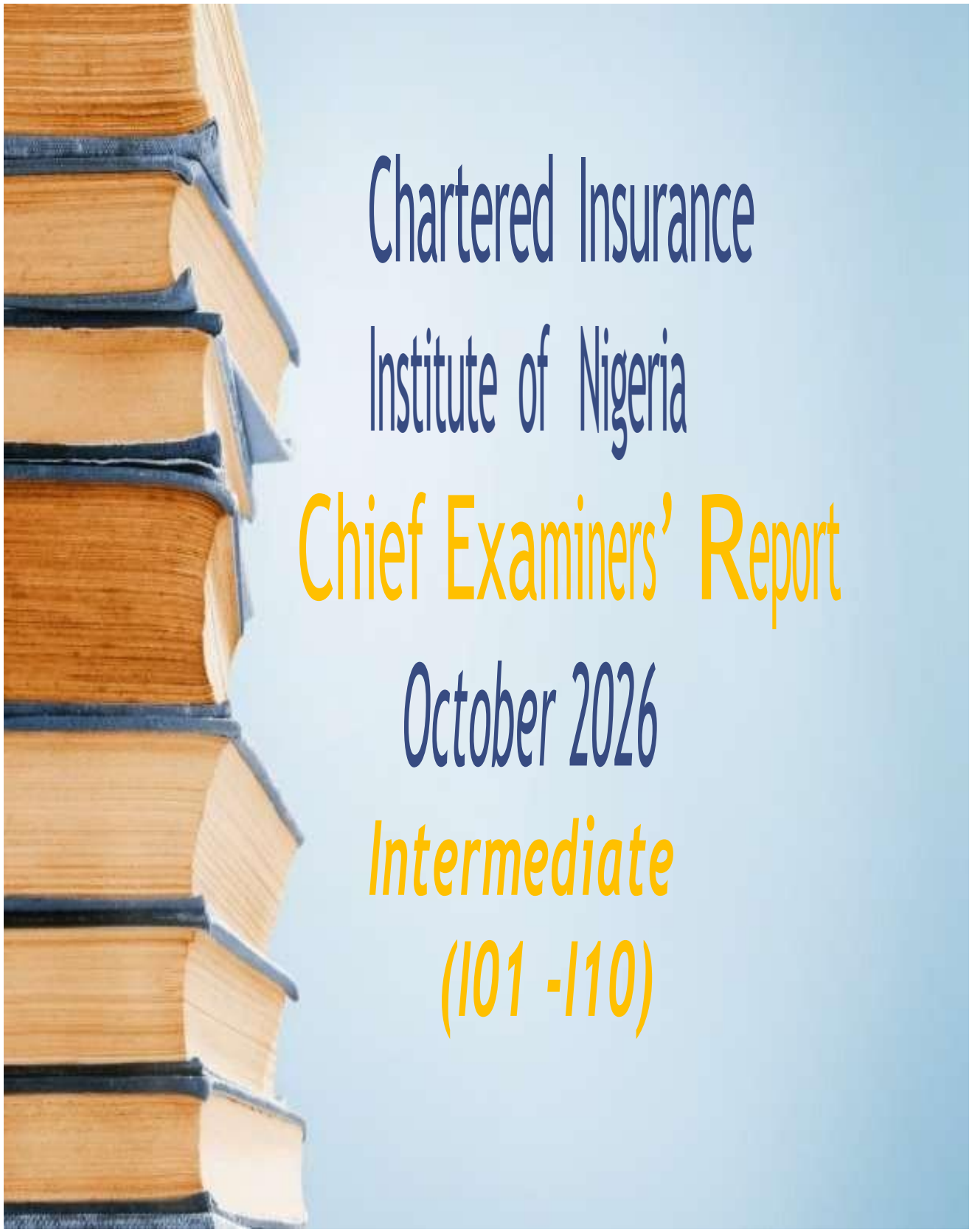

Chartered Insurance
Institute of Nigeria
Chief Examiners' Report
October 2026
Intermediate
(I01 -I10)

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 instruction s 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.
CANDIDATES SHOULD VISIT & UNDERSTAND THE CONTENTS, REGULATIONS AND GUIDELINES/MARKING AGREEMENTS, ETC. ON THE FOLLOWING SITES: naicom.gov.ng (NAICOM), nigeriainsurers.org (NIA); ncrib.net (NCRIB); ilan.com.ng (ILAN): ciinigeria.org (CIIN)	
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).	
STOP WORKING HARD TO FAIL!!! START WORKING EFFORTLESSLY TO PASS OUTSTANDINGLY!!!	

CHARTERED INSURANCE INSTITUTE OF NIGERIA

INTERMEDIATE

OCTOBER 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 OCTOBER 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 assessed candidates' knowledge of the specific statutory requirements governing insurance business in Nigeria under the Nigerian Insurance Industry Reform Act (NIIRA) 2025. Approximately 85% of candidates attempted the question, with a pass rate exceeding 50%. It is expected that candidates' understanding of the new regulatory framework will improve as they become more familiar with its provisions.

Question 2

This was a direct coursebook question designed to assess candidates' understanding of private law. Approximately 95% of candidates attempted the question, with a pass rate exceeding 75%. The performance was commendable, indicating a sound understanding of the relevant legal principles.

Question 3

The question examined candidates' knowledge of a branch of civil law and their understanding of the applicable legal principles. Over 90% of candidates attempted the question, with a pass rate exceeding 50%. Although the performance was average, candidates are encouraged to attend tutorial classes to deepen their understanding of the course and improve their ability to apply legal principles.

Question 4

This was a direct coursebook question designed to assess candidates' understanding of the inquisitorial legal or judicial system. Both the attempt rate and pass rate were very low, indicating that candidates were unfamiliar with the concept despite its inclusion in the prescribed course materials. More comprehensive preparation and thorough study of the coursebook are recommended to improve performance in future examinations.

Question 5

The question assessed candidates' understanding of insurers' interests in court litigation. Both the attempt rate and performance were poor, indicating that candidates did not adequately understand the requirements of the question.

Question 6

The question examined candidates' knowledge of the concept of vicarious liability and its practical application. The attempt rate was encouraging, particularly in part (a). However, performance in part (b) was poor, as many candidates were unable to apply the relevant legal principles to the practical scenario presented. Greater emphasis should be placed on understanding and applying legal concepts through case studies and practical examples.

Question 7

The question assessed candidates' knowledge of the different types of damages available as remedies under the law of contract. Approximately 95% of candidates attempted the question, but only 30% passed. A major weakness identified was candidates' inability to relate theoretical principles to practical situations. Candidates are therefore encouraged to study the relevant case law contained in the coursebook to improve their understanding and application of contractual remedies.

Question 8

The question examined candidates' understanding of the circumstances and legal factors that could render an insurance contract void. Approximately 95% of candidates attempted the question, with a commendable pass rate of 70%. The performance demonstrated adequate

preparation and a good understanding of the relevant legal principles discussed in the coursebook.

Question 9
The question assessed candidates' knowledge of the doctrine of promissory estoppel and its effects on contractual relationships. Although the attempt rate was good, performance was below average. Candidates demonstrated inadequate understanding of the concept and its practical application in contract law. Attendance at tutorial classes and the study of relevant case law are recommended to strengthen candidates' understanding of the doctrine.

Question 10
The question assessed candidates' understanding of the circumstances under which a person may be regarded as an insurer's agent. The question attracted a high attempt rate, with a pass rate of approximately 60%. A common error was that candidates discussed the qualities of an agent rather than the specific roles or requirements outlined in the question. Candidates should pay closer attention to the wording and requirements of examination questions to avoid providing irrelevant answers.

Question 11
The question examined candidates' knowledge of the legal principles governing the remedies available to a principal in an agency relationship. Both the attempt rate and performance were satisfactory, indicating a reasonable understanding of the relevant principles of agency law.

Question 12
The question assessed candidates' understanding of the various forms of contractual rights. Approximately 90% of candidates attempted the question, but fewer than 45% passed. The performance suggested inadequate understanding of the specific requirements of the question and possible selective study of the prescribed course materials. Candidates are encouraged to adopt a comprehensive approach to studying and revising the entire coursebook rather than concentrating on selected topics.

Question 13
The question assessed candidates' knowledge of the concept of misrepresentation and its various types under contract law. Approximately 80% of candidates attempted the question, with a pass rate slightly above 22%. Despite the straightforward nature of the question, performance was poor. A common weakness was candidates' failure to interpret the question correctly and address its specific requirements. Greater attention to examination instructions and thorough preparation are recommended.

Question 14
The question examined candidates' understanding of the principle of disclosure and its application in modern insurance practice. Slightly over 75% of candidates attempted the question, but performance was below average. A major weakness was candidates' inability to interpret and explain the case presented in the question. Candidates are encouraged to undertake more rigorous preparation and develop a deeper understanding of the legal principles governing disclosure in insurance contracts.

Question 15
The question assessed candidates' knowledge of material facts and their significance in insurance contracts. The question attracted a high attempt rate, with an impressive pass rate of

90%. The performance was excellent, indicating that candidates were familiar with the topic and demonstrated a sound understanding of the concept.

Question 16
The question examined candidates' knowledge of insurable interest, a fundamental principle of insurance law. Approximately 90% of candidates attempted the question, with a good overall performance. However, candidates are encouraged to present their answers in clear, concise and grammatically correct language.

Question 17
The question assessed candidates' understanding of the doctrine of privity of contract and the statutory and common law exceptions applicable to insurance practice. Approximately 90% of candidates attempted the question, with a commendable pass rate of 70%. Although performance was satisfactory, further improvement could be achieved through more comprehensive preparation and a deeper understanding of the relevant legal principles and exceptions.

Question 18
The question assessed candidates' ability to apply the principles of agency law to practical situations, particularly the termination of an agency relationship and its legal consequences. The attempt rate was good, while performance was only slightly above average. Many candidates were unable to adequately explain the effects of termination on the principal, the agent and third parties. More thorough preparation and greater emphasis on the practical application of agency principles are recommended.

Comment(s) on Overall Performance
The overall performance of candidates, at 47% pass rate, showed an improvement compared with previous examinations. The performance also suggested that some candidates adopted a selective approach to studying the prescribed course materials, resulting in inadequate preparation for questions outside their preferred areas.

Suggestion(s) for Improvement
Candidates should be encouraged to adopt a more comprehensive and systematic approach to studying the prescribed coursebook, ensuring that all the topics are covered rather than concentrating on selected areas.

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

1. You have been contracted as a consultant to provide guidance on the specific requirements that an interested organisation must comply with to be able to file an application with NAICOM, the Insurance Regulator in Nigeria, in order to obtain a license as an insurer or a reinsurer to operate in the insurance industry in Nigeria. Provide the investor with the four (4) guides as stipulated by Section 5(b) of NIIRA 2025.

Solution

NIIRA 2025, Section 5(b) provides for conditions for licensing to commence or carry on insurance business as an insurer or a reinsurer in Nigeria. These are that the applicant must be:

(i) incorporated limited liability company under Companies and Other Allied Matters Act, 2020 or any other law;
(ii) such 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 business plan that identifies the niche market the applicant will address.

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

2. (a) What is private law? **(2 marks)**
   (b) By what other name is private law commonly known under Nigerian law? **(2 marks)**
   (c) Which two (2) areas of private law are applicable to insurance practice in Nigeria? **(6 marks)**

Solution

(a) Private law is the law that governs the relationship between legal persons e.g. individuals, businesses and other organisations. **(2 marks)**
(b) The other name by which private law is known is "Civil Law". **(2 marks)**
(c) The areas of private laws applicable to insurance practice are: law of contract **(3 marks)** and law of torts **(3 marks)** which is particularly relevant to liability insurance.

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

3. (a) Attempt a definition of "law". **(2 marks)**
   (b) (i) Describe "administrative law" as a branch of law. **(2 marks)**
   (ii) Enumerate any three (3) matters/areas that the branch of law addresses. **(6 marks)**

Solution

(a) Law is a body of general rules which governs and controls the behaviour of people in the country/state in which they live. Such rules are backed up by sanctions when broken. Such rules must also reflect the feeling of the community as to what is right and wrong to be acceptable. **(2 marks)**
(b) (i) Administrative Law is a component of public law and a branch of constitutional law. It governs the relationship between private citizens and the various agencies of local and central government and the impact of their activities on ordinary individuals. **(2 marks)**

(ii) The matters/areas that the branch of law address are:

- question of local rating;
- taxation and compulsory acquisition of land;
- the powers of local boards and authorities in relation to highways;
- health and education; and
- the granting of licences for various trades and professions.

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

4. (a) What is "inquisitorial legal/judicial system". State an example. **(4 marks)**
   (b) A body was found lying lifeless on the Third Mainland Bridge in Lagos Nigeria. The circumstances of the death of the person appear violent and unnatural. Which procedure is appropriate to conduct an enquiry into the incident? **(6 marks)**

Solution

(a) "Inquisitorial Legal/Judicial System" is one in which the court does not remain neutral but plays an active part in discovering the truth. **(2 marks)** An example of this is the Coroners' Court which inquire into cases of violent, unnatural bit suspicious death. **(2 marks)**

(Sub-Total: 4 marks)

(b) The procedure that is appropriate to conduct an enquiry into the incident is for the Coroners' Court, **(3 marks)** which will carry out inquisitorial functions that will enable it to inquire into the unnatural and suspicious deaths. **(6 marks)**

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

5. As a student of insurance law, into which three (3) broad parts are cases (litigations) that insurers are involved in are classified into and how do the insurers generally fare in those cases?

Solution

The three broad parts are:

- cases in which there is a dispute between the insurance company and the policyholder; **(2 marks)**
- dispute between/amongst insurers themselves; **(2 marks)**
- cases in which insurance companies are seeking to defend their own policyholders', who are themselves being sued for compensation by third parties' liability insurance claims. **(2 marks)**

Insurance companies have developed and adopted the mechanism of out- of-court settlement to resolve many of these cases to the extent that only about 5% of civil cases started in court get to full trial stage. **(4 marks)**

(Grand Total: 10 marks)

6. (a) Explain the doctrine of "vicarious liability" as a means of imposing liability in the law of torts. **(2 marks)**
   (b) Explain the doctrine in relation to employment relationship. **(2 marks)**
   (c) ABC Hospital Limited is engaged by PayWell Bank Limited as an Independent Contractor for provision of medicare for its employees. Dr. Ellis, an employee of ABC Hospital Limited committed various sexual assaults on the female employees of the Bank who went to the hospital for treatment. The Bank has denied liability for the tort committed by the Doctor. Advise the Bank. **(6 marks)**

Solution

(a) There is vicarious liability when one person is held liable for the wrongs committed by another. It is not a tort or wrong in itself but a way in which liability may be imposed. A person may be directly liable for his action or be vicariously liable. **(2 marks)**

(b) An employer will be held liable for the tortious wrong committed by his employee in the course of the employee's employment. The rationale behind this is that the employer is better able financially to pay compensation to the victim of the employee's wrongdoing. Secondly, the employer is most likely to have insurance cover for an accident of the sort that is may be involved. **(2 marks)**

(c) Can an organisation be held vicariously liable for the wrong of an independent contractor? Historically, an organisation could not be held liable for the wrong of an independent contractor. **(3 marks)** However, the position of the law in this area has changed. Dr. Ellis's wrong will therefore be imputed to the Pay Well Bank. **(3 marks)**

In Barclay's Bank vs. Various Claimants, the court held that the defence of independent contractors was no longer available and that the Bank was liable for the sexual assaults committed by the independent contractor doctor.

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

7. Smith was badly injured in a motor vehicle accident by the tortious wrong of John who has admitted his liability. Smith is contemplating an action in court against John. Advise Smith on any four (4) types of damages available that he can claim in court against John.

Solution

The following are the available types of damages that Smith can claim in court against John in the law of torts are:

- special damages;
- aggravated damages;
- exemplary or punitive damages;
- nominal damages;
- contemptuous damages.

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

8. (a) List any two (2) instances where illegality may arise in insurance contracts. **(4marks)**

   (b) Briefly discuss the legality or otherwise of the following insurance contracts:

   (i) Suberu, who was heavily indebted, killed himself in the hope that money from his life assurance policy will be paid to offset his debt. **(3 marks)**

   (ii) Agada insured his house in Yenegoa, acquired with money from proceeds of corruption. The house is also being used for storing crude oil got from illegal bunkering. The house got burnt down by fire and Agada has put in his claim. **(3 marks)**

Solution

(a) The instances where illegality may arise in insurance contracts are:

- where there is no insurable interest;
- where the purpose of the contract is illegal;

- where insured property is used unlawfully e.g. in marine insurance policies of illegal adventures;
- where there is a close connection between the losses for which the insured seeks compensation and a criminal act.

