text{ mark})$$

(ii) In Year 2010, $t=8$ (1 mark)

$$Y = 18.264 + 3.161 (8) \quad (1 \text{ mark})$$

$$\text{N}43,552,000:00 \quad (1 \text{ mark})$$

(Sub-Total: 6 marks)
(Grand Total: 30 marks)

16. The data below on the quarterly consumption of cement (Thousand Tons) of Afolayan Construction Company between Year 2001 and Year 2004.

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2001	83	81	98	114
2002	124	113	115	152
2003	163	162	168	175
2004	191	180	184	197

(a) Construct a 4-year moving average for the quarterly consumption of cement of Afolayan Construction Company. (18 marks)

(b) Find the seasonal variation (using additive model produce. (12 marks)

Solution

(a)

Year	Qrt	Y	4-point moving total			2-4 point moving total			4 point moving Average (Trend)		
2001	1	83									
	2	81	3	7	6						
	3	98	4	1	7	7	9	3	9		9
	4	114	4	4	9	8	6	6	1	0	8
2002	1	124	4	6	6	9	1	5	1	1	4
	2	113	5	0	4	9	7	0	1	2	1
	3	115	5	4	3	1	0	4	7	1	1
	4	152	5	9	2	1	1	3	5	1	2
2003	1	163	6	4	5	1	2	3	7	1	5
	2	162	6	6	8	1	3	1	3	1	4
	3	168	6	9	6	1	3	6	4	1	1
	4	175	7	1	4	1	4	1	0	1	6
2004	1	191	7	3	0	1	4	4	4	1	1
	2	180	7	5	2	1	4	8	2	1	5
	3	184	-			-			-		
	4	197	-			-			-		

(6marks) (6marks) (6marks)

(½ mark each for 12 correct answers in each column (18marks))

(b)

Year	Q	Y	T	Y - T	Q M	Seasonal Variation Q.M-GM = S.v					
2001	1	83			9.3	8	.		6	5	
	2	81			-8.0	-	5	.	6	5	
	3	98	99	-	1	-6.7	-	7	.	3	5
	4	114	108	4	6	5.0	4	.	3	5	
2002	1	124	114	1	0	9.3	8	.	6	5	
	2	113	121	-	8	-5.0	-	5	.	6	5
	3	115	131	-	16	-6.7	-	7	.	3	5
	4	152	142	1	0	5.0	4	.	3	5	

2003	1	1 6 3	1 5 5	8		9 . 3	8	.	6	5
	2	1 6 2	1 6 4	-	2	- 5 . 0	5	.	6	5
	3	1 6 8	1 7 1	-	3	- 6 . 7	-	7	.	3
	4	1 7 5	1 7 6	-	1	5 . 0	4	.	3	5
2004	1	1 9 1	1 8 1	1	0	9 . 3	8	.	6	5
	2	1 8 0	1 8 5	-	5	- 5 . 0	4	.	3	5
	3	1 8 4	-	-		- 6 . 7	-	7	.	3
	4	1 9 7	-	-		5 . 3	4	.	3	5

(6marks) (6marks)

(i.e. ½ mark each for 12 correct answers in each column QM and seasonal variation (12marks))

(Grand Total: 30 marks)

17. (a) 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 is from the second company? (12 marks)
- (b) In a certain company, two training workshops are available in a month. An employee has 0.55 probability of been selected to attend the first, 0.45 probability of attending the two workshops. What is the probability that an employee selected will attend the second workshop. (8 marks)
- (c) In a survey of 20 people in a company, 6 of them were found to own a Peugeot car, 9 of them were found to own a Toyota brand car, 3 of them own both Peugeot and Toyota car, if one person is chosen at random, what is the probability that he owns a Peugeot or a Toyota. (10 marks)

Solution

- (a) $P(D_1) = P(D_2) = P(D_3) = \frac{1}{3}$. (2 marks)

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

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

$$P(D_2/B) = \frac{P(D_1) \cdot P(K/D_1)}{P(D_1) \cdot P(K/D_1) + P(D_2) \cdot P(K/D_2) + P(D_3) \cdot P(K/D_3)} \quad (3 \text{ marks})$$

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

$$= \frac{1}{11}$$

$$= 0.09 \text{ (0.09 approximately)} \quad (2 \text{ marks})$$

(Sub-Total: 12 marks)

- (b) 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)

$$P(A_1) = 0.55, \quad (1 \text{ mark}) \quad P(A_1 \cap A_2) = ?$$

$$P(A_2/A_1) = \frac{P(A_1 \cap A_2)}{P(A_1)} \quad (2 \text{ marks})$$

$$= \frac{0.45}{0.55} \quad (1 \text{ mark})$$

$$= 0.82 \quad (2 \text{ marks})$$

(Sub-Total: 8 marks)

- (c) Let A be the event of owning a Peugeot (1 mark)

Let B be the event of owning a Toyota (1 mark)

$$P(A) = 0.3 \quad (1 \text{ mark}) \quad P(B) = 0.45 \quad (1 \text{ mark}) \quad P(A \cap B) = 0.15 \quad (1 \text{ mark})$$

$$P(A \text{ or } B) = P(A) + P(B) - P(A \cap B) \quad (2 \text{ marks})$$

$$= 0.3 + 0.45 - 0.15 \quad (1 \text{ mark})$$

$$= 0.6 \quad (2 \text{ marks})$$

(Sub-Total: 10 marks)
(Grand Total: 30 marks)

18. (a) (i) What does the term “Statistics” mean? (2 marks)
(ii) Explain the terms: primary data and secondary data. (4 marks)
(b) Explain the following methods of data collection and state two each of their merits and demerits:
(i) interview method (8 marks)
(ii) mailing questionnaire method (8 marks)
(iii) registration method. (8 marks)

Solution

(a) (i) **Statistics:** is a body of theories and methods which have been developed for handling the collection and description of sample data for the purpose of drawing useful conclusions. (2 marks)

(ii) **Primary Data:** This is data collected at first hand for specific raw purpose e.g. social, industrial survey. (2 marks) **Secondary Data:** this is already existing information collected for use. Or data obtained from someone else’s record. (2 marks) (Sub-Total: 4 marks)

(b) (i) **Interview Method:** The interviewers visit the informant at home, shop, office, market place or on the street to ask questions and enter replies in a specific place. (2 marks)

Advantages

- People usually respond when confronted in person
- Interviewer note specific reaction and eliminates misunderstanding about the question
- Interviewer is able to give his personal assessment of the responded

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

Disadvantages

- Expensive – Time consuming
- Bias of the interviewer if not well trained
- Decline response in face-to-face interview

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

(Grand Sub-Total: 8 marks)

(ii) **Mailing Questionnaire Method:** in this case, a set of question called a questionnaire is mailed to the informant who answers and returns completed form to the office of origin. (2 marks)

Advantages

- It is cheap and quick
- More reliable information could be obtained
- Confidential questions are answered
- No interviewer bias

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

Disadvantages

- Problem of non-response
- No interviewer present to explain ambiguous questions
- Wrong person may complete the form

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

(Grand Sub-Total: 8 marks)

(iii) **Registration Method:** by registration method, data are collected by keeping records of events immediately they occur or as soon after their occurrences; birth, death, divorces, e.t.c. **(2 marks)**

Advantages

- More efficient
- Reliable information collected

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

Disadvantages

- Very costly
- Burden of reporting on informant

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

(Grand Sub-Total: 8 marks)

(Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA
INTERMEDIATE
APRIL 2026 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 2026
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 the maximum possible marks.

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

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

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

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

Chief Examiner's Comments

Question 1

This question recorded a good performance, with 174 out of 232 candidates passing, representing a 75% pass rate. Candidates appeared familiar with the question.

Question 2

A total of 134 candidates passed, representing a 58% pass rate. The question was fairly attempted.

Question 3

127 candidates passed, representing a 55% pass rate. The attempt was fair; however, some candidates relied on head knowledge rather than a thorough understanding of the coursebook.

Question 4

119 candidates passed, representing a 51% pass rate. Improved study efforts could have enhanced performance.

Question 5

77 candidates passed out of 232, representing a 33% pass rate. Many candidates confused Herzberg's motivation theory with Maslow's hierarchy, resulting in poor performance.

Question 6

116 candidates passed, representing a 50% pass rate. Some candidates misinterpreted the stages of listening as the acronym "DO LISTEN," which affected performance.

Question 7

Only 30 candidates passed, representing a 13% pass rate. The question was largely misunderstood, despite expectations that candidates would be familiar with the common requirements of emails and letters.

Question 8

216 candidates passed out of 232, representing an excellent 93% pass rate. A proper understanding of the roles of leaders and managers contributed to this great performance.

Question 9

This question recorded a 65% pass rate, with 151 candidates passing. It was well attempted, particularly on the topic of workplace changes.

Question 10

Only 38 candidates passed, representing a 16% pass rate. Candidates confused the simple steps for personal effectiveness with more general leadership concepts.

Question 11

105 candidates passed, representing a 45% pass rate. Although the question was straightforward, many candidates misunderstood how meetings can avoid becoming time-wasters.

Question 12

84 candidates passed, representing a 35% pass rate. Candidates were expected to discuss self-generated time stealers but many responses were misdirected.

Question 13

Only 19 candidates passed, representing an 8% pass rate. There was a general lack of familiarity with Henri Fayol's control mechanism, although those who understood the concept performed well.

Question 14

83 candidates passed, representing a 36% pass rate. Better preparation could have improved performance on the concept of Management by Objectives (MBO).

Question 15

This was a popular question and fairly attempted. Out of 143 candidates who attempted it, 111 passed, representing a 78% pass rate.

Question 16

75 candidates attempted this question, with 53 passing, representing a 71% pass rate. The topic relating to call centres appeared familiar and approachable.

Question 17

103 candidates attempted this question, but only 25 passed, representing a 24% pass rate. Many candidates misunderstood the question on leadership perspectives and instead gave general responses.

Question 18

164 candidates attempted this question, with 47 passing, representing a 27% pass rate. While Part A was well answered, the other sections were poorly attempted.

Comments on Overall Performance:

The overall pass rate of 38% was poor and indicated a low level of performance among candidates.

Suggestions on Improvement(s) (if any):

Candidates need to intensify their study efforts to achieve better results, as the examination questions are clear and straightforward.

I06 - OPERATIONAL MANAGEMENT

Part 1

1. ABXZ a newly incorporated and licensed insurance company with 70% foreign interest, is seeking your guidance and advice as a cute and experienced practitioner in the arms of trade associations that is available in the Nigeria insurance industry. Advise the new company on any five (5) arms of trade associations that are available in the Nigerian Insurance Industry and their relevance.