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

(b) (i) There cannot be recovery on the policy. Public policy will not allow an insured to benefit from his criminal act of killing himself. Reference case here is Beresford vs. Royal Insurance Co. Ltd. **(3 marks)**

(ii) An insurance on the property acquired illegally and being deployed for illegal activity by the policyholder is illegal. Agada' a policy is therefore void for illegality. Reference case here is Geismar vs. Sun Alliance. **(3 marks)**

(Grand Total: 10 marks)

9. (a) "A promise without consideration backing it cannot be enforced and will not complete a contract but can be used as a defence". Briefly discuss. **(4 marks)**

(b) Mr. X promised not to enforce his strict contractual rights against Mr. Y. Mr. X intends the promise to be binding and relied upon by Mr. Y and Mr. Y did actually rely on the promise. Mr. X intends to go back on his promise to Mr. Y. Using the appropriate concept, advise the parties. **(6 marks)**

Solution

(a) For a promisor's promise to be enforceable, there has to be consideration from the promisee. If no consideration is furnished, no enforceable contract. However, where the promise is made with a view that it should be relied upon and binding and the promisee relies on it and alters his own position to his own detriment, then the promise can be used as a defence in a legal action. **(4 marks)**

(b) This scenario relates to the doctrine of Promissory Estoppel. **(1 mark)** The doctrine states that where a person makes a promise that he will not strictly enforce his legal rights and the promise is meant to be relied upon and be binding, and the person to whom the promise is made relied on the promise, the promisor will not be allowed to go back on his promise **(2 marks)**. Mr. X, the promisor, having made promises to Mr. Y, the promisee, who relied on it; Mr. X is estopped from going back on his promise **(3 marks).** **(Sub-Total: 6 marks)**

(Grand Total: 10 marks)

10. As an insurance practitioner, briefly explain the five (5) roles of an insurance agent can play for him to be regarded as acting on behalf and for the insurer under the common law.

Solution

An agent will be the insurer's agent in the following circumstances:

- when the agent has express authority from the insurer to receive and handle proposal forms;
- the agent handles the forms according to previous course of business with the insurers and within an implied authority that has arisen;
- agent is instructed by insurers to ask questions and fill in the answers on a proposal form - he is the insurer's agent even when the proposal form contains a declaration to the contrary;
- the agent surveys and describes the property on the insurer's behalf;

- the agent acts without express authority and the company either ratifies their action or has ratified such action on the past;
- agent has express or implied authority to collect premium. 10 marks

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

11. Jonathan was appointed as an insurance agent by his principal, Beneficial Insure Limited. Jonathan has breached all the terms of his contract with the company. Enumerate any four (4) remedies that the law of agency provides for his principal.

Solution

The remedies that the law of agency provides for his principal are to:

- sue the agent for damages for breach of contract;
- sue the agent in certain cases, in tort of detinue;
- to dismiss the agent for serious breach (e.g. bribe-taking) without notice or compensation;
- sue the agent or the donor to recover the bribe taken (if applicable);
- if breach is fraudulent, rescind any contract made through the agent and refuse commission;

sue for account if the agent fails to disclose full financial details of his agency dealings.

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

12. (a) Explain the following as a form of contractual rights:
(i) chose-in–action; (ii) chose-in-possession;
(iii) in relation to contractual obligation, what is "novation"? **(6 marks)**

(b) Mr. A owes Mr. B a sum of money. Mr. A subsequently transfers his obligation to repay the money to Mr. B to Mr. C with the agreement of both Mr. A and Mr. B. Is Mr. A permanently relieved of his obligation to pay the debt because of the assignment? **(4 marks)**

Solution

(a) (i) **Chose-in-Action** is a valuable but intangible piece of property that cannot be seen physically seized but through an action in court. **(2 marks)**

(ii) **Chose-in-Possession**. this is piece of tangible property which can be seized or physically controlled. **(2 marks)**

(iii) **Novation:** this is what results when a debt is cancelled by agreement of the parties and he is replaced by another. For illustration, if A owes B who in turn, owes C. If it is agreed that B's debt should be extinguished and that C should be allowed to recover the debt from A instead. **(2 marks)**

(Sub-Total: 6 marks)

(b) The process of Novation does not relieve the original debtor of his obligation to the original creditor. **(2 marks)** Thus. foregoing being the case, Mr. A is not permanently relieved of his obligation to Mr. B notwithstanding that Mr. C has come into the picture. **(2 marks)**

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

13. (a) Misrepresentation is a false statement of fact made by a party at the pre-contractual stage that induces the other party to enter into the contact. List two (2) examples of how such can occur in insurance contracts. **(4 marks)**

(b) Distinguish "Innocent; Fraudulent Misrepresentation; and Negligent misrepresentations. **(6 marks)**

Solution

(a) The examples of how misrepresentation can occur in insurance contracts are:

(i) the statement could have been given as a statement of fact not of law, opinion or belief;

(ii) the statement must be made by a party to the contract;

(iii) the statement of fact must be material - capable of influencing the other party's decision to enter into the contract;

(iv) the statement could have been relied upon by the other party;

(v) reliance on statement to cause loss or disadvantage to the person who relied on it.

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

(b). **Innocent Misrepresentation** is where a statement is false but with no intention to mislead the other party; **(2 marks)** while **Fraudulent Misrepresentation** is a statement made with a deliberate intention of misleading another and putting them at a disadvantage; **(2 marks)** and while **Negligent Misrepresentation** is a statement made because the person making it does not take sufficient care to check if it was correct. **(2 marks)**

(Sub-Total: 6 marks)

(Grand Total: 10 marks).

14. *"As the underwriter knows nothing and the man who comes to him to insure knows everything, it is the duty of the assured.....to make a full disclosure to the underwriter without being asked of all the material circumstances. This is expressed by saying it is a contract of utmost good faith"* per Scrutton, L. J. in Rozanes vs. Bowen (1928). Briefly evaluate the above statement regarding the duty of disclosure by the proposer in the light of the present realities.

Solution

The quoted statement in the question above was once the true position regarding the issue of disclosure. **(2 marks)** This is because back then, communication was poor. The underwriter then was an armchair one sitting in a coffee house in the cities, who was usually in difficulty of getting information about ships and other risks offered for insurance. **(2 marks)** However, times have changed and communication has improved considerably through technology; travel is made easy and information is both abundant and easily transferred by electronic means. **(2 marks).** Notwithstanding, it still takes time and money to collect information. So, the proposer remains the sure best source of getting details of risk to be covered by insurance. **(4 marks)**

(Grand Total: 10 marks)

Part II

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

Each question carries 30 marks.

15. (a) What is a "material fact" for the purpose of duty of disclosure in insurance contracts? **(4 marks)**

(b) Enumerate any five (5) group of facts whose materiality is so well established that a proposer needs not disclose them to the insurer in preparatory to formation of an insurance contract. **(20 marks)**

(c) Usually, matters requiring disclosure are generally classified into two at common law and are also generally named as a hazard type. State these two (2) categories and briefly explain them. **(6 marks)**

Solution

(a) Material fact is every circumstance that would influence the judgment of a prudent insurer in determining whether to take the risk and if so, in what terms. **(4 marks)**

(b) The group of facts whose materiality is so well established that a proposer needs not disclose them to the insurer in preparation for the formation of an insurance contract are:

* matters of law;
* factors which lessen the risks;
* facts known to the insurer;
* facts which the insurers ought to know;
* information waived by the insurers;
* facts outside the scope of specific questions;
* facts which an inspection of the risk should have revealed;
* facts which the proposer does not know;
* facts of convictions that are spent.

(4 marks for each correct and completely stated group. Maximum of 5 to be graded. Sub-Total: 20 marks)

(c) Matters requiring disclosure are classified at common law into:

(i) those that relate to the physical characteristics of the risk **(2 marks)**, which can be described as **Physical Hazards (1 mark)**; and

(ii) those which relate to the character and behaviour of the insured **(2 marks)** which are called **Moral Hazards (1 mark)**.

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

16. (a) Insurable interest is defined as the legal right to insure arising out of a financial relationship recognised at law, between the insured and the subject matter of insurance.

(i) Enumerate any two (2) key elements of this important insurance concept. **(6 marks)**

(ii) State a reason why the law requires insurable interest. **(4 marks)**

(iii) In what three (3) ways is an insurance contract different from a wagering contract? **(9 marks)**

(iv) State any way by which insurable interest can be created? **(3 marks)**

(v) Can the requirement of insurable interest be waived in insurance contract? **(2 marks)**

(b) Mary lived with her unmarried son, Larry. She kept the house for him but is not financially dependent on him. Larry, on his part, took out an insurance policy on her for the express purpose of funeral expenses. Does Larry have an insurable interest to sustain this contract? **(6 marks)**

Solution

(a) (i) The key elements of insurable interest are:

(i) there must be a subject matter of insurance;
(ii) the policyholder must have an economic/financial interest in the subject matter of insurance;
(iii) the interest must be current interest not merely an expectancy;
(iv) the interest must be legally recognised.

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

(ii) The law requires insurable interest in order to:

(i) to reduce moral hazards; (ii) to discourage wagering.

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

(iii) Insurance and Wagering contracts differ as follows:

- in insurance contract, the insured is to have financial interest in the subject matter of insurance, in wagering, interest of ' wager' is limited to the stake to be won or lost;
- in insurance contract, the object of the insured is to protect against loss and his identity is known before the event, in wagering contract, either party may win or lose and the loser cannot be identified until after the event
- the insured is under the pre-contractual information duty in insurance contract; full disclosure is not required of either party in wagering contract
- in insurance contract, in most cases, payment is made only by way of indemnity - for losses; in wagering, stakes are not paid by way of indemnity as payment is made without suffering a loss beforehand;
- insurance contract is enforceable in law; while, all things being equal, neither party can enforce a wagering contract in court.

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

(iv) Insurable interest can be created either (i) at common law or (ii) by way of contract.
(3 marks for any correct and completely stated element. Maximum of 1 to be graded. Sub-Total: 3 marks)

(v) Waiving of insurable interest depends on the type of policy involved. **(2 marks)**. For instance, in marine and life insurance governed by the Marine Insurance and Life Assurance Act respectively, the requirements of insurable interest cannot be waived but regardless, insurers still issue policies where there is doubt about the existence of insurable interest only that such is not enforceable in the Courts. This arrangement works because the insurer will be trusted to honour the policy and pay genuine claims that may arise.

(b) This deals with the theoretical effect of a policy without insurable interest and technically, such a policy is void and of no effect. **(3 marks)** Therefore, Larry's insurance policy will not achieve its purpose for reason of lack of insurable interest. **(3 marks)** Reference law case is Harse vs. Pearl Life Assurance Co. (1904), a policy similar to the one at hand was held to be illegal for lack of insurable interest.

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

17. The doctrine of "privity of contract" confines the rights and duties under a contract to the persons who originally made it. If it were made to apply to an insurance contract, it would mean that the only persons who could claim on an insurance policy would be the policyholder(s). There are well established exceptions to this principle in the field of insurance.
    (a) State three (3) common law and two (2) statutory exceptions to this principle – as it relates to insurance practice. **(18 marks)**
    (b) Explain, under common law and under statute - any two (2) each, of these stated exceptions. **(12 marks)**

Solution

(a) The well-established exceptions to the doctrine of privity of contract in the field of insurance are

@ Common Law:	(i)	Concept of Assignment
	(ii)	Agency; (iii) Equity (iv) Trusts
@ Statutory:	(i)	Road Traffic Act, 1888
	(ii)	Third Parties (Rights Against Insurers) Act, 2010
	(iii)	Law of Property Act,1925

(iv) Fire Prevention (Metropolis) Act,1774.

(3 marks for each correctly stated exception. Maximum of 3 to be graded under each. Sub-Total per section: 9 marks. Grand Sub-Total: 18 marks)

(b)

- **assignment:** this means transfer of rights and obligations, which can be statutory and equitable;
- **agency:** this means legally empowering another person to act in the place of the principal;
- **Equity:** this means that an assignment will not ordinarily fail simply because its creation did not comply with legal or statutory prescriptions;
- **trusts:** this means the establishment of an insurance contract as a form of Trust. So, someone not part of an insurance contract but for whose benefit the contract is made can benefit under the insurance policy;
- **The Road Traffic Act, 1988**: makes provisions for an insurance policy to cover people/persons other than the insured;
- **Third Parties (Rights against Insurers) Act, 2010**: an accident victim who is not paid before the insured's insurer goes into liquidation or bankruptcy will be paid;
- **Law of Property Act, 1925:** under this, the benefits of any insurance effected by the vendor of real property is automatically assigned to the purchaser if, after exchange of contracts, the property is damaged or destroyed.
- **Fires Prevention (Metropolis) Act, 1774**: allows a person who has a legal/equitable interest in buildings e. g lessee, mortgagee or a person who exchanged contracts, to effectively compel the owner or their insurers to reinstate the property if it is damaged or destroyed by fire.

(3 marks for each correct and completely stated explanation. Maximum of 2 to be graded under each group. Sub-Total per group: 6 marks. Grand Sub-Total: 12 marks)
(Grand Total: 30 marks)

18. Assets Value Insurance Company Limited is a newly incorporated insurance company. The company has engaged you as an insurance consultant to seek your expert opinion/ guidance, if the need arises, on how to terminate the agency relationship it has with any insurance agents in its employ and what circumstances can lead any of its agents to terminate their relationship with the company and the effects of such termination on the two parties. Do a written brief to the company on its request stating four (4) manners by which an agency relationship can be terminated and explain any effect of the termination.

Solution

This question demands the ways an Agency relationship can be terminated and the implications of such termination, with focus on the following as it relates to how an agency relationship can be terminated:

- **agreement between parties:** Assets Value Insurance Limited and its agents and vice versa;
- **performance by the agent:** after accomplishing the agency task, either party can go;
- **lapse of time:** when the period for which the agency was created lapses, that marks the end of the relationship;
- **where the principal, Assets Value, withdraws or revokes its agent's authority** to act, the relationship comes to an end;
- **renunciation by the agents**: will have the same effect
- **death of either principal**: liquidation/ winding up / bankruptcy of Assets Value or the Agents

- **Insanity of the agents**
- **Frustration**.

(6 marks for each correctly stated manner. Maximum of 4 to be graded. Sub-Total: 24 marks)

The effects of the termination are:

- all commission earned by the agents prior to the termination is still payable by the company. So also, is the indemnity over previously approved expenses;
- the right of the principal to sue the agent if dismissed for breach prior to the termination is not barred or does not abate.

(6 marks for each correctly stated effect. Maximum of 1 to be graded. Sub-Total: 6 marks)

(Grand Total: 30 marks)

CHARTERED INSURANCE INSTITUTE OF NIGERIA

INTERMEDIATE

OCTOBER 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 OCTOBER 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

The question assessed the candidates' knowledge of the National Insurance Commission (NAICOM) as the regulatory body for the insurance industry in Nigeria. The pass rate of 75% was recorded, while 59% failed and 16% did not attempt the question, despite it being compulsory.

Question 2

This was a coursebook question which assessed candidates' understanding of explosion as an insured peril. Approximately 91% of candidates attempted the question, with 61% pass rate and about 40% failed.

Question 3

This compulsory question assessed candidates' knowledge of terrorism insurance cover, particularly the differences between the provisions applicable in 1993 and 2003. Candidates' performance was generally poor, with a pass rate of approximately 40%.

Question 4

The question examined candidates' understanding of Business Interruption Insurance cover. Approximately 80% of candidates attempted the question, with a pass rate of about 50%, indicating an average level of understanding of the topic.

Question 5

This was a coursebook-based question that tested candidates' knowledge of the concept of "buy-back" in insurance. Approximately 95% of candidates attempted the question, but only 20% passed, indicating a significant knowledge gap.

Question 6

The question assessed candidates' knowledge of the contingencies covered under Business Interruption Insurance. Approximately 72% of candidates attempted the question, with a pass rate of 25%, reflecting inadequate understanding of the topic.

Question 7

The question assessed candidates' understanding of bookkeeping, particularly as it relates to credit transactions. Approximately 74% of candidates attempted the question, but only 5% passed, indicating an exceptionally poor performance.

Question 8

This case study question assessed candidates' understanding of the benefits and importance of risk surveys in insurance practice. Although 95% of candidates attempted the question, only 7% passed, suggesting a significant deficiency in their ability to apply theoretical knowledge to practical situations.

Question 9

The question assessed candidates' understanding of the roles and responsibilities of loss adjusters and surveyors in insurance practice. The pass rate was approximately 36%, indicating a below-average performance.

Question 10

The question assessed candidates' knowledge of fire alarm systems and their importance in risk prevention and control. Approximately 77% of candidates passed, 19% failed, while 4% did not attempt the question. The performance was generally good.

Question 11
This was a coursebook question which assessed candidates' knowledge of the characteristics and hazards associated with combustible dust and flammable gases. Approximately 76.44% of candidates attempted the question, with a pass rate of 37.11%, indicating a below-average performance.

Question 12
The question assessed candidates' understanding of the scope of cover available under Business Interruption Insurance. The pass rate was approximately 50%, reflecting an average level of understanding of the topic.

Question 13
This was a straightforward question that assessed candidates' knowledge of stock declaration policies in insurance. Approximately 85% of candidates attempted the question, with a pass rate of about 52%, indicating a fair understanding.

Question 14
This case study question assessed candidates' knowledge of risk acceptance principles and their practical application in insurance underwriting. Approximately 98% of candidates attempted the question, with a pass rate of 45%, indicating a below-average performance.

Question 15
This optional question assessed candidates' knowledge of the various covers available under Fidelity Guarantee Insurance. Approximately 40.14% of candidates who attempted the question passed.

Question 16
This optional question was attempted by approximately 55% of candidates, with a pass rate of 79%. The performance was commendable, suggesting that candidates who attempted the question demonstrated a good understanding of the subject matter.

Question 17
This case study question assessed candidates' understanding of housekeeping practices and their importance in effective risk management. Approximately 31% of candidates attempted the question, with a pass rate of 35%, indicating poor performance and limited practical understanding.

Question 18
This case study question assessed candidates' knowledge of declaration rating and its application in insurance practice. The pass rate was approximately 46%, reflecting a below-average understanding of the subject matter.

Comment(s) on Overall Performance
The overall performance of candidates was unsatisfactory, with a pass rate of approximately 36%. The results revealed significant gaps in candidates' understanding of fundamental insurance principles, technical concepts and their practical applications. The overall results indicated the need for improved examination preparation, more comprehensive study of the prescribed course materials and greater emphasis on practical application of insurance principles.

Suggestion(s) for Improvement
Candidates are encouraged to adequately prepare for future examinations by studying the prescribed course materials and attending structured tutorial classes.

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

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

(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;
* Printing Services;
* Loss Adjusting Services;
* Banking Services;
* Marine Superintendent Services;
* Market Information Service;
* Utilities and Phones Services;
* Purchase of Goods and Services;
* Maintenance of Company Assets;
* 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) In order to prevent explosion of flammable liquids and gases, how should they be stored? **(4 marks)**
   (b) List out any six (6) advantages of "composite panels". **(6 marks)**

Solution

(a) In order to prevent explosion of flammable liquids and gases, the oxygen from the air can be eliminated by storing the liquid or gas in sealed vessels. **(4 marks)**

(b) The advantages of composite panels are:

* mechanical durability;
* thermal insulation;
* hygiene;
* alteration layout;
* vermin resistance;
* cost advantage;
* ease of actual construction;
* and speed of actual construction.

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

3. (a) What was the difference between the terrorism cover provided in Year 1993 and the updated one in Year 2003? **(4 marks)**
   (b) What are the two (2) measures of compensation that can be claimed under Business Interruption Insurance? **(6 marks)**

Solution

(a) The revisions widened the scope of terrorism cover provided by Pool Re from the original fire and explosion basis to all risks, including chemical and biological losses. A number of amendments became effective 1 January 2003 including a further extension of the "all risks" cover so as not to exclude nuclear act of terrorism. **(4 marks)**

(b) The measures of compensation that can be claimed under Business Interruption Insurance are:

(i) The loss of gross profit (or other insured income) resulting from a reduction in turnover in consequence of that inability (or reduced ability to operate) plus

(ii) The additional cost insured to reproduce those lost activities in some way and to avoid or diminish the reduction in turnover (10 marks).

(3 marks for each correct and completely stated measure. Sub-Total: 6 marks)
(Grand Total: 10 marks)

4. Give two (2) examples of the basis on which business interruption covers may be insured (and for whom) apart from on insured profit bases for with-profit organisations.

Solution

The examples of the basis on which business interruption covers may be insured (and for whom) apart from on insured profit bases for with-profit organisations are on:

- gross revenue (for solicitors and other professionals);
- gross fees (for private schools and similar orgaanisations);
- gross rental (for property owners).

(3 marks for correctly stated basis. 2 marks for correctly stated "whom for". Sub-Total per basis: 5 marks. Maximum of 2 to be graded. Grand Total: 10 marks)

5. (a) What is the meaning of the term "buy-backs". **(2 marks)**
(b) State any four (4) policy exception/causes that it does usually apply to. **(8 marks)**

Solution

(a) "Buy-Backs": refers to the practice of underwriters providing cover (subject to appropriate additional premium, terms and conditions) for centain contingencies which are usually excluded from a basic combined all risks cover. **(2 marks)**

(b) The policy exceptions/causes which insurer will usually allow to be added as buy-back are:

* subsidence ground heave, landslide; * theft; * fixed glass;
* fraud and dishonesty of insured's employees; * sanitary & similar ware, other glass;
* land, bridges and civil engineering works; * crops & trees;
* money and other negotiables; * good – in- transit;
* jewellery and other valuables.

(2 marks for each correctly stated exeption/cause. Maximum of 4 to be graded. Sub-Total: 8 marks)
(Grand Total: 10 marks)

6. Enumerate any ten (10) contingencies (whether as standard or as extra contingencies) covered in a Business Interruption Insurance Policy.

Solution

The contingencies (whether as standard or as extra contingencies) covered in a Business Interruption Insurance Policy are:

* fire;	* lightning;	* domestic explosion;
* extra contingencies;	* full explosion;	* aircraft;
* riot;	* malicious damage;	* earthquake;
* underground fire;	* flood;	* impact;
* escape of water;	* sprinkler leakage;	* subsidence;
* theft;	* terrorism.	

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

7. Explain, with four (4) basis, the purpose of an insured keeping a record of total indebtedness by all customers whom the insured deals with on a credit basis.

Solution

A book debts insurance provides an indemnity to an insured who deals with customers on a credit basis for amount which cannot be collected **(3 marks)** because the record of indebtedness of each customer have been destroyed by an insured event **(1 mark)**. The monthly record of

local indebtedness is what will then be used, and is usually used, to establish the value of the debts at the time of destruction of the record **(3 marks)** by adjusting that figure for the extra credit agreement entered into between the record date and the date of destruction and payment received in the same period **(3 marks)**.

(Grand Total: 10 marks)

8. Enumerate on each of the below, two benefits of a risk survey to the:
   (a) proposer/insured; (b) insurer; (c) intermediary.

Solution

The benefits of a risk survey to the:

(a) **proposer/insured are:**

- being able to obtain insurance;
- the price of insurance being reduced;
- assistance with identifying any regulation or legislation that may affect their business.

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

(b) **insurer are:**

- they ensure that the correct premium is being received for the risk;
- the improvement of that risk still further to reduce the possibility of having to pay a large loss;
- the surveyor will often be the only representative that the insured will meet from the insurer.

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

(c) **intermediary are:**

- to extend their relationship with the provision of their own risk management services;
- by attendance at surveys and helping protect the insured's interest;
- by assessing the reasonable nature of risk improvement;

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

(Grand Total: 10 marks)

9. You are notified of a One Million Naira (₦1,000,000.00) fire claim. Preliminary investigation confirmed that the damage was insured and policy terms were complied with. The risk was surveyed three years ago and is due for a re-survey in two years' time.
   (a) What should be the correct reaction and consequent professional counsel?
   (b) What instruction(s) should be passed, following (a) above?

Solution

(a) The correct reaction and consequent professional counsel will be to request the surveyor to conduct the re-surveying immediately and not in two years' time as would have been the case **(5 marks)**.

(b) Special instructions should also be passed to the surveyor and loss adjuster to arrange the survey as soon as possible after the event and produce a detailed report. **(5 marks)**

(Grand Total: 10 marks)

10. (a) State two (2) ways by which automatic fire alarms are categorised. **(4 marks)**
    (b) What three (3) elements are required to initiate and maintain a fire? **(6 marks)**

Solution

(a) Automatic fire alarm systems can be categorised as:

- systems which are sensitive to unusual rises in temperature;

- systems which detect the presence of smoke or other construction products in abnormal amounts;
- systems capable of detecting infrared radiation or ultraviolet radiation (as distinct from visible emitted by flames).

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

(b) The three elements required to initiate and maintain a fire are:
* heat; * fuel; and * oxygen

(2 marks for each correctly stated element. Sub-Total: 6 marks)
(Grand Total: 10 marks)

11. In broad terms, what features make the hazard of dust more severe than that of flammable gas?

Solution

The features that make the hazard of dust more severe than that of flammable gas are that gases are generally freed to form explosive air/gas mixtures by inadvertent or authorised escape from container or apparatus and one present only on such occasions; **(5 marks)** while dusts are usually the result of some industrial grinding process or bulk product handling and are therefore present in the vicinity at all times. **(5 marks)**

(Grand Total: 10 marks)

12. As an underwriter, list five (5) types of property that should be insured under "business all risk" policy.

Solution

The types of property that should be insured under "business all risk" policy are:
* computer; * musical instrument; * exhibition;
* furniture in transit/storage; * office business machine; * museum and art gallery;
* deed, documents, plans, e.t.c.; * cups trophies regalia
* scientific equipment; * vending machine.

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

13. (a) Where insurance has been arranged on the stock declaration basis, what is the position where:
(i) no declaration is received within 30 days of the required date? **(3 marks)**
(ii) the amount declared is in excess of the sum insured? **(3 marks)**
(b) What are the benefits of profit sharing (otherwise called low claims rebate) to:
(i) the Insurer; and (ii) the Insured. **(4 marks)**

Solution

(a) (i) Where no declaration is received, the sum insured is used as the declared figure. **(3 marks)**

(ii) Where the amount declared is in excess, the maximum figure that can be used for calculation purposes is the sum insured. **(3 marks)**

(b) The benefits of profit sharing (otherwise called low claims rebate) are:

(i) to the insurer: it provides an incentive to the insured to renew the policy- the rebate is only available if the policy is renewed; **(2 marks)**

(ii) the insured: benefits by lower premium if the loss ratio is below a certain figure and therefore encourages risk management. **(2 marks)**

(Grand Total: 10 marks)

14. (a) If an acceptance risk is described under the underwriting terms and it is also a single tenured construction risk with no high-risk properties within the risk, state any two (2) information that should be compulsorily stated in the policy document.

(4 marks)

(b) As an underwriter, an intermediary presented a proposal for underwriting; list any three (3) risk criteria that should be reviewed when considering the risk.

(6 marks)

Solution

(a) The information that should be compulsorily stated in the policy document are:

* a full description of the insured business;
* an accurate state of the address of the risk
* a description of the construction
* a statement that it is in a single tenure

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

(b) The risk criteria that should be reviewed when considering the risk are:

* trade risk; * risk/insured indices; * size of insurance;
* physical hazard; * moral hazard; * acceptance category.

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

(Grand Total: 10 marks)

Part II

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

Each question carries 30 marks.

15. (a) Briefly describe the four (4) types of fidelity guarantee policies available.

(20 marks)

(b) The original purpose of Business All Risks policy was to provide fire contingencies, theft and accidental damage insurance for simple non-hazard risks. List any five (5) of such risks. **(10 marks)**

Solution

(a) The following are types of Fidelity Guarantee policies that are available.

i) **individual policy:** this is the type of policy used where an employee is covered by name for a stated amount;

ii) **collective policy:** the policy incorporates a schedule containing the names and duties of all guaranteed individuals. The amount guaranteed is set against each name;

iii) **blanket policy:** a form of unnamed policy which includes all employees without showing names or position;

iv) **position policy:** this is usually issued for local government guarantee where instead of using name the "position" is guaranteed for a specific amount so that change in the person holding the position does not affect the cover.

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

(b) The samples of non-hazardous risks are:

* Computer; * Office Business Machine; * Cup; Trophy; Regalia;
* Scientific Equipment; * Exhibition; * Museum and Art Galleries;
* Musical Equipment; * Deeds, Plans And Documents; * Vending Machine;

* Fuel Installation Pumps; * Cameras.

(2 marks for each correctly stated risk type. Maximum of 5 to be graded. Grand Sub-Total: 10 marks)
(Grand Total: 30 marks)

16. Aside from the three basic items on property and stock, insurers provide some Additional covers in a fire and consequential loss insurance policy. Explain the following of such covers:
    (a) additional cost of reinstatement; **(8 marks);** (b) professional fees; **(8 marks);**
    (c) debris removal costs; **(8 marks);** (d) local authority costs. **(6 marks).**

Solution

(a) **Additional Cost of Reinstatement:** when buildings and/or machinery are damaged or destroyed there is often need to engage specialist to help design replacement or arrange planning permission or remove debris or assist with terms to complying with local authority regulation. These extra costs of reinstatement are insurable and can be term miscellaneous cover which when accommodated become additional cost of reinstatement.

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

(b) **Debris Removal Cost:** this may be minimal and incorporated in the building cost. There may arise reason(s) to rebuild on the same site and if this is not forthcoming the insured may have to move their whole operation to another site. The cost to clear the old site and leave it safe is incurred under debris renewal cost.

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

(c) **Professional Fees:** this include fees payable to Architecture, Surveyors, Consulting, Engineers, Solicitors whose services may be required to draw plans specification, design and layout of new premises required to replace those destroyed by insured perils. The standard clauses make it clear that the sum insured include such costs.

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

(d) **Local Authority Cost:** advisers to the insured should be able to identify cost to comply with requirement that it is "Known to be applicable but not yet made the subject of an order to comply" the relevant sum insured can be suitably marked up to care of this.

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

(Grand Total: 30 marks)

17. A prudent underwriter received a fire insurance proposal from a manufacturing company. Upon the professional review of consideration of terms of risks acceptance as well as premium payable, terms and conditions; the underwriter also decides to review the proposal with focus also on housekeeping as it relates to fire insurance.
    (a) What is occupation and housekeeping in insuring a building used by the manufacturing company in respect of the type of policy being proposed"? Give an example of each term that is related to a manufacturing company.
    (b) Identify five (5) examples of undesirable/poor housekeeping in an insured

manufacturing company premises.

(c) Enumerate four (4) challenges/problems that can arise from poor housekeeping of the premises of an insured manufacturing company.

Solution

(a) **Occupation and housekeeping:** occupation in insuring a building for fire insurance is the use that a building is put up for the usage and housekeeping in insuring a building for fire insurance can severally be referred to as the several order in which an insured Maintain and manages the insured premises. This refers to layout and suitability of the premises occupied and the day-to-day management and the cleanliness of the premises.

Examples of occupation are textile manufacturing, furniture manufacturing, chemical manufacturing, rubber manufacturing electrical manufacturing.

Examples of housekeeping are untidy premises, congested premises, no proper division between different trade processes, unsuitable storage of flammable liquids, high piled storage and storage of goods close to the ceiling and near lighting units.

(3 marks for each correct and completely stated explanation. 2 marks for each correctly stated example. The list above is not exhaustive. Sub-Total per term: 5 marks. Grand Total: 10 marks)

(b) Some examples of undesirable/poor housekeeping in an insured manufacturing company premises are:

* untidy environment; * no compartmentation; * high piles of storage;
* unprofessional storage of items both ceiling and close to lighting unit; * congested premises;
* accumulation of waste; * multi – tenancy with varied exposure hazards.

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

(c) The challenges/problems that can arise from poor housekeeping of the premises of an insured manufacturing company are:

- probability of increased inception of fire; * increase in product liability claim
- more prevalent occurrence of fire; * aiding the propagation of fire
- loss of clients as a result of poor quality product; * hindering fire fighters efforts.

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

(Grand Total: 30 marks)

18. JBS Limited has a stock acceleration policy covering merchandise in its warehouse. The company has estimated the maximum value at risks for year January 1, 2025 – December 31, 2025 to be ₦200,000.00. The company has agreed to make a monthly declaration on the total stock. The insurer charges a rate of 0.15% for fire only.

The following are the declarations.