Solution

The arms of trade associations that are available in the Nigerian Insurance Industry and their relevance are:

- **The Nigerian Insurers Association:** a primary trade group for registered insurance companies in Nigeria.
- **Nigerian Council of Registered Insurance Brokers:** a primary trade group for the interest and protection of their members, who are registered with them as Brokers.
- **Institute of Loss Adjusters of Nigeria:** a primary trade group for the interest of loss adjusters in the industry.
- **Association of Registered Insurance Agents of Nigeria:** represents the interest of all insurance agents in Nigeria. They moderate and monitor the activities of their members.
- **National Association of Insurance Consumers in Nigeria:** the association focuses on consumers' interests.
- **Nigerian Actuarial Society:** a primary trade group for the interest of actuaries in Nigeria.
- **Professional Reinsurers Association:** a primary trade group for the interest of reinsurers in Nigeria.

(1 mark for each correctly stated association. 1 mark for each correct and completely stated relevance. Sub-Total per association: 2 marks. Maximum of 5 to be graded. Grand Total: 10 marks)

2. A member of your interviewing panel had told you that 'person-attributes' are not important to the recruitment process but skills alone. Enumerate any four (4) person-attributes in candidates that will make the member have a change of mind.

Solution:

The attributes of the person to be looked for at the interview:

- 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, teamwork, leadership abilities, dependability, integrity;
- circumstances – e.g. flexibility to work overtime, mobility, driving license.

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

3. The opinion that performance appraisal is subjective is becoming an anthem in organisations but the 360-degree appraisal method will ensure that individuals have all round view of their performance at work. State the four (4) classes of opinions that contribute to the 360-degree appraisal process.

Solution

The four classes of opinions that contribute to the 360-degree appraisal process are:

- * from the person being assessed;
- * people that work for them;
- * their peers;
- * their manager.

(2½ marks for each correctly stated attribute. Grand Total: 10 marks)

4. The financial service sector is to sustain the positive interplay between the organisation as a corporate entity, its employees and the external environment. Enumerate any four (4) components of the external environment.

Solution

The components of the external environment are:

- * customers;
- * the general public;
- * the government;
- * individual or corporate shareholders;
- * any other stakeholders or interested parties.

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

5. Herzberg prefers a different set of motivational factors other than the hierarchy of needs developed by Maslow. He thinks people are too complex to follow hierarchy. Identify any four (4) of the five motivational factors of Herzberg.

Solution

The five motivational factors of Herzberg are:

- * achievement;
- * recognition;
- * work itself;
- * responsibility;
- * advancement.

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

6. Everybody can hear because hearing is one of the five basic senses in human sphere of living; but listening is different and more intentional. State in the correct order, and explain the three (3) stages of listening.

Solution

The three stages of listening are:

- **hearing:** making an effort to hear something.
- **attention:** considering with thoughtful attention.
- **understanding:** involves interpretation and understanding.

(2 marks for each correctly stated stage. 1 mark for correct order of listing. 1 mark for each correct and completely stated explanation. Sub-Total per stage: 3 marks. Grand Total: 10 marks)

- 7: The requirements of emails may not really be different from the requirements of letters. Identify any five (5) common requirements to the two.

Solution

The requirements common to both email and letters are:

- is it clear?
- is it concise?
- has it been written with the recipient in mind?
- has it been properly structured?
- is it grammatically correct?
- is it free from long sentences?
- is it free from jargon?
- are brand values being displayed?

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

8. Your subordinates are confused as to preferring a leader to a manager. Although the same person can be a leader and a manager, there are remarkable differences. Contrast any two (2) roles of a manager and a leader.

Solution

The differences between a leader and a manager are:

- a manager performs the specific functions of management while leaders' role is more versatile;
- a manager holds an official title within the organisation whereas a leader does not require the trappings of officialdom;
- a leader operates through force of personality whereas a manager operates by the authority of his position.
- leaders emerge the study of leadership is much broader than the study of management because leaders emerge from many different areas of life.

(2½ marks for each correctly stated contrasting role. Maximum of 2 to be graded under each term. Sub-Total per term: 5 marks. Grand Total: 10 marks)

9. Where changes are threatened, it is frequently the consequences of the changes rather than the changes themselves that provoke resistance. Identify any five (5) questions that employees would want answered in order for them to accept a “change”?

Solution

The questions that employees would want answered in order for them to accept “changes” are:

- * why it is needed;
- * whether their jobs are safe;
- * what their new roles will be;
- * what the plans will be for the future;
- * whether they will have to move house; and
- * when the change will take place.

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

10. A team member approached you as a teamlead and said, “as our leader, you motivate us to perform. How are you motivated to perform?” State briefly the four (4) simple steps that leaders take in order to enable them to perform effectively.

Solution

The simple steps that leaders take in order to enable them to perform effectively 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.

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

11. Meetings are some of the time-stealers generated by others. State any four (4) ways that a team member can make meetings not to be a time-stealer for such a member.

Solution

The ways that a team member can make meetings not to be a time-stealer for such a member are:

- is it essential you attend?; * can someone go in your place?
 - if they are your meetings, run them effectively;
 - ensure they start/finish on time; and
 - ensure there are positive outcomes.
- (2½ marks for each correctly stated attribute. Maximum of 4 to be graded. Grand Total: 10 marks)

12. You are worried that your team member, who reports to you, is not self-organised because (s)he allows self-generated time stealers to make him/her ineffective. Highlight any five (5) of the self-generated time stealers that may affect him/her.

Solution

The self-generated time stealers that may affect him/her are:

- **disorganisation:** messy desk, cannot find things quickly when needed;
- **procrastination:** putting things off;
- **inability to say 'no':** letting people interrupt you, pass things back to you or ask questions they already know the answer to;
- **poor delegation:** not passing work and responsibility on, doing jobs just because you like doing them;
- **failure to prioritise:** spending time on unnecessary or unimportant tasks;
- **perfectionism:** working for the perfect result when it is not absolutely necessary.

(1 mark for each correctly stated time-stealer. 1 mark for each correct and completely stated explanation. Sub-Total per time-stealer: 2 marks. Maximum of 5 to be graded. Grand Total: 10 marks)

13. Highlight to your team members any five (5) ingredients in Henry Fayol's definition of control so that the team members can have a better understanding.

Solution

The ingredients in Henry Fayol's definition of control so that the team members can have better understanding are:

- verifying whether everything occurs in conformity with the plan adopted;
- verifying the instructions issued;
- verifying the principles established;
- ensuring that the control has for object to point out weaknesses and errors;
- ensuring that the control process has capacity to rectify the identified weaknesses and errors and prevent re-occurrence;
- ensuring that the control operates on everything: things, people, actions.

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

14. Management by Objectives (MBO) has been described as one of the best performance management systems used by organisations today. Identify any five (5) advantages this system delivers to any organisation.

Solution

The advantages of MBO to any organisation are:

- better managing through better planning and control;
- clarification of organisational goals within the framework of a long-term plan;
- it is a scheme for converting strategic plans into management action plans and budgets;
- the co-ordination of individual management targets into the overall scheme ensures that each individual manager knows what is expected of them;

- it commits individual managers to their targets;
- it encourages better communication and co-ordination within the organisation;
- it helps to identify the need for change in organisational goals for individual managers and provides a system for making such changes.

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

Part 2

15. (a) Define the term “benchmarking”. (2 marks)
- (b) Briefly explain three (3) types of benchmarking that could be useful for your organisation. (12 marks)
- (c) Key Performance Indicators (KPI) can be result-oriented i.e. to measure the bottom-line of the organization; or effort-oriented i.e. to measure the level of effectiveness being achieved. State four (4) examples each of the result-oriented KPI and the effort-oriented KPI. (16 marks)

Solution

(a) Benchmarking is a process that allows a company to compare its own progress with that of a comprehensive standard. It means the establishment of performance measures that enable a company to analyse its efficiency against competitors or leading companies in the industry. (2 marks)

(b) Three types of benchmarking that could be useful are:

- **Internal:** these compare the performances of divisions and departments within the same organisation.
- **External:** these contrast the company’s overall performance with competing firms, e.g. profitability, rate of return on capital employed, growth, market share.
- **Functional:** this covers an assessment of the company’s main functions and processes and compares them against the same functions and processes in other organisations but not necessarily competitors.

(2 marks for each correctly stated type. 2 marks for each correct and completely stated explanation. Sub-total per type: 4 marks. Grand Total: 12 marks)

(c) Examples of results-oriented performance measures are:

- * sales volumes and/or revenues;
- * market share;
- * rates of return in investment;
- * asset growth.

Examples of effort-oriented performance measures are:

- * number of potential customers contacted;
- * extent of relationships with customers;
- * staff turnover and absence rates;
- * number of complaints handled;
- * effort applied to improve staff relations;
- * active pursuing of debtors.

(2 marks for each correctly stated example. Maximum of 4 to be graded under each type. Sub-total per type: 8 marks. Grand Sub-Total: 16 marks)
(Grand Total: 30 marks)

16. (a) IBM Consulting Group suggested that all call/contact centres aspiring to world-class standard must have four main attributes. State any three (3) of these attributes. (12 marks)
- (b) There are certain criteria required for a call/contact centre to be graded as a world-class call/contact centre. Enumerate any six (6) of these criteria. (18 marks)

Solution

- (a) The four attributes of a world-class call/contact centre are:
* responsive; * expedient; * consistent; * efficient.
(4 marks for each correctly stated attribute, Maximum of 3 to be graded. Sub-Total: 12 marks)
- (b) The criteria for a world class customer service centre are:
- delivery of service by high quality, knowledgeable personnel that are empowered to own customer requests from start to finish;
 - service is delivered in a fast, cost-efficient and consistent manner;
 - revenue is maximised wherever possible as:
 - direct: product, service, sales.
 - indirect: intelligence gathering, lead transfer.
 - service recovery: retention, satisfiers.
 - exceeding customer expectations at every step and guaranteeing results;
 - handling all requests from a single workplace (no referrals, transfers or call backs);
 - identifying caller and reason for call as quickly as possible;
 - capturing caller information every time in an automated fashion;
 - no wrap up time. hang up and be ready for the next call;
 - organisational learning at every juncture;
 - satisfying customer request first, with a transition to opportunity seamlessly; capitalising on sales through maximising the benefit of a customer's contact;
 - automating calls where staff expertise is not required, or where incremental revenue is minimal;
 - surveying customer reaction with simple, automated instruments;
 - automating capture of relevant metrics to meet goals;
 - integrating internet and e-mail contact channels.
- (3 marks for each correctly stated criterion, Maximum of 6 to be graded. Sub-Total: 18 marks)**
(Grand Total: 30 marks)

17. The eight main views of leadership attempt to differentiate leadership styles.
- (a) Two views of leadership are the transactional and the transformational leadership. Enumerate any other three (3) main views of leadership style. **(6 marks)**
- (b) Explain the two (2) main components of transactional leadership. **(8 marks)**
- (c) Explain the four (4) main features of transformational leadership. **(16 marks)**

Solution

- (a) The main views of leadership are:
* situational leadership; * action centred leadership;
* intrapreneurship; * facilitative leadership.
(2 marks for each correctly stated type. Maximum of 3 to be graded. Sub-Total: 6 marks)
- (b) The two main components of transactional leadership are that:
- the leader provides rewards if, and only if, subordinates perform adequately and/or try hard enough;
 - the leader does not seek to change the existing working methods of subordinates so long as performance goals are met, and only intervenes if something is wrong.
- (4 marks for each correct and completely stated component. Sub-Total: 8 marks)**
- (c) Transformational theory of leadership 4 main features:

- The leader treats each subordinate on their own merits, and seeks to develop followers through delegation of projects and coaching or mentoring.
- The leader encourages free thinking and emphasises reasoning before any action is taken
- The leader creates an optimistic, clear and attainable vision of the future, thus encouraging others to raise their expectations.
- The leader makes personal sacrifices (e.g. a cut in pay or forfeiting a holiday), takes responsibility for their own actions and shares glory with others.