Months	**Amount (₦)**	**Months**	**Amount (₦)**
January	160,000	July	120,000
February	160,000	August	150,000
March	140,000	September	180,000
April	140,000	October	180,000
May	160,000	November	190,000
June	110,000	December	180,000

Calculate the:

(a) provisional premium; **(6 marks);** (b) total declaration; **(6 marks);**
(c) average declaration; **(6 marks);** (d) earned premium; **(6 marks);**
(e) return/additional premium. **(6 marks).**

Solution

(a) Provisional Premium = Estimated value @risk * rate **(3 marks)**
= ₦200,000 * 0.15% **(1 mark)**
= ₦300
i.e. 75% of ₦300 = ₦225.00 **(2 marks)**
(Sub-Total: 6 marks)

(b) Total Declaration = Summation of the declaration **(4 marks)**
i.e. in January – December
= Total ₦1,830,000.00 **(2 marks)**
(Sub-Total: 6 marks)

(c) Average Declaration = total declaration/12 **(2 marks)**
= $\frac{₦1,830,000}{12}$ **(2 marks)**
= ₦152,500 **(2 marks)**
(Sub-Total: 6 marks)

(d) Earn Premium = ₦152,500 * 0.15% **(4 marks)**
= ₦228.75 **(2 marks)**
(Sub-Total: 6 marks)

(e) Return/Additional Premium
= Earn Premium – Provisional Premium **(3 marks)**
= ₦228.75 – ₦225.00 **(2marks)**
= ₦3.75 **(1 mark)**
(Sub-Total: 6 marks)
(Grand Total: 30 marks)

CHARTERED INSURANCE INSTITUTE OF NIGERIA

INTERMEDIATE

OCTOBER 2026 DIET EXAMINATION PAPER

SUBJECT I03

INSURANCE BUSINESS AND FINANCE

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- Leave no blank pages among your answers.
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CHARTERED INSURANCE INSTITUTE OF NIGERIA

I03 – INSURANCE BUSINESS AND FINANCE

INSTRUCTIONS TO CANDIDATES

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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 question assessed candidates' knowledge of the Nigerian Insurance Industry Reform Act (NIIRA) 2025 and its objectives. All candidates attempted the question, representing a 100% attempt rate. However, performance was poor, with a pass rate of 37%.

Question 2

The question assessed candidates' understanding of strategic planning in the insurance industry, including mergers and acquisitions. Candidates performed relatively well, with a pass rate of 67%

Question 3

The question examined candidates' knowledge of outsourcing, including its meaning, advantages and disadvantages. It also assessed their understanding of the Balanced Scorecard. All candidates attempted the question, with an impressive pass rate of 89%, reflecting an excellent understanding of the concepts examined.

Question 4

The question assessed candidates' understanding of the Balanced Scorecard and its various perspectives. Candidates performed relatively well, with a pass rate of 64% recorded. This indicated a satisfactory grasp of the concept.

Question 5

The question assessed candidates' knowledge and understanding of assets and liabilities. Approximately 96% of candidates attempted the question, with an impressive pass rate of 90%. The performance was highly commendable and demonstrated a sound understanding of the topic.

Question 6

The question examined candidates' knowledge of the International Financial Reporting Standards (IFRS) basis of accounting. Approximately 63% of candidates attempted the question, with an extremely low pass rate of 1%. The performance was exceptionally poor, as the majority of candidates failed to provide appropriate answers, indicating a significant knowledge gap in IFRS accounting principles.

Question 7

The question was intended to test candidates' knowledge of IFRS compliance in insurance. The question assessed candidates' understanding of IFRS compliance in insurance contracts. Approximately 37% of candidates attempted the question, and only 31 candidates passed, representing a pass rate of 19.8%. The performance was poor.

Question 8

The question assessed candidates' understanding of the principles and procedures involved in establishing adequate claims reserves. Approximately 65% of candidates attempted the question, with a pass rate of 25%. The performance was unsatisfactory, which indicated limited understanding of claims reserving principles.

Question 9
The question examined candidates' knowledge of the factors and indices used in calculating Incurred But Not Reported (IBNR) claims reserves. A total of 389 candidates, approximately 92%, attempted the question. However, the pass rate was only 18%.

Question 10
The question assessed candidates' understanding of discounted claims and unearned premium reserves. All candidates attempted the question. However, the pass rate was only 25%, which indicated inadequate understanding of these important insurance accounting concepts.

Question 11
The question assessed candidates' understanding of interest ratios and their calculations. All 423 candidates attempted the question. The performance was commendable, with a pass rate of 70%.

Question 12
The question assessed candidates' knowledge of quick ratios and their relevance in evaluating an organisation's ability to meet short-term financial obligations. All 423 candidates attempted the question, with an impressive pass rate of 79%. The performance was commendable and demonstrated a good understanding of liquidity assessment.

Question 13
The question examined candidates' understanding of the procedures involved in obtaining a credit rating. Approximately 87% of candidates attempted the question, while the pass rate was only 14.4%, reflecting inadequate knowledge of the credit rating process.

Question 14
The question assessed candidates' knowledge of variances and the factors responsible for their occurrence. Approximately 58% of candidates attempted the question, with a corresponding pass rate of 58%. The performance was relatively satisfactory, although there remains room for improvement.

Question 15
The question assessed candidates' understanding of the various stakeholders of an insurance organisation, their respective interests and the financial information required to meet their needs. Approximately 76% of candidates attempted the question, with a pass rate of 24%. The performance was poor, indicating limited understanding of stakeholders' financial information requirements.

Question 16
The question assessed candidates' knowledge of Ultimate Beneficial Ownership (UBO). Candidates performed poorly, recording a pass rate of 24%. The responses demonstrated an inadequate understanding of the concept.

Question 17
The question assessed the candidates on the roles of functional line managers in achieving the objectives of a newly established company. A total of 315 candidates, representing approximately 74%, attempted the question. However, only 104 candidates passed, representing a pass rate of 33%. The performance was below average, indicating insufficient understanding of organisational functions and managerial responsibilities.

Question 18

The question assessed candidates' knowledge and understanding of cash flow statements. A total of 43 candidates attempted the question, with a recorded attempt rate of 1%. The pass rate was approximately 48%, indicating a below-average performance among candidates who attempted the question.

Comment(s) on Overall Performance

The overall performance of candidates was poor and unsatisfactory, with only 24% pass rate. The results suggest that many candidates lacked adequate preparation and a comprehensive understanding of key concepts. In several instances, candidates failed to interpret the questions correctly or provide relevant and sufficiently detailed answers. The overall performance highlights the need for more rigorous preparation and improved understanding of both theoretical and practical aspects of the course.

Suggestion(s) for Improvement

Candidates should be encouraged to adopt a more rigorous and structured approach to examination preparation through consistent study of the prescribed coursebooks and other relevant learning materials.

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

1. (a) State the two (2) main objectives of the Nigerian Insurance Industry Act (NIIRA) 2025. **(4 marks)**
   (b) State the three (3) ways that the Act set to achieve these objectives in (a) above; according to Section 1 of the Act. **(6 marks)**

Solution

(a) 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 interest 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)**

(Sub-Total: 4 marks)

(b) 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)**

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

2. (a) Planning has been considered one of the prime functions of management and the purpose is to set business on the paths of best performance. In relation to insurance as a function of business, what is strategic planning, as it affects the company goals and objectives? **(4 marks)**
   (b) In merger and acquisitions, each party must provide information that can be mutually beneficial to both parties. List any three (3) of such information. **(6 marks)**

Solution

(a) Strategy planning, as it affects the company goals and objectives, is an activity that involves many specialist and functional managers of a company to bring out business functions into fruition. The essential purpose of strategic planning is to set business on a path of best performance. **(4 marks)**

(b) The information that each party must provide information that can be mutually beneficial to both parties in a merger and acquisition are:

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

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

3. IP0Y Insurance Company Limited has outsourced its IT operations on retainership.
   (a) Explain what outsourcing mean for the firm. **(2 marks)**

(b) State four (4) advantages and four (4) disadvantages of outsourcing. **(8 marks)**

Solution

(a) Outsourcing for an insurance firm means hiring external companies or free lancers to handle specific task or process that the company would have typically do in house. **(2 marks)**

(b) The advantages of outsourcing are:

* saves cost; * enhance efficiency; * increase volume of business;
* encourage new partnership; * improved risk management;
* build capability and ability to develop new products; * innovation and experience.

The disadvantages of outsourcing are:

* control and direction will be lost; * higher costs;
* confidentiality of company information is leaked; *
* full understanding of customer behavior can be lost
* full understanding of satisfaction can be lost.

(1 mark for each correct and completely stated advantage and disadvantage. Maximum of 4 to be graded under each term. Sub-Total per term: 4 marks. Grand Sub-Total: 8 marks)
(Grand Total: 10 marks)

4. XYZ, a manufacturer of consumable goods wants to measure its performance.
   (a) What is a balanced scorecard? **(2 marks)**
   (b) What are the four (4) perspectives of a balanced scorecard? **(8 marks)**

Solution

(a) A balanced scorecard is a strategic management tool that is used to measure the performance of an organisation. **OR** It is a strategic planning and management system used to align business activities to the vision statement of an organisation. **(2 marks)**

(b) The following are the four perspectives of a balanced scorecard:

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

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

5. NTI Insurance Plc has the following assets and liabilities. You are required to classify into Current and Non- Current assets and also into Current and Non-Current liabilities. (Calculations is not required)

Cash and Cash Equivalent:	₦10million
Plant, Property and Equipment:	₦20million
Accounts Receivables:	₦5million
Intangible Assets:	₦8million
Account Payable:	₦3million
Long Term Loans:	₦20million
Short Term Loans:	₦5million

Solution

Non-Current Assets

Plant, Property and Equipment:	₦20million	**(1½ marks)**
Intangible Assets:	₦8million	**(1 mark)**

Current Assets

Cash and Cash Equivalent:	₦10million	**(1½ marks)**
Accounts Receivables:	₦5million	**(1 mark)**

Current Liability

Account Payable:	₦3million	**(1½ marks)**
Short Term Loans:	₦5million	**(1 mark)**

Non-Current Liability

Long Term Loans:	₦20million	**(2½ marks)**

(Grand Total: 10 marks)

6. Nigeria has adopted the IFRS basis of accounting as issued by the United Nations Conference on Trade and Development (UNCTAD). Enumerate any four (4) criteria by which SMEs are described/qualified/defined.

Solution

The following are the ways in which SMEs are so described/qualified/defined:

- they are not in the business of issuing debt or equity securities for trading in a public market;
- they do not and should not hold asset in fiduciary capacity;
- annual turnover should not be more than ₦500m;
- total asset at any point in time should not be more than ₦200m.
- there should be no foreign investor or board member;
- there should be no member that are government agency as nominees.

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

7. International Accounting Standards Board issued IFRS17 insurance contract to help investors to understand insurers 'risk exposure, profitability and financial position. Enumerate any five (5) requirements of IFRS17 compliant insurance contracts.

Solution

The requirements of IFRS 17 are:

- insurers are to make extensive disclosure about their insurance risk management policy;
- insurance liabilities to be kept in the insurers' balance sheets;
- insurance liabilities must be included in the balance sheet without offsetting them against related reinsurance assets;
- a test for the adequacy of recognised insurance liabilities;
- an impairment test for reinsurance assets;
- provision for possible claim under contract.

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

8. DCN is a medium sized insurance company in the Nigerian insurance industry. The company is facing some challenges in determining the appropriate level of claims reserves due to some uncertainties in the industry. Enumerate any five (5) key factors influencing uncertainties in setting an appropriate or adequate claim reserves?

Solution

The key factors influencing uncertainties in setting appropriate or adequate claim reserves are:

- legislative changes;
- future claim patterns differing from historical experience;
- claims like stress and disease claims;
- latent exposures;
- outcomes of litigation on the existing claims;
- outstanding reinsurance recoveries;
- unanticipated changes in claims and legislations.

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

9. A Public Liability company has experienced a significant increase in claim notification in recent months. The company actuary is reviewing the prevailing method of the calculation to ensure that it is adequately reflect the company's liability.
   (a) Explain the three (3) factors or indexes which IBNR calculation is based. **(9 marks)**
   (b) What does IBNR mean? **(1 mark)**

Solution

(a) The following are the three factors in which IBNR calculations are based:
- extrapolation of the pattern of claims reported prior years;
- the total value of IBNR is calculated from multiplying the number of claims by the average cost of claims;
- the prior year pattern is used to estimate the number of expected claims.

(3 marks for each correct and completely stated factor. Sub-Total: 9 marks)

(b) IBNR mean Incurred But Not Reported. **(1 mark)**

(Grand Total: 10 marks)

10. A company financial crew is reviewing the claims reserves and has identified discounted claims.
   (a) What are discounted claims? **(3 marks)**
   (b) What is unearned premium reserve: **(3 marks)**
   (c) Enumerate any two (2) reasons why it is important for insurance companies to make such reserves. **(4 marks)**

Solution

(a) Discounted claims are claims where the amount set aside is reduced by the investment income expected to be earned in the future on the investment supporting the claims. **(3 marks)**

(b) Unearned Premium Reserve (UPR) is the reserve specifically made from the proportion of premium that relates to the unused period of cover. **(3 marks)**

(c) It is necessary for insurance companies to make such reserves for the following reasons:
- to predict future claims;
- to project for unexpected losses;
- to meet regulatory bodies requirement;
- to protect policyholders.

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

(Grand Total: 10 marks)

11. Banana Insurance Company (BIC) is reviewing its financial position as of January 2024. The Management of the Company is concerned about its short-term obligation and has provided the following financial data:
   (i) Current Assets:
   - Cash at Hand: ₦50million; - Investment in Treasury Bills: ₦150million
   (ii) Current Liabilities:
   - Rent and Rates Payable: ₦40million;
   - Trade Payable for Stationeries Supplied: ₦60million

   Evaluate BIC's liquidity position by calculating the Current Ratio from the data provided.

Solution

Current Assets	=	₦(50,000,000 + 150,000,000) =	₦200,000,000
Current Liabilities	=	₦(40,000,000 + 60,000,000) =	₦100,000,000

Current Ratio: = current assets = 200,000,000 = 2.
current liabilities 100,000,000

The current ratio is more than one, the company is therefore viable.

12. Dart, a blanket manufacturer, is evaluating its financial strength. The Management doubts its ability to meet the short-term obligations and has provided the following data:

Closing Stock:	₦20million;	Debtors:	₦30million;
Cash at bank:	₦50million;	Rent Payable:	₦30million;
Accrued Salaries:	₦20million;	Trade Credit:	₦100million;

(a) Calculate the quick ratio of the manufacturer. **(8 marks)**

(b) What does the ratio in (a) above indicate about the company's ability to meet its short-term obligations? **(2 marks)**

Solution

(a) Current Asset = debtor + stock + cash at bank **(1 mark)**

= ₦(30,000,000 + 20,000,000 +50,000,000) = ₦100,000,000 **(1 mark)**

Current liabilities = trade credit + accrued salaries + rent payable **(1 mark)**

= ₦(100,000,000 + 20,000,000 + 30,000,000) = ₦150,000,000 **(1 mark)**

Quick ratio = current asset – stock **(2 marks)** = 100,000,000 – 50,000,000 = 0.33
current liabilities 150,000,000 **(2 marks)**

(Grand Sub-Total: 8 marks)

(b) With a quick ratio of 0.33, it might be an indication that the company may have liquidity problem. **(2 marks)**

(Grand Total: 10 marks)

13. To enhance its credibility and attract potential investors, Next Insurance Plc. is seeking to obtain a credit rating from a reputable rating agency. Enumerate any five (5) processes that are involved to make the exercise a success.

Solution

The processes that are involved that could make the exercise a success are:

- the insurer (Next Insurance Plc) will consult with the rating agency and sign a contract;
- analysts of the rating agency will have a meeting of mind with the Management of the insurer (Next Insurance Plc) to understand the mode of operation;
- extensive and exhaustive analysis is undertaken for a few weeks that might require clarification and confirmation;
- lead analyst recommends the rating to members of the Committee for deliberation;
- committee votes on the recommended rating;
- insurance company is advised of the rating and is at the liberty to accept, reject or appeal;
- once agreed, the agency issue a press release;
- the rating agency monitors the insurer and does annual reviewed.

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

14. The management of XENT Company Limited noticed significant variance between the budgeted marketing costs and the actual amount expended on marketing. Explain the term variance and identify any four (4) possible causes of variances.

Solution
Variance refers to the difference between actual financial performances and budgeted or expected performance. It is a gap analysis to see where things went differently than planned. For example, a company budgeted ₦100,000.00 for marketing but spent ₦120,000.00; there is therefore a variance ₦20,000.00. Usually, variance could be positive or negative. **(2 marks)**

The possible causes of variances are:

- inadequate pricing abinitio;
- higher or lower expenses than expected;
- rising or lower operational costs;
- random events that are actually not expected like an IT breakdown might shoot up the cost of operations;
- operational efficiency or inefficiency and effectiveness might bring about negative or positive variance.

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

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

15. JKL insurance company wants to consolidate the interests of its stakeholders and provide them with relevant financial information. Identify ten (10) stakeholders of an insurance organisation and their interests and discuss their financial information in meeting the needs of these stakeholders.

Solution
The stakeholders and their needs are:

(i) **Creditors:** who might extend credit facilities to an organization such as bank, supplier or its landlord. Financial position will guide them on the level of facilities to be granted.
(ii) **Competitors:** An organisation competitors can use financial information about to help them understand its weaknesses and strength.
(iii) **Brokers:** from an insurance point of view, brokers will want to know whether they company with whom they deal are financial stable.
(iv) **Customers:** potential and existing customers of insurance companies want to know that they are placing their risks with strong and reputable companies.
(v) **Regulatory Bodies:** NIACOM, FRC and SEC as well PENCOM also interested in the interest of financial stakeholders. E.g. Consumer of insurance products.
(vi) **Tax Authorities:** tax authorities will want to know that the organization is adequately, equitably and proportionally paying their taxes.
(vii) **The Public:** The public could be potential investors or prospect for insurance, the shareholders pressure groups etc.
(viii) **Employees:** employee are always wanting to know how secured their jobs are as well as the potential growth and job security
(ix) **Owners:** Owners could be individuals, partners or shareholders. They're interested in the structure, profitability and return on their investment.
(x) **Management:** Management have the overall responsibilities for the management of the business. They are responsible for the strategic objective and implementation of the company. They periodically prepare the management accounts this help them to know the direction of the company.
(xi) **Board:** the Board members have the oversight function of providing direction and oversight functions to the Management.

(2 marks for each correctly stated stakeholder. 1 mark for each correct and completely stated explanation. Sub-Total per stakeholder: 3 marks. Maximum of 10 to be graded. Grand Total: 30 marks)

16. A company is considering implementing Management by Objectives (MBO) to improve its performance.

(a) What is Management by Objectives? Who developed this Management model? **(4 marks)**

(b) Enumerate the four (4) key management factors that are required to achieve successful organisational goals, following the model above. **(10 marks)**

(c) State four (4) advantages and four (4) disadvantages of MBO. **(16 marks)**

Solution

(a) Management by Objectives (MBO) is a strategic management model developed by Peter Drucker **(2 marks)**. It is a goal-setting process where managers and employees get together to set and achieve specific, measurable objectives aligned with the overall goals of the organisation **(2 marks)**. **(Sub-Total: 4 marks)**

(b) The four (4) keys management factors required to achieve successful organisational goals are:

(i) support from the top management
(ii) each job is directed towards same organisational goal
(iii) each manager's targeted performance must be derived from the target of the organization as a whole.
(iv) each manager must know what their performance targets are. (8marks)

(2½ marks for each correct and completely stated factor. Sub-Total: 10 marks)

(c) The advantages of MBO are:

- better motivation for employees;
- better communication and coordination;
- clarity of goals using smart methodology;
- commitment of employees to the objectives of the organisation;
- common goal for the organisation;
- objectives of employees are easily linked with the objectives of the organisation.

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

The disadvantages of MBO are:

- there is potential for considerate paper work and meetings;
- employees may believe that MBO is another ploy by Management to make them to work harder and become more dedicated and involved;
- the emphasis is more on short term goals;
- managers may not be sufficiently skilled in interpersonal interaction;
- it does not leave any room for subjective goals. (8marks)

(2 marks for each correct and completely stated disadvantage. Maximum of 4 to be graded. Sub-Total: 8 marks) (Grand Sub-Total: 16 marks)
(Grand Total: 30 marks)

17. As a CEO and Chief Accounting Officer of a newly registered and licensed insurance company in Nigeria. Apart from the executive directors, identify and explain ten (10) other functional line managers that can drive the missions and objectives of the new company.

Solution

Apart from the executive directors, other functional line managers that can drive the missions and objectives of the new company are the:

- Chief Risk Officer:
- Responsible for the organization risk management i.e Identification, evaluation and recommending risk financing methods
- Head of Internal Audit
- Internal control of processes procedures methods of operation as well as compliance of setout rules
- Head of Technical Operations
- A business function that responsible for risk assessment, claim processing and reinsurance of the organisation
- Head of Marking Operations: responsible for business development and general marking activities;
- Head of Underwriting: responsible for risk evaluation and control;
- Head of Claims: responsible for claim management and other allied functions;
- Head of Reinsurance: responsible for reinsurance placements and associated functions;
- Marketing Director: is the chief marketing officer have the responsibility of revenue generation of the company;
- Head of Internal Audit: responsible for all audit functions in the organisation;
- Compliance Officer and ERM Officer: responsible to guide the organisation in ensuring that all regulatory requirements and rules are complied with;
- Head of Human Resources/Relations (HR): responsible for the management of human resource; recruitment, remuneration and welfare pension functions of the organisation;
- Head of Information Technology (IT): responsible for general IT of the company;
- Head of Strategy Operations: responsible for setting of goals and objective of the organisation and developing strategies to achieve set goals and objectives;
- Head of Investment: responsible for portfolio management, risk management and assets allocation;
- Head of Corporate Communication: responsible for the PR and communication with both internal and external stakeholders of the organisation.

(The functions are not exhaustively stated. Candidates can also proffer solutions that are not listed above since it is a practical question. 2 marks for each correctly listed function. 1 mark for each correct and completely stated explanation of the function. Sub-Total per function: 3 marks. Maximum of 10 to be graded. Grand Total: 30 marks)

18. Zoluke Nigeria Plc, a conglomerate, is preparing its financial statements for the year ended December 2024. The company financial teams is reviewing the cash flow statement to ensure it accurately reflects the company's financial position.
    (a) Identify and briefly explain the three Cash Flow Statement headings. **(21 marks)**
    (b) From the following transactions, classify the transactions into correct headings in the Cash flow Statement.
        - receipt of ₦10million from Customers;
        - payment of ₦5million to Suppliers;
        - purchase of new equipment worth ₦8million;
        - issuance of ₦20million worth of shares;
        - repayment of ₦3million worth of loans. **(7 marks)**

Solution

(a) Cash flow statements are analysed into:

(i) operating activities;
(ii) investment activities;
(iii) financial activities.

Cash Flow from Operating Activities: these are business generated cash flow from the core trading activities of the organisation.
Cash Flow from Investment Activities: this section shows cash flow created by investment activities;
Cash Flows from Financial Activities: this section deals with changes to loan and share capital and payment of dividends to shareholders.

(3 marks for each correctly stated heading. 2 marks for each correct and completely stated explanation. Sub-total per heading: 5 marks. Grand Sub-Total: 15 marks)

(b) Classification of the transactions are:

- receipt of ₦10million from Customers: Operating Activities **(3 marks)**
- payment of ₦5million to Suppliers: Operating Activities **(3 marks)**
- purchase of new equipment worth ₦8million: Investment Activities **(3 marks)**
- issuance of ₦20million worth of shares: Financial Activities **(3 marks)**
- repayment of ₦3million worth of loans: Financial Activities **(3 marks)**

(Sub-Total: 15 marks)
(Grand Total: 30 marks)

CHARTERED INSURANCE INSTITUTE OF NIGERIA

INTERMEDIATE

OCTOBER 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 OCTOBER 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

The question assessed candidates' knowledge of the Nigerian Insurance Industry Reform Act (NIIRA) 2025. Being a compulsory question, it was attempted by almost all candidates. However, only 14% passed, indicating a poor understanding of the provisions of the Act. Candidates are encouraged to familiarise themselves with the relevant provisions of NIIRA 2025.

Question 2

The question focused on the qualities of a good money commodity. It was well attempted, with 86 candidates, representing that 54%, passed the question. This indicated a moderate understanding of the subject matter.

Question 3

The question assessed candidates' knowledge of the fundamentals of Management Accounting. Performance was poor, with only 14% pass rate recorded. As the question was drawn directly from the prescribed coursebook, candidates are advised to devote more attention to studying the relevant materials.

Question 4

The question focused on Withholding Tax and Value Added Tax (VAT). Being a compulsory question, it was attempted by almost all candidates, with 75% pass rate. This reflected a good understanding of the subject matter and a satisfactory level of performance.

Question 5

The question assessed candidates' knowledge of the fundamentals of Enterprise Risk Management (ERM). Candidates demonstrated a good understanding of the subject, with an 80% pass rate, indicating a strong grasp of the relevant concepts.

Question 6

The question examined candidates' understanding of the application of Information and Communication Technology (ICT) in the insurance industry. A pass rate of 75% was recorded, reflecting a good understanding of the subject matter and an encouraging performance.

Question 7

The question examined the candidates' knowledge of protection policies in international trade. About 80% of the candidates attempted the question, with 59% pass rate recorded. This indicated a slightly above average understanding of the subject matter, with room for further improvement.

Question 8

The question assessed candidates' knowledge of business strategy tools, particularly SWOT and PESTLE analyses. About 95% of the candidates attempted the question, with 64% pass rate recorded. This reflected an above-average performance and a reasonable understanding of the concepts.

Question 9

The question focused on Public Goods and Merit Goods. About 93% of the candidates attempted the question, with 87% pass rate from those that attempted it. This represented a commendable performance and demonstrated a strong understanding of the subject matter.

Question 10

The question assessed candidates' knowledge of Accounting Ratios. Being a compulsory question, it was widely attempted. However, a pass rate of 50% was recorded, indicating an average performance.

Question 11
The question assessed candidates' knowledge of the major players in the insurance industry. It was well attempted, with about 80% pass rate recorded. This reflected a good understanding of the industry's structure and key stakeholders.

Question 12
The question examined candidates' knowledge of National Income Estimation. Performance was relatively poor, with only 41% pass rate. As the question was drawn from the prescribed coursebook, candidates are encouraged to study the relevant materials more thoroughly to improve their understanding.

Question 13
The question assessed candidates' understanding of Inflation, Microeconomics and Macroeconomics. A pass rate of 75% was recorded, demonstrating a good grasp of the concepts.

Question 14
The question assessed candidates' understanding of the functions of the Central Bank in an economy. All candidates attempted the question, with 87% passing. This represented a commendable performance and demonstrated a strong understanding of the subject matter.

Question 15
The question was optional and assessed candidates' knowledge of the Cost Structure of a Firm. A total of 97 candidates, representing 60%, attempted the question, with 87% pass rate recorded from those candidates who attempted it. This represented an excellent performance and made it the most popular optional question.

Question 16
The question assessed candidates' knowledge of the Capital Structure of a Company. It was the least attempted question, with only 10 candidates, representing 6%, attempting it. Of these, six candidates passed, resulting in a 60% pass rate. Although the performance of those who attempted the question was satisfactory, the low participation suggested limited interest or confidence in the subject area.

Question 17
The question focused on the application of Demand and Supply principles in the insurance industry. About 62% of the candidates attempted the question, with 63% pass rate recorded.

Question 18
The question examined candidates' knowledge of National Income Equilibrium and the contribution of the petroleum sector to the Nigerian economy. A total of 108 candidates attempted the question, with 85% pass rate. This represented a commendable performance and demonstrated a strong understanding of the subject matter.

Comment(s) on Overall Performance
An overall pass rate of 73% was recorded, representing one of the highest performances in recent examination diets on the course.

Suggestion(s) for Improvement
Candidates are encouraged to devote more time to studying the prescribed coursebooks and developing a comprehensive understanding of the entire syllabus. While performance was particularly impressive in questions requiring general knowledge, practical application and awareness of current affairs, greater emphasis should be placed on theoretical concepts and topics drawn directly from the course materials.

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

1. (a) State the full name of the legal framework enacted by the Nigeria's National Assembly on the 31st day of July, 2025 to regulate insurance industry in Nigeria. **(2 marks)**

(b) Enumerate any four (4) of the five Acts of Parliament that the legal framework in (a) above 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. For any commodity to qualify to be used as money it must possess certain qualities. Enumerate any five (5) of the characteristics of a functional money.

Solution

The characteristics of a functional money are:

* storable or storability;
* homogeneous;
* stability in value;
* portable or portability;
* divisible into smaller units or divisibility;
* relative scarcity;
* recognisable or cognisability;
* generally acceptable or acceptability.

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

3. Accounting and financial statements are prepared for specific purposes, depending on the stakeholders. State four (4) uses of management accounting to an organisation.

Solution

The uses of management accounting to an organisation are:

(i) planning and budgeting;
(ii) decision making, estimating and forecasting;
(iii) pricing or costing, including the computation of:
* operational costs, such as the cost to acquire a customer, or issue a policy;
* establishing pricing and insurance product costs,
* processes and activities in identifying, presenting and interpreting information;
(iv) analysis of cost and sales variances, profitability or social use of funds; and assessing the effectiveness and efficiency of the financial systems.

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

4. (a) Differentiate between value-added tax (VAT) and withholding tax. (WHT) **(4 marks)**

(b) Citizens' desire or demand for cash varies extensively. State and explain any two (2) major motives for holding money. **(6 marks)**

Solution

(a) Value-added tax (VAT) is a consumption tax payable on goods and services that are 'VATable' or to which VAT is applicable **(2 marks);** while withholding tax (WHT) is an advanced payment of income tax which is meant to bring the prospective taxpayer to the 'tax net' and it helps to widen the tax base **(2 marks)**

(Sub-Total: 4 marks)

(b) The major motives for holding money are:

(i) transactionary; (ii) speculative; (iii) precautionary

(i) Transactionary Motive: refers to the holding or demand for money for the purpose of buying goods and services.

(ii) Speculative Motive: refers to the holding of money to take advantage of uncertainties in the market.

(iii) Precautionary Motive: refers to holding money for the purpose of unforeseen circumstances (for caution).

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

(Grand Total: 10 marks)

5. (a) Define the term "Enterprise Risk Management". **(4 marks)**

(b) Differentiate between the terms "risk impact" and "risk probability". **(6 marks)**

Solution.

(a) Enterprise Risk Management (ERM) is the strategic or holistic view of an enterprise's risk in its entirety and managed as a whole instead of risk management in 'silos' or unit-by-unit. It is otherwise described as Enterprise-Wide Risk Management. **(Sub-Total: 4 marks)**

(b) "Risk impact" is the intensity or the extent of damage that could happen which is measured in actual values **(3 marks); while** "risk probability" is the rate or possibility of a risk taking place which is expressed in fractions or percentages **(3 marks).** **(Sub-Total: 6 marks)**

(Grand Total: 10 marks)

6. Involvement of Information and Communication Technology (ICT) has become inevitable in almost every sphere of life. Enumerate any four (4) areas where insurance practices have made considerable use of information technology.

Solution.

The areas where insurance practices have made considerable use of information technology are:

* electronic placement; * claims payment and services;
* control of distribution channels; * provision of bespoke solutions;
* mass marketing and business communications; * management information.

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

7. It could be tantamount to "economic suicide attempt" for a nation to throw the control of its foreign trade to the winds. State any four (4) reasons for having protection policies in place when it comes to international trade.

Solution

The reasons for having protection policies in place when it comes to international trade are to:

* protect domestic producers;
* prevent dumping;
* protect infant industries;
* protect strategic industries;
* reduce imports and improve balance of payments position.

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

8. In business strategic analysis give the full meaning of:
   (a) SWOT **(4 marks)** (b) PESTLE **(6 marks)**

Solution.

(a) S – Strength W – Weakness O – Opportunity T – Threats

(1 mark for each correctly stated "alphabet" meaning. Sub-Total: 4 marks)

(b) P - Political Factors E - Economic Factors
S - Socio-Cultural Factors T - Technological Factors
L - Legal Factors E - Environmental Factors

(1 mark for each correctly stated "alphabet" meaning. Sub-Total: 6 marks)
(Grand Total: 10 marks)

9. Goods and services constitute the consumption pattern of a country. These goods are sometimes broadly classified into "public goods" and/or "merit goods". Explain these two (2) groupings and give two (2) examples under each grouping.

Solution

Public Goods are types of goods and services that might be inadequately provided by the private sector, which benefits affects almost everyone in the 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 intervene to provide these types of goods and tends to fund them from tax revenues. Examples are defence; the Police Forces, Prison Services, Fire Services, Public Schools, Public Roads, Hospitals.

Merit Goods are goods and services provided by private individuals and organizations and can be directly charged to them. Examples are private schools, private health services, transport services, gas services, water services.

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

10. In interpreting of financial statements, simply state any four (4) of the ratios that are commonly used.

Solution.

The ratios that are commonly used in interpreting financial statements are

* profitability ratios;
* asset (turnover) ratios;
* gearing ratios;
* liquidity ratios;
* investment ratios.

(The list above are not exhaustive. (2½ marks for each correctly stated ratio type. Maximum of 4 to be graded. Total: 10 marks)

11. Any country insurance industry is a conglomerate of players in various capacities and some of these groups of players influence the market in varying degrees – whether directly or indirectly. Enumerate any five (5) direct groups of players and any five (5) indirect groups of players in the insurance industry in your country.