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

(Grand Total: 30 marks)

18. Tuckman says “teams do not develop automatically”. They go through four stages.

(a) Identify the four (4) stages of team development, in the correct order. **(6 marks)**

(b) Enumerate any three (3) characteristics that will be found in each of the stages.

(24 marks)

Solution

(a) The four stages of team development are:

(i) forming; (ii) storming; (iii) norming; (iv) performing.

(1mark for each correctly stated stage. 2 marks for the correct order. = 6 marks)

(b) The key characteristics often found are:

Forming:

- Feeling Some Anxiety: Where do I fit in? What is expected of me?;
- Speaking more freely outside formal processes;
- Exploring the situation and getting to know fellow team members.

Storming:

- Feeling dissatisfied and frustrated;
- Competing for power or attention;
- More questioning;
- General confusion.

Norming:

- Increase in satisfaction;
- Resolving of animosity;
- Developing self-confidence;
- Being more open and giving feedback;
- Sharing responsibility.

Performing:

- Working collaboratively and independently;
- Feeling of team strength;
- Showing confidence in accomplishing tasks;
- Sharing leadership;
- Performing at high levels.

(2 marks for each correct and completely stated factor. 3 to be graded under each stage. Sub-Total per stage: 6 marks. Grand Sub-Total: 24 marks)

(Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA
INTERMEDIATE
APRIL 2026 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 2026
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), e.t.c., marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

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

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

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

Chief Examiner's Comments

Question 1

This question addressed the categorisation of insurance business under NIIRA 2025. The attempt was good; however, performance was average, as many candidates were unable to provide appropriate answers.

Question 2

This question assessed candidates' knowledge of the cardinal points for vessels in cabotage trade. The attempt was good, but the performance was poor, likely due to inadequate preparation.

Question 3

This question assessed candidates' knowledge of liabilities in airport operations. Although the attempt was good, performance was poor, indicating a lack of understanding, possibly due to insufficient preparation.

Question 4

The attempt was good, but the performance was poor. Candidates are advised to study the coursebook thoroughly and seek tutorial support to improve understanding.

Question 5

All the candidates attempted this question, and performance was average. Greater focus during preparation is recommended.

Question 6

Most candidates attempted this question; however, only a few provided adequate answers. Poor performance can be attributed to inadequate preparation.

Question 7

This question assessed candidates' knowledge of reinsurance in marine and aviation. Performance was low, as many candidates were unable to provide satisfactory answers.

Question 8

Both the attempt and performance were poor. Many candidates were unable to provide correct responses, likely due to inadequate preparation and insufficient study of the coursebook.

Question 9

This question assessed candidates' knowledge of the types of marine insurance. The attempt was poor, suggesting that candidates did not understand the question or were inadequately prepared.

Question 10

Candidates were assessed on carriers. Performance was poor, which may be attributed to inadequate preparation.

Question 11

This question assessed candidates' knowledge of warranties in marine insurance. While the attempt was good, the performance was poor.

Question 12

Although candidates attempted the question, performance was poor, likely due to insufficient preparation.

Question 13

This question assessed knowledge of claim-supporting documents in marine insurance. The majority of candidates provided correct answers, indicating a good level of understanding. Continued study of the coursebook is encouraged.

Question 14

Candidates were assessed on the types of cargo transported by air. Most candidates were unable to provide correct answers, largely due to inadequate preparation.

Question 15

The attempt was good; however, performance was extremely poor, suggesting a lack of understanding of the coursebook or insufficient study.

Question 16

Performance was poor, as candidates demonstrated a limited understanding of assignment under a marine policy.

Question 17

Both the attempt and performance were poor, likely due to inadequate preparation.

Question 18

The attempt and performance were poor. Candidates are advised to study the coursebook thoroughly and seek additional tutorial support for better understanding.

Comments on Overall Performance:

Performance was extremely poor with a pass rate of 6.67%

Suggestions on Improvement(s) (if any):

Candidates are to be encouraged to prepare adequately and also attend tutorial classes for better understanding and guidance.

I07 – Marine and Aviation

Part 1

1. (a) How is insurance business categorised under the Nigerian Insurance Industry Reform Act (NIIRA, 2025) in Section 3? **(4 marks)**
(b) State any three (3) groups under each of the divisions in (a) above. **(6 marks)**

Solution

(a) The Nigerian Insurance Industry Reform Act (NIIRA) 2025, in Section 3, categories insurance business into two main classes:

- (i) Life Insurance Business **(2 marks)**
(ii) Non-Life Insurance Business. **(2 marks)**

(Sub-Total: 4 marks)

- (b) (i) Life Insurance Business:
* Individual Life Assurance Business; * Group Life Assurance Business
* Annuity * Health Insurance Business.
- (ii) Non Life Insurance Business:
* Fire Insurance Business; * General Accident Insurance Business;
* Motor Vehicle Insurance Business; * Marine Insurance Business
* Energy (Oil, Gas and Power) Insurance Business;
* Engineering Insurance Business;
* Bonds Credit Guarantee and Suretyship Insurance Business; and
* Agricultural Insurance business other than schemes covered by the Nigerian Agricultural Insurance Corporation Act.

(1 mark for each correct and completely stated group. Maximum of 3 to be graded under each category.

Sub-Total per category: 3 marks. Grand Sub-Total: 6 marks)

(Grand Total: 10 marks)

2. Enumerate the four (4) cardinal points for a vessel to take part in Cabotage Track in Nigeria.

Solution

The four (4) cardinal points for a vessel to take part in Cabotage Track in Nigeria are that:

- the vessel must be covered by Nigerians;
- the vessel must be registered in Nigeria and fly the Nigerian flag;
- the vessel must be owned by Nigerian(s);
- the vessel must be built in Nigeria.

(2½ marks for each correctly stated point. Grand Total: 10 marks)

3. Generally, the liabilities of airport operations fall into how many categories? State these liabilities.

Solution

The liabilities of airport operations fall into three (3) categories. **(1 mark)** These are:

- Premises Legal Liability **(3 marks)**
- Hangerkeepers Legal Liability **(3 marks)**
- Products Legal Liability. **(3 marks)**

(Grand Total: 10 marks)

4. (a) What are the three (3) ways through which insurable interest may arise in a Marine and Aviation Insurance contract? **(9 marks)**
(b) What does “agreed value policy” mean? **(1 mark)**

Solution

The three (3) ways through which insurable interest may arise in a Marine and Aviation Insurance contract are by:

- * ownership; * possession (e.g. hangerkeepers and repairers; and
- * contract

(3 marks for each correctly stated way. Sub-Total: 9 marks)

(b) An “agreed value policy” is a policy where the value of the subject matter of the insurance is agreed at inception instead of at the time of loss. **(1 mark)**

(Grand Total: 10 marks)

5. (a) Define a contract of marine insurance.
(b) When is contract of marine insurance a gaming or wagering contract?
(c) What is the insurable value of a ship?
(d) What is the duty of a broker with regards to disclosure?
(e) Define a warranty.

Solution

(a) A contract of marine insurance is a contract that is entered into when an insurer undertakes to indemnify the insured in an agreed manner against marine losses. **(2 marks)**

(b) A contract of marine insurance is a gaming or wagering contract when there is no insurable interest. **(2 marks)**

(c) The insurable value of a ship is its value at the commencement of the risk, including stores, disbursement, insurance and the ship’s machinery. **(2 marks)**

(d) The duty of a broker with regards to disclosure is that the Broker must disclose every material circumstance of which it is aware of; and the Broker is also deemed to know not only what the assured is bound to disclose, but also what ought to be known in the ordinary course of business. **(2 marks)**

(e) A warranty is an undertaking by the insured that some particular thing shall or shall not be done. **(2 marks)**

(Grand Total: 10 marks)

- (6) (a) State any four (4) detail that must be included in the schedule to a marine policy. **(8 marks)**
(b) The Institute Clauses and International Clauses are based on English Law and Practice. State the Statute on which they are based. **(2 marks)**

Solution

(a) The details that must be included in the schedule to a marine policy are:
* name of the assured; * details of the subject matter insured;
* the premium; * clauses; * endorsement;
* conditions; * warranties.

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

(b) They are based on the Marine insurance Act of 1906. **(2 marks)**

(Grand Total: 10 marks)

7. Enumerate any five (5) reasons for effecting reinsurance in a marine and aviation policy.

Solution

The reasons for effecting reinsurance in a marine and aviation policy are:

- protection against exceptionally large individual losses;
- avoiding undue fluctuation in underwriting results;
- obtaining an international spread of risk;
- increasing the capacity of the direct insurer;
- obtaining technical advice for insurers;
- peace of mind for ceding underwriter;
- protection against exceptionally large individual losses.

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

8. (a) In Marine and Aviation Insurance contracts, what does the acronym PPI mean? **(2 marks)**
(b) Enumerate any two (2) risks that such a policy cover? **(8 marks)**

Solution

(a) In Marine and Aviation contracts, PPI means Policy Proof of Interest. **(2 marks)**

- (b) It covers
 * ship owner's disbursements; * increased value of cargo; * sundry insurance.
(4 marks for each correctly stated coverage. Maximum of 2 to be graded. Sub-Total: 8 marks)
(Grand Total: 10 marks)

9. Enumerate any four (4) types of marine policy in existence.

Solution

The types of marine policy in existence are:

- * time policy; * voyage policy; * mixed policy;
 * construction policy; * open policy.

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

10. (a) What is a common carrier? **(2 marks)**
 (b) What is a private carrier? **(2 marks)**
 (c) Enumerate any two (2) factors which an organisation needs to consider when exporting its goods. **(6 marks)**

Solution

- (a) A Common carrier is one that is bound to carry only goods brought to the carrier by any person. **(2 marks)**
 (b) A private carrier is one that is free to dictate the terms of the contract and is not bound to the proposal of the person approaching the carrier. **(2 marks)**
 (c) The factors which an organisation needs to consider when exporting its goods are:
 (i) the organisation is likely to be dealing with a foreign currency;
 (ii) there may be government restrictions which regulate access to foreign exchange for payment of goods;
 (iii) special documentation is likely to be required.

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

11. There are two general groups of warranties in Marine Insurance.

- (a) State these two (2) groups of warranties.
 (b) Under each group, enumerate any three (3) items/focus that can be found under them.

Solution

- (a) The two groups of warranties in Marine Insurance are:
 (i) expressed warranties; and (ii) Implied warranties.
(2 marks for each correctly stated group. Sub-Total: 4 marks)

(b) Expressed Warranties contain:

- (i) Date of voyage; (ii) Destination and date of arrival;
 (c) The legality of insured goods; (iv) Manage sea caravans;
 (v) Declaration of the marine route and nationality of the vessel.

(1 mark for each correct and completely stated item. Maximum of 3 to be graded. Sub-Total: 3 marks)

Implied warranties contain:

- (i) Sea worthiness of the ship; (ii) The legality of the voyage;
 (iii) Voyage in just time; (iv) No change in the voyage route.

(1 mark for each correct and completely stated item. Maximum of 3 to be graded. Sub-Total: 3 marks)

(Grand Sub-Total: 6 marks)

(Grand Total: 10 marks)

12. (a) What is freight? **(3 marks)**
 (b) What is unique about liner freight? **(3 marks)**
 (c) What do these acronyms stand for: (i) ICAO; & (ii) IATA. **(4 marks)**

Solution

(a) Freight is the sum payable to the shipowner, or his agent, for the carriage of goods from the port of shipment to the port of destination. **(3 marks)**

(b) The unique issue about liner freight is that freight in the liner trade is normally prepaid and is usually insured as part of the value of the goods. **(3 marks)**

- (c) (i) International Civil Aviation Organisation (2 marks)
(ii) International Air Transport Association. (2 marks)

(Grand Total: 10 marks)

13. Enumerate any four (4) claim supporting documents in Marine Insurance.

Solution

The claim supporting documents in Marine Insurance are:

- (a) Bill of lading (B/L); (b) Commercial invoice;
(c) Parking list; (d) Survey Report; and (e) Repair accounts

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

14. Enumerate any five (5) types of cargo that are carried by air.

Solution

The types of cargo that are carried by air are:

- * fashion goods; * electronic goods;
* computer and recording equipment; * perishable products;
* livestock products; * specialised chemical products; * medical products.

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

Part 2

15. Explain the meaning of the following terms, stating to what extent, if any, that they may be covered under a marine insurance policy:

- (a) New for Old; (8 marks) (b) Loss of Specie; (8 marks)
(c) Inherent Vice; (8 marks) (d) Sympathetic Damage. (6 marks)

Solution

(a) **New for Old:** New for old refers to the practice of replacing old or damaged parts with new ones. This may be covered under a marine insurance policy, depending on the terms and conditions of the policy. (8 marks)

(b) **Loss of Specie:** Loss of specie refers to the loss of specific goods or cargo, such as gold or jewels. This may be covered under a marine insurance policy, depending on the terms and conditions of the policy. (8 marks)

(c) **Inherent Vice:** Inherent vice refers to a defect or weakness in the cargo or vessel that causes it to deteriorate or become damaged. This is typically excluded from marine insurance policies. (8 marks)

(d) **Sympathetic Damage:** Sympathetic damage refers to damage that is caused to cargo or a vessel due to external factors, such as a fire or explosion, rather than due to any fault of the assured. This may be covered under a marine insurance policy, depending on the terms and conditions of the policy. (6 marks)

(Grand Total: 30 marks)

16. In the context of the Marine Insurance Act 1906, explain:

- (a) what is meant by 'assignment of the policy'.
(b) what are the rights of the assignee under an assigned policy.
(c) why the marine cargo policy is almost always assignable.
(d) the protection afforded the assignee by effecting the insurance on a 'lost or not lost basis'.
(e) the provisions of the International Hull Clauses (1/11/03) regarding assignment of the marine insurance hull policy.

Solution

(a) Assignment of the policy refers to the transfer of the rights and interests under the policy to another party. (6 marks)

(b) The assignee has the same rights and interests as the original assured, but is also subject to the same obligations and liabilities. (6 marks)

- (c) The marine cargo policy is almost always assignable because the cargo is often sold or transferred to another party during the voyage. **(6 marks)**
- (d) The "lost or not lost" basis provides protection to the assignee by covering the cargo even if it is lost before the policy is assigned. **(6 marks)**
- (e) The provisions of the International Hull Clauses (1/11/03) regarding assignment of the marine insurance hull policy is that it provides that the policy is assignable, but the insurer must be notified of the assignment. **(6 marks)**

(Grand Total: 30 marks)

17. On aircraft accident,
- (a) List and explain at least five (5) documents required by lawyers as soon as possible after an aircraft accident. **(15 marks)**
- (b) Enumerate and explain any five (5) items that a surveyor's report should contain. **(10 marks)**
- (c) What is the disadvantage of "cash in lieu or repairs" form of settlement in aviation insurance? **(5 marks)**

Solution

- (a) The documents required by lawyers as soon as possible after an aircraft accident are:
- copy of passenger list or manifest and nationalities of passengers;
 - passengers flight coupons on conditions of carriage, seating plan;
 - name and addresses of passengers and next of kin;
 - details of injuries and copies of relevant correspondence;
 - cargo manifest;
 - crew manifest;
 - flight plan: aircraft details;
 - report of operator including navigation log;
 - details of crew and any special charter
- (3 marks for each correctly stated document. Maximum of 5 to be graded, Sub-Total: 15 marks)**
- (b) The items that a surveyor's report should contain are:
- identification; * when and where the survey took place;
 - details of pilots and experiences; * time;
 - weather details of damage and photographs; * place and date;
 - course and possibilities of subrogation; * crew members;
 - copies of relevant agreements; * airframe and engines;
 - any breaches of regulations; * recommendations.
- (c) Cash in lieu settlements are provided usually on the basis of an agreed estimate the problem is that the aircraft may be left in its undamaged state and further damage by e.g. vandalism may occur. **(5 marks)**

(Grand Total: 30 marks)

18. (a) Enumerate any five (5) general exclusions applicable to all sections of the AIOA/Lloyd's Aircraft Policy (AVNIA). **(20 marks)**
- (b) State any four (4) war exclusions that are applicable to an Aviation Insurance Contract when an aviation policy is in force. **(10 marks)**

Solution

- The general exclusions applicable to all sections of the AIOA/Lloyd's aircraft policy are:
- While the aircraft is being used for any illegal purpose or for any purpose other than those stated in the schedule and as defined in the definitions;
 - While the aircraft is outside the geographical limits stated in the schedule, unless due to force majeure;
 - While the aircraft is being piloted by any person other than as stated in the schedule except that the aircraft may be operated on the ground by any person competent for that purpose;

- While the aircraft is being transported by any means of conveyance except as the result of an accident giving rise to a claim under section 1 of this policy;
 - While the aircraft is landing on, or taking off or attempting to do so from a place which does not comply with the recommendations laid down by the manufacturer of the aircraft, except as a result of force majeure.
 - To liability assumed or rights waived by the insured under any agreement (other than passenger ticket/baggage check issued under section iii hereof) except to the extent that such liability would have attached to the insured in the absence of such agreement.
 - While the total number of passengers being carried in the aircraft exceeds the declared maximum number of passengers stated in the schedule;
 - To claims which are payable under any other policy or policies except in respect of any excess beyond the amount which would have been payable under such other policy or policies had this insurance not been effected.
 - To loss, damage or liability directly or indirectly caused by, or contributed to by, or arising from, ionizing radiations or contamination by radioactivity;
- (4 marks for each correct and completely stated exclusion, Maximum of 5 to be graded. Sub-Total: 20 marks)**

- (b) The War Exclusion applies to claims caused by;
- War, invasion , acts, of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, martial law, military or usurped power or attempts at usurpation of power;
 - Any hostile detonation of any weapon of war employing atomic or nuclear fusion and/or fusion or other like reaction or radioactive force or matter;
 - Strikes, riots, civil commotions or labour disturbances;
 - Any act of one or more persons, whether or not agents of a sovereign power, for poetical or terrorist, purpose and whether the loss or damage resulting therefrom is accidental or intentional;
 - Any malicious act or act of sabotage;
 - Confiscation, nationalization, seizure, restraint, detention, appropriation, requisition for title or use by, or under the order of, any government (whether civil, military or de facto) or public or local authority;
 - Hijacking or any unlawful seizure or wrongful exercise of control of the aircraft or crew in flight (including any attempt at such seizure or control) made by any person or persons on board the aircraft acting without the consent of the insured.
 - Furthermore, this policy does not cover claims arising while the aircraft is outside the control of the insured by reason of any of the above perils (though this may be modified by endorsement supplementary to the War Exclusion Clause). The aircraft shall be deemed to have been restored to the control of the insured on the safe return of the aircraft to the insured at an airfield not excluded by the geographical limits of this policy, and entirely suitable for the operation of the aircraft (such safe return shall require that the aircraft be parked with engines shut down and under no duress).

(2½ marks for each correct and completely stated war exclusion, Maximum of 4 to be graded. Sub-Total: 10 marks)
(Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA
INTERMEDIATE
APRIL 2026 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 2026
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), e.t.c., marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

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

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

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

Chief Examiner's Comments

No candidate attempted this course in this diet.

Comments on Overall Performance:

Not Applicable.

Suggestions on Improvement(s) (if any):

Not Applicable.



CHARTERED INSURANCE INSTITUTE OF NIGERIA
INTERMEDIATE
APRIL 2026 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 2026
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), e.t.c., marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

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

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

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

Chief Examiner's Comments

Question 1

This question assessed candidates' knowledge of the provisions of NIIRA 2025. A high attempt rate of 96% was recorded; however, only 30% passed. The poor performance was due to inadequate knowledge of the provisions.

Question 2

This question assessed candidates' understanding of moral and physical hazards. Out of 210 registered candidates, 203 attempted the question (96.67%), and 165 passed, representing an 81.28% pass rate.

Question 3

This question assessed candidates' knowledge of underwriting in personal insurance. Although 91% attempted the question, only 11% passed. The poor performance indicates that most candidates did not understand the question. Improved preparation is recommended.

Question 4

A total of 98% of candidates attempted this question, but less than 40% passed. This reflects a lack of proper understanding of the topic. Better preparation is advised.

Question 5

This question assessed knowledge of underwriting procedures for commercial risks. An 85% attempt rate was recorded, with a 46% pass rate. Some candidates provided responses not relevant to the question.

Question 6

This question examined the purpose of risk surveys. While 97% of candidates attempted it, only 37% passed. The poor performance suggests an inadequate understanding of the course material. Improved preparation is recommended.

Question 7

This question assessed knowledge of Maximum Possible Loss (MPL). Out of 210 candidates, 172 attempted the question, but only 60 passed. The pass rate was low, indicating insufficient preparation.

Question 8

About 74.76% of candidates attempted this question, with a pass rate of 67.52%. Candidates generally demonstrated good understanding of the topic.

Question 9

This was a popular question; however, many candidates failed to properly define IBNR. Less than 50% scored above average, indicating inadequate knowledge of the topic.