Solution.

Direct Groups of Players:

* buyers of insurance; * composite insurance companies;
* life insurance companies; * general insurance companies; * Lloyds of London;
* proprietary companies; * mutual companies; * reinsurance companies;
* captive insurance companies; * insurance brokers;
* independent financial advisers; * retailers as insurance sellers;
* direct insurance; and * internet sales of insurance.

Indirect Groups of Players:

* legal firms; * accountants; * auditors; * actuaries;
* surveyors; * claims services; * data management; * IT specialists;
* medical service providers; * management consultants;
* advertising and public relations companies; * investment service providers;
* facilities management; and * surveyors and risk management entities.

(1 mark for each correctly stated grouping. Maximum of 5 to be graded under each group of players. Sub-Total per group: 5 marks. Grand Total: 10 marks)

12. (a) What does the term " National Income" imply. **(4 marks)**
(b) Enumerate the three (3) techniques or methods for national income estimation. **(6 marks)**

Solution.

(a) National income is the aggregates of all incomes over nationals (home and abroad) of a country for particular period of time usually a year. **(4 marks)**

(b). The three techniques or methods for national income estimation are:
(i) income method; (ii) output method; (iii) expenditure method.

(2 marks for each correctly stated technique/method. Sub-Total: 6 marks)
(Grand Total: 10 marks)

13. (a) Inflation is sometimes described by its cause. Briefly differentiate between "cost-push inflation" and "demand-pull inflation".
(b) Briefly differentiate between "micro-economics" and "macro-economics".

Solution.

(a) **"Cost-push inflation"** is the general rise in prices caused by a general increase in the Cost of production or the cost of the factors of production **(2½ marks)**; while **"demand-pull inflation**" is the general rise in price levels due to an increase in levels of demand for goods and services **(2½ marks)**.

(b) "**Microeconomics"** is the study of the small units or parts of the economy with focuses on either singly or in combination of individuals, families, single firms or business units **(2½ marks)**; while "**Macroeconomics"** is the study of the national economy or the economy of the State or the country as a whole. It is the aggregation of the various micro-economics of the State **(2½ marks)**.

(Grand Total: 10 marks)

14. The Central Bank of any country is established and mandated to carry out certain objectives. Enumerate any four (4) objectives of the Central Bank of your country.

Solution

The objectives of the Central Bank of any country are to:

* ensure monetary stability; * ensure price stability;

* issue legal tender currency; * maintain external reserves;
* promote a sound financial system in the country;
* act as bankers and financial advisors to the Federal/Central Government.

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

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

15. (a) The following data relates to the cost structure of policy production of Bed-Rock Assurance Plc (a Life Underwriter) in Naira (₦). Copy and complete the table.

Number of Policies	Fixed Cost (FC)	Variable Cost (VC)	Total Cost (TC)	Average Cost (AC)	Marginal Cost (MC)
1	3,000	???	???	5,000	???
2	3,000	4,000	7,000	3,500	2,000
3	3,000	???	9,000	???	???
4	3,000	8,000	11,000	???	???
5	3,000	???	13,000	???	???
8	3,000	16,000		???	???
10	3,000	20,000	23,000	???	???
15	3,000	???	33,000	???	???

(18 marks)

(b) Explain the following terms:
(i) Average Cost; (ii) Marginal Cost. **(6 marks)**

(c) Differentiate briefly between the 'long-run' and 'short-run' condition of a firm. **(6 marks)**

Solution

(a)

Number of Policies	Fixed Cost (FC)	Variable Cost (VC)	Total Cost (TC)	Average Cost (AC)	Marginal Cost (MC)
1	3,000	**2,000**	**5,000**	5,000	**Not Applicable**
2	3,000	4,000	7,000	3,500	2,000
3	3,000	**6,000**	9,000	**3,000**	**2,000**
4	3,000	8,000	11,000	**2,750**	**2,000**
5	3,000	**10,000**	13,000	**2,600**	**2,000**
8	3,000	16,000	**19,000**	**2,375**	**2,000**

10	3,000	20,000	23,000	**2,300**	**2,000**
15	3,000	**30,000**	33,000	**2,200**	**2,000**

(1 mark for each correctly stated bolded figure. Sub-Total: 18 marks)

(b) (i) **Average Cost:** this is the total cost of production divided by the total quantity of units produced i.e. total cost of production/total number of production **(3 marks)**
(ii) **Marginal Cost:** this is the extra expense a business incurs in order to produce one additional unit of a good or service i.e. change in total cost/change in quantity (per unit) **(3 marks)**

(Candidates can explain in words or by formula. Each one carries full allotted marks. Sub-Total: 6 marks)

(c) **"Long-Run" condition of a firm** refers to a period of time in the cost structure of a firm that all the cost elements (fixed and variable costs) can be varied with the output. All cost elements become variable **(3 marks);** while **"Short-Run' condition of a firm** refers to the time in the cost structure of a firm that the fixed cost elements cannot be varied with the output. **(3 marks) (Sub-Total: 6 marks)**

(Grand Total: 30 marks)

16. (a) What is equity capital? **(3 marks)**
(b) State and explain any three (3) characteristics of ordinary shareholders of a company. **(15 marks)**
(c) Enumerate any four (4) peculiarities of preference shares in a company. **(12 marks)**

Solution

(a) Equity capital is also called ordinary share capital and is one of the most important sources for raising long-term capital and is achieved by issuing new shares when share capital is required to support the level of risk a company takes. **(3 marks)**

(b) The characteristics of ordinary shareholders of a company are that:

- **they are last in line of creditors should liquidation occur**: as all other creditors and other providers of capital are entitled to be paid before payments are made to ordinary shareholders.
- **they are not guaranteed a dividend payment**: as ordinary shareholders take the greater risks and they suffer the greatest losses when a company is unprofitable and normally receive the highest return when the company is profitable.
- **they carry voting rights at the company's annual general meeting**: this means that the owners of the company's ordinary shares are also the owners of the business itself. The board of directors are effectively stewards who run the business on behalf of the shareholders.
- **their equity fully qualifies as regulatory capital:** whereas the regulator imposes limits on debt capital, there is no limit to the amount of shareholder's equity in determining the amount of regulatory capital held.

(3 marks for each correctly stated characteristic. 2 marks for each correct and completely stated explanation. Sub-Total per characteristic: 5 marks. Maximum of 3 to be graded. Sub-Total: 15 marks)

(c) The peculiarities of the preference shares are that:

(i) they do not usually carry voting rights;

(ii) they get their name from the fact that the payment of a preference dividend takes priority over the dividend on ordinary shares;

(iii) they pay a fixed dividend to their owners. The size of this dividend is usually a percentage of the share nominal value;

(iv) they tend to be less volatile than ordinary share dividends. even in a year when profits are very high, the preference shareholder is still entitled to only their fixed percentage of the share nominal value;

(v) most preference shares are cumulative i.e. if there is insufficient profit available to pay this year's dividend, preference shareholders will not lose out as the unpaid dividend will be carried forward into the following year when there will hopefully be enough profit available to pay both last year's and this year's dividend. if not, the dividends owed will be carried through into the year after that.

(vi) if the company is forced into liquidation, the preference shareholders take priority over ordinary shareholders.

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

(Grand Total: 30 marks)

17. (a) State and explicitly explain any four (4) factors that influence the demand for a product or service. **(20 marks)**

(b) Explain the following terms without stating any example.

(i) Price elasticity of demand; **(3 marks)**

(ii) Income elasticity of demand; **(3 marks)**

(iii) Cross elasticity of demand. **(4 marks)**

Solution

The factors that influence the demand for a product or service.

(i) **Consumers' Income:** A rise in consumers' incomes will tend to increase the market demand for a good or service. On the other hand, a fall in consumers' incomes will tend to reduce the market demand. Consumers' incomes would certainly be expected to affect the demand for private health insurance policies as we would call private health insurance a normal good. If average disposable incomes in the country increased substantially, more people would consider buying private health insurance. As a result, one would expect the demand for such policies to increase at any given price.

(ii) **Prices of Substitutes and Complements:** Substitute goods are seen by consumers to be alternatives (such as frozen fish and fresh fish, and air travel and bus travel), while complementary goods are those that are generally consumed together (such as cars and fuel and chicken and chips). Changes in the prices of substitutes and complements may also cause a demand curve to shift. For example, if the price of a substitute should rise, the demand for a good will tend to increase as people switch away from the substitute, and the demand curve will shift to the right. Similarly, if the price of a complementary good should rise, demand will tend to fall.

(iii) **Consumers' Tastes:** A large part of the demand for a product depends on how attractive and desirable the good is to consumers. If consumers' tastes change in favour of a particular product, then its demand curve will shift to the right; however, if consumers' tastes move away from a product, then its demand curve will shift to the left. Consumers' tastes will themselves be influenced by factors such as the

quality of the good relative to similar goods, fashion and effective advertising and branding.

(iv) **Expectations:** If consumers expect the price of a good to rise in the future, they may choose to bring forward intended future purchases to the present, causing the demand curve to shift to the right. Some people may even buy up stocks of the good at the lower price with the intention of re-selling in the future (thereby making a speculative profit). Similarly, if consumers expect a good's price to fall in the future, they may postpone purchases until after the expected price change has occurred, causing the demand curve to shift to the left.

(v) **Distribution of Income**: Moving to a more equitable distribution of income in a country (by redistributing income from the rich to the poor) might tend to reduce the demand for luxury goods (because the rich are adversely affected) and reduce the demand for inferior goods (because the poor are better off). Therefore, demand for goods that appealed to a middle-income sector of the population would increase. Similarly, moving to a less equitable distribution of income (by redistributing income from the poor to the rich) might increase the demand for both luxury and inferior goods and consequently reduce the demand for goods that appealed to a middle-income sector.

(3 marks for each correctly stated factor. 2 marks for each correct and completely stated explanation. Sub-Total per factor: 5 marks. Maximum of 4 to be graded. Sub-Total: 20 marks)

(b) (i) **Price Elasticity of Demand**: this is the response or change in quantity demanded of a product or service to changes in the price of the product. **(3 marks)**

(ii) **Income Elasticity of Demand:** this is the response or change in the quantity demanded of a product or service to changes in the Income of the consumers. **(3 marks)**

(iii) **Cross Elasticity of Demand**: this is the response or change in quantity demanded of a product or service (X) to changes in the price of another product (Y). This happens where the products are substitutes or complimentaries. **(4 marks)**

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

18. (a) The equilibrium position in the macro economy of an economy is sometimes represented by the equation **Y = C + I + G + (X – M)**. In relation to this equilibrium position, describe (with clear sentence(s)), the following variables: **Y, C, I, G, X, and M**. **(18 marks)**

(b) The economic resources of a nation could sometimes turn to be counter-productive. In the light of this, enumerate any three (3) positive contributions and three (3) negative contributions of petroleum to the Nigerian economy. **(12 marks)**

Solution

(a) (i) Y = National income which measures the total value of output; or Aggregate Output (i.e. the Gross Domestic Product)

(ii) C = Consumption is total spending by consumers and is assumed to depend on national income, such that a rise in Y will cause a rise in C and a fall in Y will cause a fall in C. i.e. the consumption by households.

(iii) I = Investment by businesses

(iv) G = Government Spending (G)

(v) X = Exports i.e. the value of the country's output that is sold overseas.

(vi) M = Imports (M) i.e. the value of goods and services purchased from overseas.

(3 marks for each correctly stated description. Sub-Total: 18 marks)

(b)

S/N	Positive Contributions	Negative Contributions
1	Source of government revenue	Environmental pollution
2	Generation of employment	Increased social vices like corruption and quest for quick money in the society
3	Infrastructural development	Destruction of other sectors of the economy such as agriculture
4	Source of foreign exchange	Rural-urban migration
5	Establishment of oil related industry	High inflation rate
6	Major source of energy use in the country.	Political instability
7		Economic instability

(2 marks for each correctly stated contribution. Maximum of 3 to be graded under each contribution section. Sub-total per section: 6 marks. Grand Sub-Total: 12 marks)
(Grand Total: 30 marks)

CHARTERED INSURANCE INSTITUTE OF NIGERIA

INTERMEDIATE

OCTOBER 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 OCTOBER 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

The question assessed candidates' knowledge of Minimum Capital Requirements (MCR) for non-life insurance, life assurance and reinsurance businesses. All candidates attempted the question. A total of 25 candidates, representing 58%, passed.

Question 2

The question assessed candidates' understanding of the limitations of statistics and their ability to differentiate between descriptive and inferential statistics. All candidates attempted the question, with 24 candidates, representing 56%, obtaining a pass mark. The performance was slightly above average, reflecting a fair understanding of the concepts examined.

Question 3

The question examined candidates' knowledge of the reasons for selecting a sample population rather than studying an entire population. All candidates attempted the question, with 33 candidates, representing 77%, passing. The performance was commendable.

Question 4

The question assessed candidates' knowledge of the limitations of sampling and the various types of sampling procedures. All candidates attempted the question, but only 12 candidates, representing 28%, passed. The performance was poor, indicating inadequate understanding of sampling techniques and their limitations.

Question 5

The question examined candidates' understanding of the objectives of collecting statistical information. All candidates attempted the question, with only eight candidates, representing 19%, obtaining a pass mark. The performance was unsatisfactory.

Question 6

The question assessed candidates' knowledge of data classification and the objectives of classifying statistical information. All candidates attempted the question, with 17 candidates, representing a reported pass rate of 39.5%. The performance was fairly satisfactory.

Question 7

The question examined candidates' understanding of the essential requirements and characteristics of a good statistical table. Approximately 67% of candidates reportedly obtained marks above the required pass mark. The performance was encouraging, suggesting that a majority of candidates demonstrated a good understanding of effective data presentation.

Question 8

The question assessed candidates' knowledge of the advantages and disadvantages of the arithmetic mean as a measure of central tendency. The question was straightforward and clearly presented, with a pass rate of 67%.

Question 9

The question assessed candidates' understanding of fundamental probability concepts, including experiments, sample spaces, events, mutually exclusive events and independent events. The pass rate was 81%, reflecting an excellent performance and demonstrating a sound understanding of the principles of probability.

Question 10
The question examined candidates' knowledge of the various components of time series analysis. All candidates attempted the question, with 18 candidates, representing 42% pass rate. Despite the straightforward nature of the question, the performance was below average.

Question 11
The question assessed candidates' knowledge of the limitations of the Operations Research approach in decision-making. All candidates attempted the question, with 19 candidates, representing 44% pass rate. The performance was below average, indicating that candidates require a better understanding of the practical limitations of Operations Research.

Question 12
The question examined candidates' understanding of the fundamental assumptions underlying linear programming models. All candidates attempted the question, with 19 candidates, which is 44% pass rate. The performance was below average, indicating limited understanding of the principles governing linear programming.

Question 13
The question assessed candidates' knowledge of how to formulate a linear programming model using a given cost matrix and the corresponding supply and demand information. All candidates attempted the question, but only eight candidates, representing 19%, passed. The performance was poor, highlighting significant difficulties in translating practical problems into mathematical models.

Question 14
The question assessed candidates' knowledge of the characteristics and essential components of a queuing system. All candidates attempted the question, with only 10 candidates, representing 23%, obtaining a pass mark. The performance was unsatisfactory, indicating inadequate understanding of queuing theory and its underlying principles.

Question 15
The question assessed candidates' knowledge to determine the median using a cumulative frequency curve (Ogive). Approximately 65% of candidates attempted the question, and 19 candidates, representing 68% of those who attempted it, passed. The performance was encouraging and demonstrated a satisfactory understanding of the graphical determination of the median.

Question 16
The question examined candidates' knowledge of the applications of statistics in other disciplines and the limitations of statistical methods. A total of 35 out of 43 candidates attempted the question, and 20 candidates, representing 57% of those who attempted it, passed.

Question 17
The question assessed candidates' ability to solve a linear programming problem. Approximately 35% of candidates attempted the question and 47% of those who attempted it passed. The performance was below average, suggesting inadequate proficiency in the practical application of linear programming techniques.

Question 18

The question focused on the optimal assignment of tasks that would minimise total costs using an assignment model. Only three candidates attempted the question, and two candidates of those who attempted it, passed. Although the pass rate among those who attempted the question was encouraging, the extremely low attempt rate indicated that most candidates lacked sufficient confidence or understanding to attempt the problem.

Comments on Overall Performance

The overall performance of candidates was below expectations, with a pass rate of 56%. The performance highlighted the need for more comprehensive preparation, particularly in the mathematical and analytical aspects of the course.