Question 10

This question assessed knowledge of operational expenses. A 92% attempt rate was recorded, with a strong pass rate of 78%, showing good understanding among candidates.

Question 11

This question assessed knowledge of motor insurance rating. Although 92% of candidates attempted it, only 43% passed, reflecting poor preparation.

Question 12

This question assessed candidates' understanding of the roles of insurance brokers and agents. A 96.67% attempt rate was recorded, with 82% passing, indicating good knowledge of the topic.

Question 13

This was also a popular question; however, most candidates demonstrated limited understanding, with over 60% scoring below the pass mark.

Question 14

This question assessed knowledge of motor insurance fraud. About 75.71% of candidates attempted it, with a pass rate of 64.15%, reflecting a fair level of understanding.

Question 15

This question assessed knowledge of dispute resolution provisions in fire insurance. Only 47% of candidates attempted it, and just 7% passed. The very low performance indicates poor understanding of the question and topic.

Question 16

About 64% of candidates (136 candidates) attempted this question, but only 28 passed, representing a 20% pass rate. Many candidates were unable to clearly explain the specific roles of each intermediary.

Question 17

This question assessed knowledge of procedures, provisions, risks, market structure, and roles in the oil and gas sector. About 60% of candidates attempted the question, with less than 60% passing. Many candidates did not understand the question, despite it being expected to be straightforward.

Question 18

This question assessed knowledge of fire claims. About 50% of candidates attempted it, and 70% of those who attempted it passed. Despite this, overall engagement was low. Better preparation is recommended.

Comments on Overall Performance:

The overall performance of candidates was not encouraging. Out of 210 candidates, only 45 scored above average. This indicates a generally low level of understanding.

Suggestions on Improvement(s) (if any):

Candidates are advised to take their studies more seriously and prepare more thoroughly for future examinations to improve performance.

I09 – INSURANCE PRACTICE & REGULATION

Part I

1. Using the provisions of the Nigerian Insurance Industry Reform Act (NIIRA) 2025, define the following:

- | | |
|-------------------------|-------------------------------|
| (a) Service Charter; | (b) Health Insurance Business |
| (c) Insurance Operator; | (d) Credit Life Insurance. |

Solution

NIIRA 2025 provides for the meaning of these as follows:

(a) **Service Charter:** a document indicating timelines fees and other features of the products and services to be offered by the Commission to the stakeholders in the insurance industry to be published by the Commission and made available to the public in accordance with Section 5(4) of the Act.

(2½ marks)

(b) **Health Insurance Business:** health insurance business not covered under the National Health Insurance Act 2022 or any amendment or replacement to it. (2½ marks)

(c) **An Insurance Operator:** an insurer, reinsurer, insurance brokers, insurance agent, loss adjuster and insurance pool as the case may be. (2½ marks)

(d) **Credit Life Insurance:** means a type of life insurance policy where the policyholder is a credit provider, and the insurer is obligated to meet the insurance requirements in case of the death of the debtors, who is the person insured under the policy and the policy may cover one or more lives insured and all of them shall be debtors of the credit provider. (2½ marks)

(Grand Total: 10 marks)

2. An electronics shop built with timber is applying for fire insurance. The owner frequently files minor claims. **Using this situation, distinguish between physical hazard and moral hazard and explain how each affects underwriting.**

Solution

- **Physical Hazard:** Tangible characteristics such as timber construction increase fire probability. (2½ marks)
- **Moral Hazard:** Behavioural issues such as frequent claims suggest carelessness or dishonesty. (2½ marks)
- **Underwriting Impact of Physical Hazard:** Leads to higher premiums, special conditions or stricter terms. (2½ marks)
- **Underwriting Impact of Moral Hazard:** Leads to loadings, exclusions, or possible declination due to poor claim behaviour. (2½ marks)

(Grand Total: 10 marks)

3. A client completes an online motor proposal but omits previous accident history. **Using this scenario, state and describe the four (4) steps followed when underwriting personal insurance.**

Solution

- **Proposal Review:** The insurer examines details submitted online or physically. (2½ marks)
- **Automated/Manual Underwriting:** Simple cases may be accepted instantly; complex ones are referred. (2½ marks)
- **Clarification Requests:** Missing accident details require follow-up enquiries. (2½ marks)

- **Data Confirmation:** Insurer sends summary for proposer confirmation before cover begins. (2½ marks)

(Grand Total: 10 marks)

4. A 45-year-old smoker with high blood pressure applies for ₦100million life cover. Using this scenario, state and explain the life assurance underwriting five (5) processes.

Solution

- **Definition:** Life underwriting assesses mortality risk. (2 marks)
- **Proposal Form Assessment:** Evaluation of lifestyle, medical history, occupation. (2 marks)
- **Medical Examination:** Required due to sum assured and medical condition. (2 marks)
- **Medical Officer Review:** Medical experts interpret examination results. (2 marks)
- **Mortality Rating:** Underwriter uses mortality tables to determine premium. (2 marks)

(Grand Total: 10 marks)

5. A bakery using gas ovens and receiving many customers seeks commercial coverage. Using this scenario, describe the underwriting procedures for this commercial risk.

Solution

- **Proposal Form Evaluation:** Detailed analysis of business operations, hazards, and exposures. (2½ marks)
- **Site Inspection:** Brokers or surveyors inspect premises to verify risk conditions. (2½ marks)
- **Review of Technical Documents:** Fire protection, layout plans, and risk reports are examined. (2½ marks)
- **Negotiation of Terms:** Underwriter and broker agree premium, conditions, and exclusions. (2½ marks)

(Grand Total: 10 marks)

6. A textile factory requires inspection before insurance is issued. Using this situation, explain the purpose of a risk survey and outline any two (2) key elements of the surveyor's report.

Solution

- **Purpose:** Provide detailed information to support underwriting. (4 marks)
The key elements of the surveyor's report are:
- **Risk Description:** Layout, processes, machinery, occupancy.
- **Hazard Identification:** Physical and moral hazards identified.
- **MPL/EML Estimation:** Surveyor estimates likely maximum loss.
- **Recommendations:** Improvements and corrective measures suggested.

(3 marks for each correctly stated key element. Maximum of 2 key elements to be graded. Sub-Total on key elements: 6 marks)

(Grand Total: 10 marks)

7. A warehouse has three compartments, but only one of the compartments has sprinklers. Using this case, define MPL and explain how an underwriter determines MPL.

Solution

- **Definition:** MPL is the maximum likely loss assuming normal unfavourable conditions. (2½ marks)
- **Compartmentation Analysis:** Fire spread depends on separation effectiveness. (2½ marks)

- **Fire Protection Evaluation:** Absence of sprinklers increases expected loss. (2½ marks)
- **Worst-Case Estimation:** Underwriter estimates value of sections likely to be affected. (2½ marks)

(Grand Total: 10 marks)

8. A motor insurer has settled claims, open claims and expected claims not yet reported. Using this scenario, identify and explain these three (3) categories of claims used in premium calculation and state their singular importance as it relates to pricing.

Solution

- **Settled Claims:** Claims reported and fully paid during the year. (2½ marks)
- **Outstanding Claims:** Reported but not yet settled; require reserves. (2½ marks)
- **IBNR Claims:** Losses incurred but not yet reported. (2½ marks)
- **Importance:** All three categories must be built into pricing to ensure solvency. (2½ marks)

(Grand Total: 10 marks)

9. A liability insurer expects future injury claims that have not yet been reported. Using this scenario, explain IBNR. State and explain any two (2) of its importance.

Solution

- **Definition:** Claims that have occurred but not yet reported. (4 marks)
- **Slow-Emerging Claims:** Often arise in construction and liability cases.
- **Reserving Need:** Guarantees funds are available when claims emerge.
- **Premium Implication:** Premiums must cover future anticipated losses.
- **Solvency Importance:** Prevents underfunding and financial failure.

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

10. An insurer reports rising operational expenses. Using this situation, identify and explain the key four (4) operational expenses insurers consider when setting premiums.

Solution

- **Staff Costs:** Salaries represent a major part of the insurer's overhead.
 - **Office Expenses:** Rent, electricity, ICT, supplies.
 - **Marketing/Advertising:** Promotion and customer acquisition costs.
 - **Commissions:** Payments to agents and brokers for generating business.
- (1½ marks for correctly stated expense. 1 mark for correct and completely stated explanation.
Sub-Total per expense: 2½ marks. Grand Total: 10 marks)

11. A motor insurer wants to revise its rating structure after noticing varying levels of risk among young drivers and older, experienced drivers. Using this scenario, state and explain any four (4) key rating factors that influence motor insurance premiums.

Solution

- **Driver Age and Experience:** Young and inexperienced drivers present higher accident frequency.
- **Vehicle Type and Value:** High-value or high-performance cars attract higher risk.
- **Area of Use/Garaging:** Urban areas have higher theft and accident rates.
- **Claims History:** Drivers with past claims attract premium loadings.
- **Use of Vehicle:** Commercial use may increase exposure.

(1½ marks for correctly stated factor. 1 mark for correct and completely stated explanation. Sub-Total per factor: 2½ marks. Maximum of 4 to be graded. Grand Total: 10 marks)

12. A new insurance company is choosing whether to rely heavily on brokers or develop a strong agency network. Using this case, explain, in any four (4) ways, the roles of brokers and agents in insurance distribution.

Solution

- Brokers as client representatives – They advise clients and place business with insurers.
- Agents as insurer representatives – They sell products on behalf of insurers.
- Documentation & negotiation – Brokers prepare technical submissions.
- Customer acquisition – Agents generate business in local markets.
- Commission structure – Both earn commissions but differ in authority.

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

13. A major bank plans to start selling insurance across its branch network. Using this scenario, explain the concept of bancassurance and evaluate any two (2) of its advantages.

Solution

- **Definition:** Partnership between an insurance company and a bank where the bank platform is used to distribute insurance products. (4 marks)
- **Advantages**
 - Access to large customer base – Banks have broad reach.
 - Lower distribution cost – Shared infrastructure reduces expenses.
 - Convenience to customers – Insurance becomes easily accessible.

(3 marks for each correctly stated advantage. Maximum of 2 key elements to be graded. Sub-Total on advantages: 6 marks)
(Grand Total: 10 marks)

14. A motor insurer suspects that a customer intentionally exaggerated accident repairs. Using this scenario, state and describe two (2) major types of insurance fraud.

Solution

- **Fictitious Claims:** Claiming for a loss that never happened.
- **Exaggerated Claims:** Inflating repair or replacement costs.
- **Concealment of Information:** Hiding material facts during proposal.
- **Policyholder Collusion:** Working with repairers or third parties to inflate claims.

(3 marks for each correctly stated type. 2 marks for each correct and completely stated explanation. Sub-Total per type: 5 marks. Maximum of to be graded. Grand Total: 10 marks)

Part 2

15. A policyholder becomes dissatisfied with the insurer's settlement offer after a fire incident and alleges delayed and unfair treatment. Using the dispute-resolution provisions learnt in the course, explain any five (5) mechanisms available for resolving this type of insurance claim dispute.