Suggestions for Improvement

Candidates should be encouraged to undertake more rigorous and systematic preparation for future examinations through consistent study of the prescribed course materials and regular practice.

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

1. In N.I.I.R.A. 2025,
   (a) What is MCR? **(1 mark)**
   (b) What is the MCR for:
      (i) non-life insurance business? (ii) life assurance business?
      (iii) reinsurance business? **(9 marks)**

Solution

(a) MCR is Minimum Capital Requirement. **(1 mark)**

(b) (i) The MCR for **non-life insurance business:** the higher of ₦15,000,000,000.00 (i.e. NGN 15 billion) **(1½ marks)** or risk-based capital determined by the Commission **(1½ marks)**.
(ii) The MCR for **life assurance business:** the higher of ₦10,000,000,000.00 (i.e. NGN 10 billion) **(1½ marks)** or risk-based capital determined by the Commission **(1½ marks)**.
(iii) The MCR for **reinsurance business:** the higher of ₦35,000,000,000.00 (i.e. NGN 35 billion) **(1½ marks)** or risk-based capital determined by the Commission **(1½ marks)**.

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

2. (a) State any three (3) limitations of statistics. **(6 marks)**
   (b) Differentiate between descriptive and inferential statistics. **(4 marks)**

Solution

(a) The limitations of statistics are:

- statistics is not suitable to the study of qualitative phenomenon;
- statistics does not study individuals;
- statistical laws are not exact;
- statistics table may be misused;
- statistics is only one of the methods of studying a problem.

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

(b) **Descriptive Statistics** deals with collecting, summarising and simplifying data, which are otherwise quite unwieldy and voluminous. It seeks to achieve this in a manner that meaningful conclusions can be readily drawn from the data; **while Inferential Statistics** consists of methods that are used for drawing inferences, or making broad generalisations, about a totality of observations on the basis of knowledge about a part of that totality.

(2 marks for each correct and completely stated differentiation on each term. Sub-Total: 4 marks)
(Grand Total: 10 marks)

3. Enumerate any four (4) reasons why use of sample population will be chosen over use of total population.

Solution

The use of sample population will be chosen over use of total population for the following reasons:

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

(2 marks for each correct and completely stated reason. Only 4 to be graded. Grand Total: 10 marks)

4. (a) State any two (2) limitations to sampling. **(4 marks)**
(b) Enumerate the three (3) types of sampling procedures. **(6 marks)**

Solution

(a) The limitations to sampling are:

1. Sampling is to be done by qualified and experienced persons. Otherwise, the information will be unbelievable.
2. Sample method may give the extreme values sometimes instead of the mixed values.
3. There is the possibility of sampling errors. Census survey is free from sampling error.

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

(b) The three types of sampling procedures are:

* probability sampling; * non-probability sampling; * mixed sampling.

(2 marks for each correctly stated type. Grand Sub-Total: 6 marks)
(Grand Total: 10 marks)

5. Enumerate any four (4) objectives of collecting statistical information.

Solution

The objectives of collecting statistical information are to:

1. describe the methods of collecting primary statistical information;
2. consider the status involved in carrying out a survey;
3. analyse the process involved in observation and interpreting;
4. define and describe sampling;
5. analyse the basis of sampling;
6. describe a variety of sampling methods.

(2 marks for each correct and completely stated objectives. Only 4 to be graded. Grand Total: 10 marks)

6. (a) List four (4) classification of data. **(4 marks)**
(b) Outline any three (3) objectives of classifying data. **(6 marks)**

Solution

(a) The classification of data are:

* chronological classification; * geographical classification;
* qualitative classification; * quantitative classification

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

(b) The objectives of classifying data are:

- It condenses the mass of data in an easily assailable form.
- It eliminates unnecessary details.
- It facilitates comparison and highlights the significant aspect of data.
- It enables one to get a mental picture of the information and helps in drawing inferences.
- It helps in the statistical treatment of the information collected.

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

7. Explain any five (5) requirements of a “Good Table”.

Solution

The requirements of a “Good Table” are:

i. a table should be formed in keeping with the objects of statistical enquiry
ii. a table should be carefully prepared so that it is easily understandable
iii. a table should be formed so as to suit the size of the paper. But such an adjustment should not be at the cost of legibility.
iv. if the figures in the table are large, they should be suitably rounded or approximated. The method of approximation and units of measurements too should be specified.

v. rows and columns in a table should be numbered and certain figures to be stressed may be put in 'box' or 'circle' or in bold letters.
vi. the arrangements of rows and columns should be in a logical and systematic order. This arrangement may be alphabetical, chronological or according to size.
vii. the rows and columns are separated by single, double or thick lines to represent various classes and sub-classes used. The corresponding proportions or percentages should be given in adjoining rows and columns to enable comparison. A vertical expansion of the table is generally more convenient than the horizontal one.
viii. the averages or totals of different rows should be given at the right of the table and that of columns at the bottom of the table. Totals for every sub-class too should be mentioned.
ix. in case it is not possible to accommodate all the information in a single table, it is better to have two or more related tables.

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

8. Outline any
   (a) three (3) advantages of "arithmetic mean" **(6 marks)**
   (b) two (2) disadvantages of "arithmetic mean". **(4 marks)**

Solution

(a) The advantages of "arithmetic mean" are:

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

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

(b) The disadvantages of "arithmetic mean" are:

- it cannot be obtained by inspection nor located through a frequency graph;
- it cannot be in the study of qualitative phenomena not capable of numerical measurement i.e. intelligence, beauty, honesty, e.t.c.;
- it can ignore any single item only at the risk of losing its accuracy;
- it is affected very much by extreme values;
- it cannot be calculated for open-end classes;
- it may lead to fallacious conclusions, if the details of the data from which it is computed are not given.

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

9. Explain the following terms:
   (a) Experiment; (b) Sample Space; (c) Event; (d) Mutually Exclusive Event; (e) Independent Event;

Solution

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

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

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

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

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

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

10. List and briefly explain the four (4) components of time series.

Solution

The four components of time series are as stated and explained below:

i. **Secular Trend:** a study of the series of economic and business statistics would reveal that most of them have a natural tendency to increase or decrease over a period of several years. For instance, a scrutiny of agricultural production in Nigeria during the last 30 year would show that the production has been in general on an increase and that the increase has been fairly regular.

ii. **Cyclical Variations: c**yclical variations as they pursue an oscillating movement which, in general, takes the form of a wave, though the distances from peak to trough of the waves are uneven. Such cycles are generally repeated at intervals ranging from about 3 to 10 years and are caused by a complex combination of forces affecting the equilibrium of demand and supply. Cycles generally exhibit semi-regular periodicity as these are neither as regular as are the seasonal variations, nor as accidental as are the random fluctuations. A business cycle may also be referred to as 'four phase' cycle, composed of prosperity, recession, depression and recovery. This swing from prosperity to recovery and back again to prosperity varies both in time and intensity.

iii. **Seasonal Variations:** it is a common knowledge that consumption and production of many commodities, interest rates, bank clearings, etc are marked by seasonal swings. Though the direct and main impact of nature is mainly on agriculture yet climatic conditions, including variations in rainfall, humidity, sunshine, heat, wind and snow do produce variations in almost all other types of industries Climate and custom together play an important role in giving rise to seasonal movements to almost all the industries – primary, secondary and tertiary.

iv. **Irregular or Random Fluctuations:** the fourth and last component of time series is obtained after segregating the secular, seasonal and critical variations from the original data of the time series and is variously known as residual, random, irregular or accidental fluctuation. Often these residual values show a substantial rise or fall attributable mostly to numerous non-recurring and irregular circumstances, such as wars, prolonged strikes, revolutions, locust invasions, conflagrations, famines, epidemics droughts, floods earthquakes, severe storms and other acts of God. Seldom any of these specific forces could even crudely be foreseen and as such the question of predictions scarcely arises.

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

11. (a) State any four (4) limitations to an "operations research approach". **(4 marks)**

(b) Outline any three (3) characteristics of a good "operations research solution". **(6 marks)**

Solution

(a) The limitations to an "operations research approach" are:

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

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

(b) The characteristics of good operations research solution are:

- the solution should be appropriate;
- the solution should be reliable;
- the solution should be economically viable;
- the solution should be accurate.

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

(Grand Total: 10 marks)

12. State and explain any four (4) assumptions in linear programming models.

Solution

The assumptions in linear programming models are:

- **Linearity:** it is assumed that decision variables are of the first power. There is no provision for higher powers like squares and cubes in any of the equations and inequalities.
- **Divisibility:** values of the decision variables are allowed to be fractions and need not be integers alone.
- **Deterministic Parameters:** it is assumed that the values of the parameters are known and are constant. This means that the model assumes a static state. It is pertinent to point out that in real life situation, there are probabilistic model parameters.
- **Non negativity:** all decision variables must take on non negative values.
- **Additively:** the linearity concept also implies that the total measures of the objective function and the total usage are additive in nature.

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

13. Given the cost matrix, together with its supply and demand in the table below, formulate as a linear programming problem.

	M 1	M 2	M 3	Supply
W 1	4	6	8	100
W 2	5	1	9	150
W 3	7	6	6	250
Requirement	50	150	300	500

Solution

Min Z = $4X_{11} + 2X_{12} + 8X_{13} + 5X_{21} + X_{22} + 9X_{23} + 7X_{31} + 6X_{32} + 3X_{33}$ **(3 marks)**

S.t

$X_{11} + X_{12} + X_{13} = 100$ **(1 mark)**

$X_{21} + X_{22} + X_{23} = 150$ **(1 mark)**

$X_{31} + X_{32} + X_{33} = 250$ **(1 mark)**

$X_{11} + X_{21} + X_{31} = 50$ **(1 mark)**

$X_{12} + X_{22} + X_{32} = 150$ **(1 mark)**

$X_{13} + X_{23} + X_{33} = 300$ **(1 mark)**

$Xij \geq 0$ for all pairs of (i,j) **(1 mark)**

(Grand Total: 10 marks)

14. State any five (5) characteristics of a queuing system.

Solution

The characteristics of a queuing system in which customers require just one services point are:

* maximum number of customers allowed (calling population);
* an arrival pattern; * a service pattern; *service channels;

* a queuing discipline; * steady state or a transient state; * a traffic intensity

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

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

15. (a) The data below shows the of some clients in Standard Insurance Company. Find the median using cumulative frequency curve (OGIVE). **(20 marks)**

Weight	100-109	110-119	120-129	130-139	140-149	150-159	160-169	170-179	180-189	190-199
Number of Students	8	15	21	34	45	26	20	15	10	6

(b) The data below was obtained from Up-Up Assurance Company in Kwara State. Study the data and calculate the 3rd deciles.

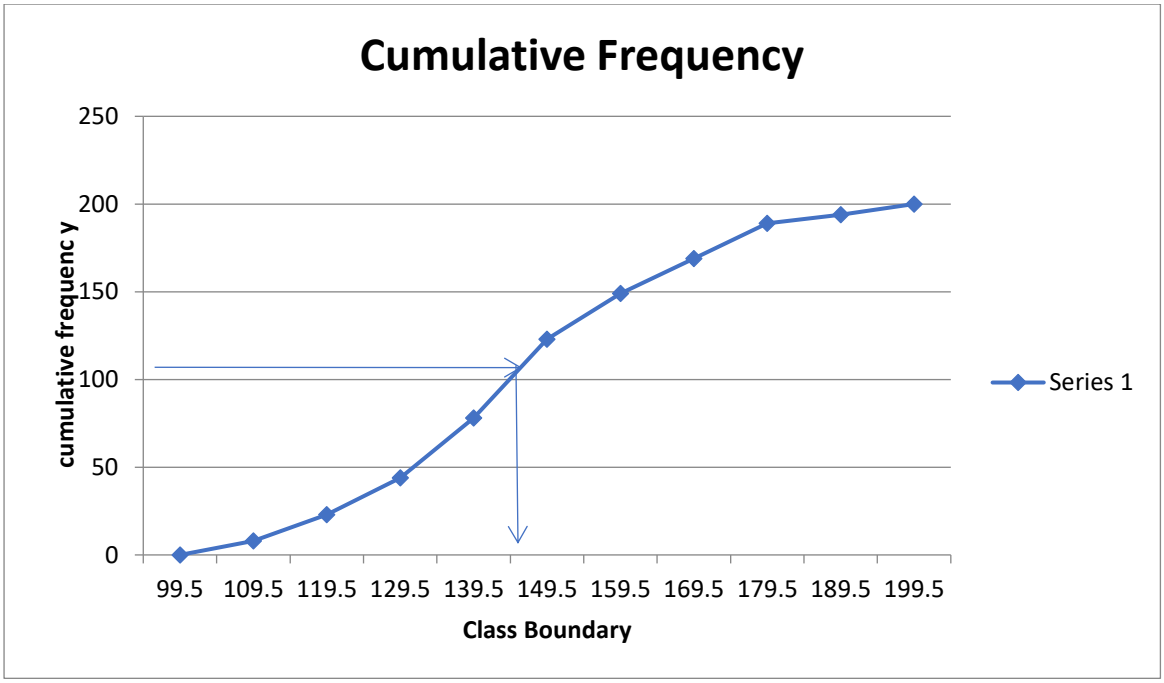
Class	0-10	10-20	20-30	30-40	40-50	50-60	60-70
Frequency	5	7	12	16	10	8	4

(10 marks)

Solution
(a)

Class	Number of Students (f)	Class Boundary	Cumulative Frequency
100 – 109	8	99.5 – 109.5	8
110 – 119	15	109.5 – 119.5	23
120 – 129	21	119.5 – 129.5	44
130 – 139	34	129.5 – 139.5	78
140 – 149	45	139.5 – 149.5	123
150 – 159	26	149.5 – 159.5	149
160 – 169	20	159.5 – 169.5	169
170 – 179	15	169.5 – 179.5	184
180 – 189	10	179.5 – 189.5	194
190 – 199	6	189.9 – 199.5	200
			(10 marks)

(½ **mark each for the correctly stated class boundaries. 1 mark for each correctly stated cumulative frequency. Sub-Total: 15 marks)**



(1 **mark for the correctly drawn horizontal line. 1 mark for correctly drawn vertical line. 3 marks for the correctly plotted graph. Sub-Total: 5 marks**

(b)

Class	0-10	10-20	20-30	30-40	40-50	50-60	60-70
Frequency	5	7	12	16	10	8	4
Cummulative Frequency	5	12	24	40	50	58	62

(½ mark for each correctly computed cumulative frequency. Sub-Total: 3 marks)

$$D_3 = \left(\frac{3N}{10}\right)^{th} item \quad \textbf{(1 mark)}$$

$$= \left(\frac{3\times 62}{10}\right)^{th} item \quad \textbf{(1 mark)}$$

$$= 18.6\ th\ item.\ this\ lies\ between\ 20-30 \quad \textbf{(1 mark)}$$

$$\therefore\ D_3 = Ld_3 + \left(\frac{\frac{3N}{10} - cfd_3}{fd_3}\right) \times cd_3 \quad \textbf{(2 marks)}$$

$$= 20 + \left(\frac{18.6-12}{12}\right) \times 10 \quad \textbf{(1 mark)}$$

$$= 20 + 5.5 = 25.5 \quad \textbf{(1 mark)}$$

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

16. (a) Highlight and explain five (5) applications of statistics in other disciplines. **(20 marks)**

(b) State and explain any four (4) limitations of statistics. **(10 marks)**

Solution

(a) (i) **Statistics and Insurance:** Statistics are lifeblood of successful insurer as so many multinational insurance companies invaded into our economy in those years, the size and volume of business increases. On one side the stiff competition is increasing whereas on the other side the tastes are changing and new fashions are emerging. In this connection, market survey plays an important role to exhibit those conditions and to forecast the likely changes in future.

(ii) **Statistics and Industry:** Statistics is widely used in many industries. In industries, control charts are widely used to maintain a certain quality level. In production engineering, to find whether

the product is conforming to specifications or not, statistical tools, namely inspection plans, control charts, etc., are of extreme importance. In inspection plans we have to resort to some kind of sampling – a very important aspect of statistics.

(iii) **Statistics and Agriculture:** Analysis of variance (ANOVA) is one of the statistical tools developed by Professor R.A. Fisher, plays a prominent role in agriculture experiments. In tests of significance based on small samples, it can be shown that statistics is adequate to test the significant difference between two sample means. In analysis of variance, we are concerned with the testing of equality of several population means.

For example, if five fertilizers are applied to five plots each of maize and the yield of maize on each of the plots are given. In such a situation, we are interested in finding out whether the effect of these fertilizers on the yield is significantly different or not. In other words, whether the samples are drawn from the same normal population or not. The answer to this problem is provided by the technique of ANOVA and it is used to test the homogeneity of several population means.