Solution

- "Sometimes it is not possible to settle a claim amicably and, in such cases, a form of dispute resolution must be sought."
- "Ideally, the dispute will be settled by discussion between the insurer, the policyholder, and possibly also the insurance broker."

- “When a dispute does arise it could revolve around a number of factors. In the main, disputes tend to be about the liability of an insurer to pay a claim, the amount which should be paid, or the speed with which claims are handled.”
- “Policies usually carry an arbitration condition which states that the insured must refer any such disputes to arbitration.”
- “In Nigeria, arbitration involves appointing a team of independent arbitrators who will look at the merits of the case and make a judgment.”
- “The decision of the arbitrator is binding and final on the insurer but not on the insured, who still have the rights to, if not satisfied, escalate the issue, to either the Regulator, NAICOM, through the NAICOM Complaint Bureau, or directly to the courts of law.”

(Candidates are required to apply what has been studied to answer this question and not necessarily quote the above verbatim. 6 marks for each correct and completely stated explanation. Maximum of 5 to be graded. Grand Total: 30 marks)

16. A newly licensed insurer plans to expand into multiple Nigerian States and is unsure whether to prioritise brokers, agents, bancassurance partnerships, or to deploy a direct sales force. Using this scenario, explain the roles and functions of each of these insurance intermediaries in distributing insurance products, with at least five (5) explanations.

Solution

- “The concept of insurance broking is based on the principle that the buyer of insurance needs impartial and professional advice on risk management and the insurance products that best meet their needs.”
- “The insurance broker acts as an intermediary between the proposer and the insurer and is expected to place the interest of the client above all other considerations.”
- “In Nigeria, an insurance agent is a person who in return for a commission arranges insurance business with an insurer on behalf of clients.”
- “Agents may be tied agents who represent only one insurer or independent agents who may represent more than one insurer at a time.”
- “Bancassurance is the distribution of insurance products through the banking network and is based on the use of existing bank branches and customer relationships to sell insurance products.”
- “Direct marketing involves insurers selling insurance products directly to the public without the use of intermediaries through channels such as call centres, online platforms, and company-employed sales staff.”

(Candidates are required to apply what has been studied to answer this question and not necessarily quote the above verbatim. 6 marks for each correct and completely stated explanation. Maximum of 5 to be graded. Grand Total: 30 marks)

17. An insurance company in Nigeria is preparing to enter the oil and gas sector and expects exposure to extremely large risks. The management team is unsure about who the major participants are in the reinsurance marketplace and how each participant fits into the risk-sharing structure. Using “*Characteristics of the Reinsurance Market*”, explain any five (5) key groups and their roles in the reinsurance marketplace.

Solution

- “Notice that the original customer, the insured, does not appear anywhere in the reinsurance marketplace.”
- “The contract to purchase reinsurance is one between the primary insurer and the reinsurer, the insured plays no part in it.”

- “This group represents the ordinary insurers who transact insurance with the general public and businesses in general. They purchase reinsurance for all the reasons we have mentioned earlier.”
- “Captive insurers are owned by a non-insurance parent and transact, in the main, the insurances for their parent company... and so a large amount of reinsurance protection is often required.”
- “Reinsurance brokers play an important part in this respect. They have specialist knowledge of reinsurance and world reinsurance markets.”
- “The bulk of all reinsurance is written by specialist reinsurance companies... They are usually international companies, transacting reinsurance in many parts of the world.”

(Candidates are required to apply what has been studied to answer this question and not necessarily quote the above verbatim. 6 marks for each correct and completely stated explanation. Maximum of 5 to be graded. Grand Total: 30 marks)

18. A corporate insured lodges a large fire claim. The insurer experiences difficulty verifying documents, assessing loss values, and determining liability because of conflicting reports from contractors and internal staff. Explain any five (5) key characteristics of insurance claims and the challenges insurers face in managing them.

Solution

- “Claims can be complex and varied, depending on the class of insurance involved.”
- “In some cases, it is relatively easy to verify whether the claim is valid and the amount payable.”
- “However, in other cases, considerable investigation may be necessary to establish liability and the extent of loss.”
- “Documentation plays a significant role in claims handling, as the insurer must be satisfied that the loss has actually occurred.”
- “The insurer must also confirm that the loss falls within the scope of the cover provided by the policy.”
- “Certain claims require expert reports from professionals such as loss adjusters, engineers, surveyors or medical practitioners.”
- “There are occasions when the insured may exaggerate the amount of the claim, whether deliberately or unintentionally.”
- “The insurer must therefore scrutinize all information supplied and ensure that only the amount of the actual loss is paid.”
- “The prompt and fair settlement of claims is vital in maintaining public confidence in the insurance industry.”
- “Failure to handle claims effectively can result in disputes, complaints and even legal action.”

(Candidates are required to apply what has been studied to answer this question and not necessarily quote the above verbatim. 6 marks for each correct and completely stated explanation. Maximum of 5 to be graded. Grand Total: 30 marks)



CHARTERED INSURANCE INSTITUTE OF NIGERIA
INTERMEDIATE
APRIL 2026 DIET EXAMINATION PAPER

SUBJECT I10
INSURANCE BROKING PRACTICE

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

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Handle the answer booklet with care.
- Do not write on the question paper.
- The answer booklet should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the cover and flap of the answer booklet.
- Ensure that you write the full and correct candidate's number.
- No name should be written on any leaf of the book, or on any supplementary leaves that may be issued to the candidates.
- The answer to each question must be commenced on a separate page. Where however, a question consists of two 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 2026
DIET CANDIDATES' INSTRUCTIONS.**

CHARTERED INSURANCE INSTITUTE OF NIGERIA

I10 – INSURANCE BROKING PRACTICE II

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), e.t.c., marks for each part are only shown if they are split unevenly between the parts and you should spend your time in accordance with the allocation.

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

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

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

Chief Examiner's Comments

Question 1

The pass rate was low, largely because candidates are yet to fully understand the provisions of NIIRA. Increased emphasis on questions drawn directly from the Act may encourage candidates to study it more thoroughly.

Question 2

This question recorded about a 70% pass rate. It falls within the general knowledge of practitioners, and Part B, being practical in nature, was also well attempted.

Question 3

This was a textbook-based question and recorded an 80% pass rate. It examined risk subscription, a concept familiar to most practitioners.

Question 4

Claims management, being central to insurance practice, resulted in a pass rate of over 70%.

Question 5

This question focused on anti-money laundering (AML). Despite its importance and regulatory emphasis, many candidates demonstrated limited understanding, possibly due to low participation in mandatory training programmes. There is a need for increased training initiatives by relevant bodies.

Question 6

The question recorded a good and encouraging attempt, as compulsory insurance policies are both practical and closely linked to NIIRA.

Question 7

Part A was well attempted, with over 80% of candidates demonstrating good understanding due to its relevance in insurance practice. However, candidates struggled with Part B.

Question 8

Performance was below average, despite the question being textbook-based. This suggests inadequate preparation.

Question 9

This practical question on damages was generally well answered. However, performance in Part B indicated insufficient preparation.

Question 10

The pass rate was low, as the topic appears less familiar to candidates. However, Part B attracted better responses due to its practical nature.

Question 11

This question gained traction, and candidates were able to relate to it reasonably well.

Question 12

Both parts recorded excellent attempts, with a pass rate of over 85%. The question addressed practical issues in insurance broking, making it accessible to candidates with relevant experience.

Question 13

This question examined the “no premium, no cover” doctrine with reference to NIIRA provisions. Many candidates failed to mention the 20-day grace period, focusing instead on the 30-day maximum period. Part B was well attempted due to its practical orientation.

Question 14

This question recorded about a 90% pass rate, as candidates were familiar with the practical challenges faced by insurers.

Question 15

Over 80% of candidates performed well, demonstrating an understanding of local capacity exhaustion and regulatory approval requirements before engaging foreign reinsurance. The practical nature of the question contributed to the strong performance.

Question 16

Performance was below expectations, as candidates were unable to explain insurers’ exposure limits under NIIRA. There is a need for deeper engagement with the Act.

Question 17

Part B was well attempted, with over 70% pass rate, while Part A recorded an average performance.

Question 18

All parts of the question recorded good performance, as they related to the practical duties of brokers and underwriters within the insurance value chain.

Comments on Overall Performance:

Overall performance was below average. Candidates need to develop a broader understanding of the roles and activities of key industry stakeholders such as NAICOM, Chartered Insurance Institute of Nigeria, and Nigerian Insurers Association, etc.

Suggestions on Improvement(s) (if any):

There is a strong need for increased training, workshops, and lectures by key industry bodies. Institutions such as NAICOM and Chartered Insurance Institute of Nigeria should intensify efforts in educating candidates through structured training programmes, particularly in areas such as anti-money laundering (AML).

In addition, greater awareness and training should be provided on the roles of other industry bodies such as Institute of Loss Adjusters of Nigeria, the Association of Registered Insurance Agents of Nigeria, and the Nigerian Insurers Association to enhance candidates’ overall understanding of the insurance ecosystem.

I10- INSURANCE BROKING II

Part I

Answer ALL questions in Part I.

Each question carries 10 marks.

1. (a) How is the insurance business categorised under the Nigerian Insurance Industry Reform Act (NIIRA, 2025) in Section 3? (4 marks)
- (b) State any three (3) groups under each of the divisions in (a) above. (6 marks)

Solution

(a) The Nigerian Insurance Industry Reform Act (NIIRA) 2025, in Section 3, categorises insurance business into two main classes:

- (iii) Life Insurance Business (2 marks)
- (iv) Non-Life Insurance Business. (2 marks)

(Sub-Total: 4 marks)

- (b) (i) Life Insurance Business:
- * Individual Life Assurance Business; * Group Life Assurance Business
 - * Annuity * Health Insurance Business.
- (ii) Non-Life Insurance Business:
- * Fire Insurance Business; * General Accident Insurance Business;
 - * Motor Vehicle Insurance Business; * Marine Insurance Business
 - * Energy (Oil, Gas and Power) Insurance Business;
 - * Engineering Insurance Business;
 - * Bonds, Credit Guarantee and Suretyship Insurance Business; and
 - * Agricultural Insurance business other than schemes covered by the Nigerian Agricultural Insurance Corporation Act.

(1 mark for each correct and completely stated group. Maximum of 3 to be graded under each category.

Sub-Total per category: 3 marks. Grand Sub-Total: 6 marks)

(Grand Total: 10 marks)

2. (a) State three (3) changes where approval of NAICOM is compulsory before Implementation of the changes in the operations or employment of an insurance regulated entity in Nigerian insurance industry. (6 marks)
- (b) State two (2) methods of obtaining information about a risk by a Broker. (4 marks)

Solution:

- (a) Approval of NAICOM, the regulator, must be obtained for the following changes before being implemented
1. Change of Principal Officers, like AGM, Senior Manager in charge of a specific portfolio.
 2. Change of Directors or Partners.
 3. Change of name of the company.
 4. Change of corporate or registered office
 5. Change of principal place of business.

(2 marks for each correctly stated change. Maximum of three (3) to be graded. Sub Total: 6 marks)

- (b) The methods are;
1. Proposal form
 2. Brokers Questionnaire
 3. Insurers Questionnaire

4. Survey report

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

3. Explain the distinction between undersubscribed risks and oversubscribed risks.

Solution:

Under-subscribed risk is a situation where the risk achieves less than 100% capacity or where fewer underwriters show interest in the risk than expected, whereas **over-subscription** is where more underwriters indicate interest in the risk than expected i.e the support exceeds the total required by the broker, the broker must reduce the proportion of each underwriter to meet the total required.

In under subscription, the broker must inform the client of their challenges in getting a full subscription, including the payment being made in this regard. So that other options can be explored in achieving full subscriptions. Similarly, in over-subscriptions, the brokers equally inform each underwriter of the percentage reduction in the closing.

(10 marks for correctly explained distinction, Total: 10 marks)

4. State five (5) activities of a Broker on claims management in an insurance contract.

Solution:

The basic activities of the broker in relation to claims include the following:

1. Advising clients on whether a loss is recoverable or not under the terms of the policy.
2. Notifying the underwriters promptly when there is a loss.
3. Advising the client on their rights and obligations under the policy.
4. Providing direction in the completion of the claims form.
5. Following up with the insurer to ensure that adjusters are appointed, advising the client on the role of the adjuster in the claims process.
6. Assisting the client in collating their claims supporting documents together and presenting them in a professional manner.
7. Collecting the claims payment from the insurer.
8. Where there is a major loss, attending site meetings with the adjuster and their personnel. Big brokers also provide additional specialised services to clients on post-loss surveys.

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

5. (a) Explain the significance of the grey list in anti-money laundering procedures. (4 marks)
- (b) State three (3) regulatory bodies that exercise control over insurance brokers in Nigeria and briefly explain how the regulation is done. (6 marks)

Solution:

- (a) Grey list is a list of categories of countries that are under critical scrutiny or restricted from certain activities but not fully banned, indicating weakness that the entity is trying to fix or adjust. Grey list shows that the country have weak anti- money laundering/ countering of financial terrorism (AML/CFT) system that are weak but working with FAFT to improve its structures. (4 marks)
- (b) These bodies are:
- **NAICOM:** They issue license to practice and provide regulatory template for insurance brokers to practice their profession.

- **NCRIB:** It is the umbrella body which regulates the practice of all registered insurance brokers they provide the platform for knowledge update, ethical standards and professional enrichment for all brokers. They also have the capacity to discipline erring members through their various committees.
- **FIRS: (Nigeria Revenue Service)**
The insurance broking industry is a service sector; there is an obligation to pay VAT- value added tax of 7.5% on insurance broking service, which must be remitted to the Nigeria Revenue Service monthly and for which a certificate must be issued as evidence of compliance with the obligations.
- **CAC- Corporate Affairs Commission:**
All companies are registered under CAC, including insurance brokers; the companies are obligated to file their annual returns yearly.
- **Financial Regulating Commission (FRC):**
is responsible for developing and publishing accounting and financial reporting statements to be observed in preparation of financial statements of public entities in Nigeria. Insurance Brokers must submit their financial statements to them in compliance with the enabling law setting up the body.

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

6. State and briefly explain five (5) compulsory insurance policies in Nigeria as provided under Sections 71–84 of NIIRA 2025.

Solution

Compulsory Insurances in Nigeria are:

- **Third party risk:** to cover liability for death, bodily injury and property damage
- **Professional indemnity cover:** protects professionals and businesses against claims of negligence or breach of duties arising from their professional services or advice
- **Group life insurance:** employers must provide for life insurance cover for each employee for a minimum of 3 times their annual total emolument
- **Health care professional indemnity-** for all health care licensed providers to cover their liability arising from professional negligence
- **Occupier's liability insurance:** owners of public buildings must provide insurance against risk like collapse, fire, earthquake, protecting those who access the building for commercial, educational, or medical purposes
- **Builders' liability insurance:** owners/ conductors of any building under construction with more than 2 floors must obtain cover against construction risk, negligence and collapse
- **Aviation third party risk:** Aircraft operators must obtain cover against accidental injury, death of passengers and property damage to third parties
- **Marine cargo insurance:** This is to cover maritime risks
- **Government asset and employees' insurance.** This is to ensure adequate insurance cover for government assets and their employees
- **Credit life insurance:** it is a specific cover that pays off specific outstanding debts if the borrower dies before the loan is fully repaid, the money is paid to the lender
- **Container insurance:** protects against financial loss from damaged, lost or any stolen shipping container or its contents during transit or storage

(2 marks for each correctly stated compulsory insurance. Maximum of five (5) to be graded. Sub Total: 10 marks)

(Grand Total: 10 marks)

7. Explain the following terms:
- (a) Excess Layer Policy; (b) Telemetric.

Solution

(a) **Excess layer** is an additional layer per-arranged in a reinsurance programme to achieve higher limits of indemnity on liability policies. It is suitable for employer's liability, third party liability and other large property liability risks. The insurer on the excess layer scheme would follow the terms and conditions of the primary policy; this ensures that the same cover applies through the programme.

(5 marks for a correctly stated explanation)

(b) **Telemetric** is an automated process of collecting, transmitting and analysing data from remote or inaccessible sources through sensors, devices, or vehicles to a central system for monitoring, understanding performance and making improvements using methods like radio, wi-fi, or cellular network. In the automotive industry, it is like a spy in the vehicle, monitoring speed behaviour and improving driving skills.

(5 marks for a correctly stated explanation)

(Grand Total: 10 marks)

8. (a) Briefly explain the term 'evergreen policies' (6 marks)
- (b) State any two (2) situations where the multi-year policies cycle can be broken. (4 marks)

Solution:

(a) An 'evergreen' policy takes this one stage further. Here, the policy does not have a 'renewal date'. The premium is either paid by monthly direct debit, or there is an anniversary date on which the premium for the next 12 months is payable. The policy will be subject to a provision that the insurer must give, say, 60 days' notice of any change in the premium or cover. There will be a corresponding 60 days' notice of cancellation provision on both sides. 'Evergreen' policies are aimed primarily at small commercial risks that do not have either complex risk exposures or a poor claims experience.

(6 marks for each correctly stated explanation. Sub Total: 6 marks)

- (b) The cycle will be broken if:
- there is a significant change in the insurance market; and/or
 - an insurer imposes excessive terms at a renewal; and/or
 - there is a change in the client's business activities.

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

(Grand Total: 10 marks)

9. (a) State any three (3) benefits of an effective diary system. (6 marks)
- (b) Explain the term 'Insurance Carriers'. (4 marks)

Solution

(a) Effective diary systems are essential to:

- alert the broker that a renewal is due;
- ensure the tasks passed to another party, for example, a request for an extension of cover, are acted upon in good time;
- ensure that premiums are collected from clients and paid to the market within agreed timescales; and

- ensure that any warranties applied to the contract are handled prior to their requirement date.

. (2 marks for each correctly stated benefit. Maximum of 3 to be graded. Sub Total: 6 marks)

- (b) **Insurance Carriers** means a number of different underwriting entities, each with its own particular area of expertise and way of doing business, that make up the insurance market.

(4 marks for each correctly stated explanation. Sub Total: 4 marks)

(Grand Total: 10marks)

10. (a) State the three (3) objectives of the Financial Services Action Plan (FSAP) adopted in May 1999 (6 marks)
- (b) Explain the term 'policy document'. (4 marks)

Solution:

- (a) The FSAP has three objectives, which are:
- a single market for wholesale financial services;
 - open and secure retail markets; and
 - state-of-the-art prudential rules and supervision.
- (2 marks for each correctly stated objective. Sub Total: 6 marks)

- (b) The policy document is evidence of the insurance contract between the insured and the insurer. The promise to pay is a futuristic promise, in the absence of a contract evidenced in writing it may become difficult to interpret the relationship between both parties, the policy document erased all these doubts as it can easily be consulted as evidence of the terms of the agreement between both the insured and the insurer, though a contract does not have to be in writing - parole contract but documentary evidence of it assists both parties.

(4 marks for each correctly stated explanation. Sub Total: 4 marks)

(Grand Total: 10 marks)

11. (a) Explain the term 'Managing General Agents' (6 marks)
- (b) State any two (2) reasons why (a) exists. (4 marks)

Solution:

- (a) Managing General Agents (MGAs) are a more mainstream placing method, developed out of the same model as those MGAs at Lloyds. An MGA provides all of the same functions as a company insurer. It has the underwriting expertise, claims handling functionality, sometimes its own risk management facilities and similar broker relationship arrangements, although the capacity is normally provided by a third party carrier, which could be a company insurer or another insurer. The Managing General Agents Association (MGAA) defines MGA as *an agency whose primary function and focus is the provision of underwriting services and whose primary fiduciary duty is to its Insurer principal.*

(6 marks for each correctly stated explanation. Sub Total: 6 marks)

- (b) The reasons are that MGA provides:
- specialist expertise which the insurer principle does not have
 - large books of business to help the insurer increase its GWP or market share, without the expense of distributing its own products; and

- access to markets that would be more expensive for the insurer to access directly.

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

(Grand Total: 10 marks)

12. (a) What is a “lineslip”? (2 marks)
 (b) State any four (4) group of examples of “difficult to place” risks. (8 marks)

Solution:

- (a) A ‘lineslip’ is the name given to a scheme or facility placed with Lloyd’s underwriters. They can be set up with or without delegated authority. The slip consists of contract details, subscription agreement and fiscal and regulatory information. Risks are then bound under the facility, usually by way of off-slips. Where there is no delegated authority, risks are bound by the leader or leading underwriters.

(2 marks for a correctly stated explanation)

- (b) Examples of difficult to place risks are:

- unoccupied property;
- asbestos removal contractors;
- nightclubs;
- security contractors;
- student accommodation; and
- food industry risks, especially those with high levels of combustible construction.

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

(Grand Total: 10 marks)

13. (a) Briefly explain the duration a broker is allowed under Section 61(1) of the Nigerian Insurance Industry Reform Act 2025 (NIIRA) to hold an insurance premium. (2 marks)
 (b) There are many reasons why a broker should deal with a wide variety of markets, even where the basis of broking on an individual risk is ‘fair analysis’. State any four (4) of the reasons. (8 marks)

Solution:

- (a) An insurance broker is permitted by Law to hold the premium not later than 30 days after collection of premiums from their clients before remittance to the insurer. The receipt of an insurance premium is a condition precedent to a valid insurance contract. No premium No cover but once collected, the broker can hold it for 30 days before payment to the insurer.

(2 marks for correct explanation)

- (b) The reasons are:

- reduce exposure to a sudden change in underwriting philosophy;
- reduce exposure to the insolvency of an insurer;
- provide the widest knowledge of what is available;
- ensure that competitive terms are obtained;
- ensure the availability of capacity; and
- ensure the ability to deal with unusual risks.

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

(Grand Total: 10 marks)

14. (a) State any five (5) obvious signs that can be observed in “an insurer in trouble”.

Solution:

(a) Some of the obvious signs of an insurer in trouble are:

- rapid expansion, especially when excellent results are produced contrary to the general trend of the market;
- petty delays (with little or no excuse) in settling claims and returning premiums;
- unusual claims reserving practices,
- before the demise of the Independent, anecdotes abounded about serious injury claims reserved at tiny amounts;
- an unreasonable stance being taken on large claims;
- constant pressure on the broker to increase volume to the insurer;
- the style and demeanour of the insurer, ‘pride comes before a fall’; and
- an overbearing and dominant chief executive.

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

(Grand Total: 10 marks)

Part II

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

Each question carries 30 marks.

15. Blitz Insurance Plc has unexpectedly exhausted its retention capacity. Consequently, the management has resolved that the company should arrange a foreign facultative reinsurance placement. The Managing Director/Chief Executive Officer has requested your professional opinion, as a reinsurance expert, on how this decision should be properly implemented.

- (a) (i) Advise the CEO on the appropriate procedures and regulatory requirements for effecting foreign facultative reinsurance placement, citing and explaining the relevant provisions of applicable insurance laws and regulations. (5 marks)
- (ii) State four (4) obligations of a professional insurer to its workforce. (12 marks)
- (b) (i) Explain the importance of the underwriting survey and highlight how it supports and improves the underwriting process. (10 marks)
- (ii) Explain the value and role of facultative reinsurance within the reinsurance value chain. (3 marks)

Solution

- (a) (i) All insurance and reinsurance business must be domesticated in Nigeria. However, foreign facultative placements are permitted, subject to the approval of NAICOM, the regulatory authority, as provided under Section 72(4) of the Insurance Act, 2003. Such placements must be supported by a post-placement report, after which a Certificate of Offshore Reinsurance (COR) is issued within a specified period, prior to the final approval in principle. (5 marks for correct explanation)
- (ii)
- Insurance institutions must adequately supervise their staff and implement continuous training and retraining programmes.

- They should stay informed about market trends and economic conditions, and regularly adjust their products and services to reflect market realities.
- They must ensure full knowledge and compliance with all applicable legal and regulatory requirements.
- Staff should be kept up to date on relevant technical and managerial issues affecting their duties.
- Employees should be trained to understand clients' psychology and their level of insurance knowledge.
- Staff should also be trained in effective communication, feedback, and problem-solving skills.

(3 marks for each correctly stated obligation. Maximum of four (4) to be graded. Total: 12 marks)

- (b) (i) Underwriting survey is the process of identifying, analysing and evaluating potential threats and hazards to an organisation or any operation. It assists the underwriting process in the following ways:
- It identifies the threats and possible hazards and provides solutions or strategies through recommendations so that threats can be minimized or eliminated
 - The site inspection provides the opportunity to physically assess the risk, it enables the underwriter to adequately quote for the risk they are insuring
 - It helps to evaluate the risk and implement controls.

(10 marks for a correctly stated explanation highlighting the support. Sub Total: 10 marks)

- (ii) Facultative reinsurance provides the opportunity for insurer to increase their capacity through a case-by-case agreement where an insurer cedes or transfers a risk to a reinsurer, allowing both parties to accept or reject the risk. Facultative reinsurance is valuable, especially in dealing with large uninsured risks that do not fit standard treaty terms. It offers flexibility and tailored coverage through separate negotiations.

(3 marks for correctly stated explanation)

(Grand Total: 30 marks)

16. A Toyota Camry was insured for ₦30million on January 1, 2021. On September 30, 2021, the vehicle was involved in a collision with a Rolls-Royce valued at ₦300million, which was being driven by a popular Afrobeat Star named Kidstar. The Rolls-Royce was totally destroyed in the accident. The Afrobeat Star had no insurance cover on his vehicle. At the time of the accident, the insured's son was in the Toyota Camry and died instantly as a result of the collision. In addition, the insurance certificate for the Toyota Camry was burnt in the fire that occurred as a result of the accident. The Afrobeat Star is demanding a full replacement of his vehicle.

- (a) Explain all the probable valid insurance claims arising from this accident and advise in writing all parties involved. In your answer, clearly state the insurer's liability and exposure limit under the Nigerian Insurance Industry Reform Act (NIIRA) 2025. **(15 marks)**

(b) Under NIIRA 2025;

- (i) state any of the conditions to be satisfied before the Commission will grants a reinsurance broking license. **(5 marks)**
- (ii) state any two (2) conditions when the Commission can suspend the license of the insurance broker. **(10 marks)**

Solution:

- (a) (i) The comprehensive motor insurance policy on the Toyota Camry provides cover for third-party property damage, including damage to the Rolls-Royce owned by the Afrobeat star. However, under prevailing market practice and statutory limits, the insurer's liability for third-party property damage is restricted to ₦3 million. Consequently, notwithstanding the total loss of the Rolls-Royce, the insurer's maximum exposure is limited to ₦3 million.
- (ii) The Afrobeat star, who did not insure his vehicle, has breached the law. The Motor Vehicles (Third Party Insurance) Act, 1945 and the Insurance Act require that every motor vehicle used on Nigerian roads must, at a minimum, be covered by a third-party insurance policy to meet legal liabilities to third parties/road users.
- (iii) Section 11(9) of the relevant legislation provides that insurance cover applies to death or bodily injury arising from the use of a motor vehicle, except where the victim is a member of the insured's household or is being carried in the course of employment. Since the deceased was the insured's son, he falls within the household exclusion and is therefore not entitled to compensation under the policy.
- (iv) The destruction of the insurance certificate of the Toyota Camry does not invalidate the claim. Insurers maintain internal records of all in-force policies, and the existence and validity of the policy can be verified from the insurer's records.
- (v) The Afrobeat star is not entitled to a replacement of his vehicle, as the insurer of the negligent third party is only liable up to the statutory and market limit of ₦3 million for third-party property damage.

(3 marks for each correctly stated analysis of the claims arising from the case study. Sub Total: 15 marks)

- (b) (i) The Commission may grant a reinsurance broking, where it is satisfied that:
- the insurance broker has the required expertise to conduct the class of reinsurance business; and
 - at least one partner or director of the reinsurance broking firm or company has a minimum of seven years working experience in the middle management cadre of a reinsurance broking firm or reinsurance department of an insurance company, and where it is an insurance broking company combining reinsurance broking to its practice, a minimum of three years' experience in a reinsurance broking firm or reinsurance department of an insurance company, reinsurance company or reinsurance department of an insurance broking company

(5 marks for any correctly stated condition. Maximum of 1 to be graded. Sub Total: 5 marks)

- (ii)
- Where an insurance broker fails to comply with the provisions of this Act, the Commission may, without prejudice to any further sanction, suspend his licence for a period not exceeding six months.
 - An insurer who transacts business with an insurance broker whose licence has been suspended is liable to a penalty of ₦250,000 or the amount of the premium involved, whichever is higher.

- Where an insurer continues to violate the provisions of subsection (2), the Commission may give notice of its intention to cancel the license of the insurer under section 8 of this Act

(5 marks for any correctly stated condition. Maximum of 2 to be graded. Sub Total: 10 marks)

(Grand Total: 30 marks)

17. (a) According to Market Conduct and Business Practice Guidelines, state five (5) key components for claims procedures. **(20 marks)**
- (b) State five (5) services a broker can offer to a client organisation. **(10 marks)**

Solution:

- (a) The regulator, NAICOM, requires that every insurance institution shall:
- ensure that claims settlement procedures are clearly defined and appropriately communicated to the insured.
 - set out timelines in its policy and procedure manual within which to settle all admitted claims.
 - have a fair and transparent claims handling and claims dispute resolution procedures in place.
 - maintain written documentation on its claims handling process.
 - inform claimants about procedures, formalities and common timeframes for claims settlement.
 - provide claimants with information about the status of their claims in a timely manner.
 - ensure that assessors and adjusters are given independence to operate.
 - explain to its clients their obligation to notify claims promptly and to disclose all material facts and advise subsequent developments as soon as possible.
 - give prompt advise to the clients on any requirements concerning the claims
 - the insurer shall ensure that the claims settlement process is handled fairly, promptly and efficiently and in accordance with the terms of the insurance contract and company policy.
 - timely and accurate information shall be provided to the policyholder or claimant at all times.

(4 marks for each correctly stated component. Maximum of 5 to be graded. Sub Total: 20 marks)

- (b) (i) The services are:
- Risk Identification Surveys and Subsequent Discussions
 - Loss Analysis and Projection
 - Security/Fraud
 - Property Loss Prevention and Control
 - Assessments of Maximum Possible and Probable Loss Values
 - Programme Monitoring
 - Business Interruption Analysis
 - Self-Insured Fund and Captive Management
 - Crisis Management
 - Employee Safety
 - Motor Fleet Risk Management
 - Innovative Risk-Transfer Programme Design
 - Fire Engineering Design and Consultancy Environmental Impairment

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

(Grand Total:30 marks)

18. (a) (i) State the function of a proposal form. (3 marks)
(ii) A broker must never sign the proposal, even if requested to do so by the client. State the only exception to this rule. (3 marks)
- (b) The principle of contract certainty makes it a market rule that cover should be agreed before inception. State any three (3) approaches that help ensure that this happens. (9 marks)
- (c) Presenting a risk to an underwriter is a fundamental part of the role of a broker. The better the underwriting submission they supply, the better the terms they can obtain. State five (5) qualities and objectives of a good submission of underwriting information. (15 marks)

Solution:

- (a) (i) The function of the proposal form is to present standardised information that will enable the insurer to underwrite the risk. (3 marks)
(ii) The only exception will be where they are acting with the express authority of the client under a written power of attorney, which in itself would be very unusual. (3 marks)

(b) The approaches that help ensure that this happens are:

- using agreed wording with insurers;
- specifying all clauses in full;
- separating clauses into those that will affect the premium, those that can largely be regarded as standard and those that will require specific negotiation; and
- making negotiating the wording an integral part of the placing negotiation with insurers.

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

(c) The qualities and objectives of a good submission are to:

- make the underwriter want to read it and respond positively;
- explain positively the key features of the risk;
- demonstrate that the broker has a sound grasp of the client's business and risks;
- be alert to particular features of a risk or the specific information needs of the market;
- contain the key information that the insurer will need to rate the risk,
- present all material and relevant information, although it is not necessary for the insured to disclose information held by the insurer or what an insurer or underwriter would reasonably be expected to know;
- be concise rather than long-winded; S
- represent the client's best interests; and
- ensure that all information is recorded and acknowledged by the insurers.

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

(Grand Total: 30 marks)