(iv) **Statistics and Economics:** Statistical methods are useful in measuring numerical changes in complex groups and interpreting collective phenomenon. Nowadays the uses of statistics are abundantly made in any economic study. Both in economic theory and practice, statistical methods play an important role. We need to know that statistical data and techniques of statistical tools are immensely useful in solving many economic problems such as wages, prices, production, distribution of income and wealth and so on. Statistical tools like index numbers, time series analysis, estimation theory, testing statistical hypothesis are extensively used in economics.

(v) **Statistics and Planning:** Statistics is indispensable in planning. In the modern world, which can be termed as the "world of planning", almost every organisation in the government sector and/or private sector are seeking the help of statistics for planning for efficient working, for the formulation of policy decisions and execution of the same. In order to achieve the above goals, the statistical data relating to production, consumption, demand, supply, prices, investments, income expenditure etc are collected and various statistical techniques for processing, analyzing and interpreting such complex data are of importance and they make use of.

(vi) **Statistics and Medicine:** In Medical sciences, statistical tools are widely used. In order to test the efficiency and efficacy of a new drug or medicine, t - test is used or to compare the efficiency of two drugs or two medicines, t test for the two samples is used. More and more applications of statistics are at present used in clinical investigation.

(vii) **Statistics and Modern Applications:** Recent developments in the fields of computer technology and information technology have enabled statistics to integrate their models and thus make statistics a part of decision-making procedures of many organizations. There are so many software packages available for solving different problems in different field of study. Such as:

1. Archeology: Evolution of skull dimensions
2. Epidemiology: Tuberculosis
3. Statistics: Theoretical distributions
4. Manufacturing: Quality improvement
5. Medical research: Clinical investigations.
6. Geology: Estimation of Uranium reserves from groundwater, e.t.c..

(2 marks for each correctly stated sector. 3 marks for each correct and completely stated application/explanation. Sub-Total per sector: 5 marks. Maximum of 5 to be graded. Grand Sub-Total: 20 marks)

(b) The limitations of statistics are:

i. Statistics is not suitable to the study of qualitative phenomenon: Since statistics is basically a science and deals with a set of numerical data, it is applicable to the study of only these subjects of enquiry, which can be expressed in terms of quantitative measurements. As a matter of fact, qualitative phenomenon like honesty, poverty, beauty, intelligence etc, cannot be expressed

numerically and any statistical analysis cannot be directly applied on the qualitative phenomenon's. Nevertheless, statistical techniques may be applied indirectly by first reducing the qualitative expressions to accurate quantitative terms. For example, the intelligence of a group of students can be studied on the basis of their marks in a particular examination or we may just describe it as either (good, bad etc), (agree, not agree, strongly agree etc).

ii. Statistics does not study individuals: Statistics does not give any specific importance to the individual items; in fact it deals with an aggregate of objects or collections of items or individuals. Individual items, when they are taken individually do not constitute any statistical data and do not serve any purpose for any statistical enquiry.

iii. Statistical laws are not exact: It is well known that mathematical and physical sciences are exact. But statistical laws are not exact and statistical laws are only approximations. Statistical conclusions are not universally true. They are true only on an average.

iv. Statistics table may be misused: Statistics must be used only by experts; otherwise, statistical methods are the most dangerous tools on the hands of the inexpert. The use of statistical tools by the inexperienced and untraced persons might lead to wrong conclusions. Statistics can be easily misused by quoting wrong figures of data. As King says aptly 'statistics are like clay of which one can make a God or Devil as one pleases'.

v. Statistics is only, one of the methods of studying a problem:

vi. Statistical method do not provide complete solution of the problems because problems are to be studied taking the background of the countries culture, philosophy or religion into consideration. Thus the statistical study should be supplemented by other evidences.

(1½ marks for each correctly stated limitation.1 mark for each correct and completely stated explanation. Sub-Total per limitation: 2½ marks. Maximum of 4 to be graded. Grand Sub-Total:10 marks)

(Grand Total: 30 marks)

17. (a) XYZ Insurance Company sells two types of policies, Plan-A and Plan-B. The Company has offices at two locations, one in Lagos and one in Abuja. It costs company ₦2,000,000.00 in issuing a Plan-A policy and ₦1,500,000.00 in issuing a Plan-B policy at the Lagos office. The Lagos office can incur cost of ₦30,000,000.00 per day which includes agent commission, underwriting, policy document issuance and miscellaneous expenses. It costs the company ₦2,200,000.00 in issuing a Plan-A policy and ₦1,800,000.00 in issuing a Plan-B policy at the Abuja office. The Abuja office can incur cost of ₦40,000,000.00 per day which includes agent commission, underwriting, policy document issuance and miscellaneous expenses. If the company makes a profit of ₦10,000,000.00 on each Plan-A policy and ₦15,000,000.00 on each Plan-B policy, formulate the linear programming problem.

(b) A factory uses three different resources for the manufacture of two different products, 20 units of the resource A, 12uits of B and 16 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 0 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

(a) Let X_1 be number of Plan-A policy **(1 mark)**

X_2 be number of Plan-B policy **(1 mark)**

Profit of X_1 will be $10X_1$ **(1 mark)**

Profit of X_2 will be $15X$ **(1 mark)**

Total amount on *Plan-A policy* and *Plan-B policy* $2X_1 + 1.5X_2$ but the company incur ₦30million in Lagos.

$\therefore 2X_1 + 1.5X_2 \leq 30$ Constraint 1 **(3 marks)**

Total amount on *Plan-A policy* and *Plan-B policy* $2.2X_1 + 1.8X_2$ but the company incur ₦40million in Abuja.

$\therefore 2.2X_1 + 1.8X_2 \leq 40$ Constraint 2 **(3 marks)**

The LPP is:

Max Z= $10X_1 + 15X_2$ **(2 marks)**

s.t $2X_1 + 1.5X_2 \leq 30$ **(1 mark)**

$2.2X_1 + 1.8X_2 \leq 40$ **(1 mark)**

$x_1, x_2 \geq 0$ **(1 mark)**

(Sub-Total: 15 marks)

(b) Let X_1 represent total number of the 1st product. **(1 mark)**

X_2 represents total no of the 2nd product. **(1 mark)**

The total information are summarised below in tabular form.

Resources	**Xi**	**X2**	**Total Units Available**
A	2	4	20
B	2	2	12
C	4	0	16
Profit	2	3	

$\therefore$ The total profit $Z = 2X_1 + 3X_2$

Constraints:

$2X_1, + 4X_2 \leq 20$ **(2 marks)**

$2X_1 + 2X_2 \leq 12$ **(2 marks)**

$4X_1 \leq 16$ **(2 marks)**

$X_1, X_2 \geq 0$ **(2 marks)**

The LPP is:

Max Z = $2X_1 + 3X_2$ **(1 mark)**

s.t

$2X_1, + 4X_2 \leq 20$ **(1 mark)**

$2X_1 + 2X_2 \leq 12$ **(1 mark)**

$4X_1 \leq 16$ **(1 mark)**

$X_1, X_2 \geq 0$ **(1 mark)**

(Sub-Total: 15 marks)

(Grand Total: 30 marks)

18. A manager of an insurance company suddenly received calls from customers A,B,C,D. He has four workers at points W, X, Y and Z, the distance between points and customers is given in the table below. Determine a set of assignments that will minimise the total costs for the manager.

	W	X	Y	Z
A	7	7	5	4
B	6	3	7	5
C	5	3	4	4
D	6	3	7	5

Solution

Subtract least number in every column from all the entries of the column. This can also be done along the rows.

Table 1

	W	X	Y	Z
A	2	4	1	0
B	1	0	3	1
C	0	0	0	0
D	1	0	3	1

(2 marks for each row (8 marks))

Table 2

	W	X	Y	Z
A	2	4	1	0
B	1	0	3	1
C	0	0	0	0
D	1	0	3	1

(2 marks for each row (8 marks))

Table 3

	W	X	Y	Z
A	2	4	1	0
B	1	0	3	1
C	0	0	0	0
D	1	0	3	1

(2 marks for each row (8 marks))

We have reach optimality stage according to the rue, that is, the o's covered once are then marked

Conclusion: It means,

W → B } worker Z is allocated to customer A **(1½ marks)**
X → D worker W is allocated to customer B **(1½ marks)**
Y → C worker Y is allocated to customer C **(1½ marks)**
Z → A worker X is allocated to customer D **(1½ marks)**

(Grand Total: 30 marks)

CHARTERED INSURANCE INSTITUTE OF NIGERIA

INTERMEDIATE

OCTOBER 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 OCTOBER 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

The question assessed candidates' understanding of Minimum Capital Requirements (MCR) and their application to various classes of insurance. A pass rate of 36% was recorded. Most candidates merely defined MCR without adequately explaining its application to the different classes of insurance, indicating a limited understanding of the question's requirements.

Question 2

The question focused on candidates' understanding of telephone tele-interviews. Only 1.2% of the candidates passed, indicating a very poor performance. Most candidates misinterpreted the question and provided responses relating to physical interviews rather than telephone interviews, as required.

Question 3

The question assessed candidates' ability to distinguish between Performance Management and Performance Appraisal. A pass rate of 3.6% was recorded, reflecting a poor understanding of the concepts. Most candidates failed to clearly differentiate between the two terms.

Question 4

The question focused on the major resources required for business operations. A pass rate of 82% was recorded, demonstrating a good understanding of the subject matter. Candidates appeared familiar with the concepts and provided satisfactory responses.

Question 5

The question assessed candidates' understanding of the Task, Team and Individual concepts in relation to job classification. A pass rate of 37% was recorded. Most candidates experienced difficulty explaining the relationships among these concepts.

Question 6

The question focused on the four stages of Team Development. A pass rate of 81% was recorded, demonstrating that candidates were familiar with the subject matter. The question was well attempted and the overall performance was commendable.

Question 7

The question assessed candidates' understanding of the reasons people communicate. A pass rate of 91% was recorded, indicating an excellent performance.

Question 8

The question focused on the steps required for effective communication. A pass rate of 75% was recorded, reflecting a good understanding of the subject matter. Most candidates demonstrated familiarity with the relevant principles and provided satisfactory responses.

Question 9

The question assessed candidates' knowledge of stress and related concepts. A pass rate of 86% was recorded, demonstrating a strong understanding of the subject matter. The question was well attempted and candidates generally provided appropriate responses.

Question 10

The question focused on the effectiveness of leaders in task-related areas. A pass rate of 28% was recorded, indicating poor performance. Most candidates demonstrated an inadequate understanding of the concepts, suggesting the need for more thorough preparation and study.

Question 11

The question assessed candidates' understanding of the essential elements of effective communication. A pass rate of 53% was recorded, indicating a slightly above average

performance. Considering the practical relevance of the subject to everyday activities, candidates were expected to demonstrate a better understanding.

Question 12
The question focused on the 5Cs of Decision-Making. A pass rate of 49% was recorded, indicating a below-average performance. Despite the popularity of the topic, many candidates demonstrated insufficient knowledge of the concepts. More thorough preparation would have improved their performance.

Question 13
The question assessed candidates' understanding of the common fears associated with organisational change. A pass rate of 43% was recorded, reflecting a below-average performance. Although the question was straightforward, many candidates failed to adequately identify and explain the fears commonly expressed during organisational change.

Question 14
The question focused on Effort-Oriented Key Performance Indicators (KPIs). A pass rate of 37% was recorded, indicating a limited understanding of the subject matter. Most candidates provided definitions rather than the practical examples specifically required by the question.

Question 15
The question assessed candidates' understanding of Operational Control and Management Control. A pass rate of 33% was recorded, reflecting poor performance. Candidates demonstrated difficulty explaining and distinguishing between the concepts, indicating the need for further study.

Question 16
The question focused on the concept of Cell Centres, a familiar topic in the syllabus. A pass rate of 31% was recorded, indicating poor performance. Despite the importance of the topic in the course materials, candidates demonstrated inadequate preparation and understanding.

Question 17
The question assessed candidates' knowledge to identify common errors made during interviews. A pass rate of 18% was recorded, indicating very poor performance. Most candidates relied on personal experiences rather than identifying the specific interview errors required by the question.

Question 18
The question focused on Conflict Management and the symptoms of conflict. A pass rate of 54% was recorded, indicating average performance. Many candidates experienced difficulty distinguishing between the symptoms of conflict and the strategies for managing conflict, which affected their overall performances.

Comment(s) on Overall Performance
An overall pass rate of 50% was recorded, indicating a below-average performance by the candidates. The overall performance suggested that candidates need to devote more attention to studying the prescribed course materials and understanding the specific requirements of examination questions.

Suggestion(s) for Improvement
Candidates are encouraged to improve their preparation for future examinations of the Institute through thorough study of the prescribed coursebooks and a comprehensive understanding of the syllabus. Candidates should also carefully read and interpret each question before attempting it, ensuring that their answers directly address the specific requirements.

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

1. In N.I.I.R.A. 2025,
   (a) What is MCR? **(1 mark)**
   (b) What is the MCR for:
      (i) non-life insurance business? (ii) life assurance business?
      (iii) reinsurance business? **(9 marks)**

Solution
(a) MCR is Minimum Capital Requirement. **(1 mark)**
(b) (i) The MCR for **non-life insurance business:** the higher of ₦15,000,000,000.00 (i.e. NGN 15 billion) **(1½ marks)** or risk-based capital determined by the Commission **(1½ marks)**.
(ii) The MCR for **life assurance business:** the higher of ₦10,000,000,000.00 (i.e. NGN 10 billion) **(1½ marks)** or risk-based capital determined by the Commission **(1½ marks)**.
(iii) The MCR for **reinsurance business:** the higher of ₦35,000,000,000.00 (i.e. NGN 35 billion) **(1½ marks)** or risk-based capital determined by the Commission **(1½ marks)**.

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

2. You have been asked to design a tele-interview process to enable you to decide which applicants should be shortlisted for face-to-face interview. Identify any four (4) essentials that should be rightly included in the process.

Solution
In designing the process, it is necessary to:
- agree the competencies and personal characteristics required;
- decide the way they are to be assessed, could include a role play;
- decide on a scoring process;
- develop a script and form to collect the information;
- train the tele-interviewers;
- agree on the success criteria.

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

3. Your subordinates often confuse "performance appraisal" with "performance management" whereas "performance appraisal" is just one of the methods to "performance management". Break down the "performance appraisal process" into four (4) distinct phases for better understanding.

Solution
The distinct phases of "performance appraisal process" for better understanding are:
- assessing the individual abilities for effectiveness;
- communication of the assessment – feedback;
- identifying training and development needs;
- setting objectives for next review period.

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

4. A business is composed of three major resources namely: material; financial and human resources.
   (a) What are "material resources"? **(2 marks)**
   (b) State any four (4) examples of "material resources". **(8 marks)**

Solution

(a) "Material resources" are the physical resources deployed in an organisation to achieve its set aims and objectives. **(2 marks)**

(b) Examples of "material resources" are:

* plants; * equipment; * office space; * vehicles;
* information or communications management systems.

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

5. (a) Management, at the moment is doing job classification for all jobs. Highlight two (2) major essentials of "job classification" to a group of clerical officers. **(6 marks)**

(b) Dr. John Adair's Action-Centred Leadership is represented by three overlapping circles marked "Task, Team and Individual". Briefly explain why the circles overlap. **(4 marks)**

Solution

(a) The essentials of "job classification" are:

- fitting jobs into a clearly defined set of job grades;
- the number and characteristics of the grades to be used are decided upon at the outset of the operation;
- each job is then examined and placed in the most appropriate grade.

(3 marks for each correctly stated essential. Maximum of 2 to be graded. Grand Total: 6 marks)

(b) The circles overlap in order to illustrate

- the concept and relationships
- each key area can affect the other two positively and negatively.

For example, the task achieved can lead to high team morale and when not achieved can leave the individual disgruntled.

(4 marks for any correct and completely stated reason. Only one to be graded. Sub-Total: 4 marks)
(Grand Total: 10 marks)

6. Teams do not automatically grow and develop; they evolve through stages. Tuckman identified four stages of team development. Enumerate these four (4) stages.

Solution:

Tuckman four stages of team development are:

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

(2 marks for each correctly stated stage. 2 marks for correct order listing. Grand Total: 10 marks)

7. Communication can be for different reasons, but it is basic to know why we communicate generally. Enumerate four (4) reasons why people communicate.

Solution

The reasons why people communicate are:

* to exchange views; * to achieve action; * to obtain understanding;
* to bring about change; * to attain personal acceptance;
* to achieve commitment.

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

8. One of the 5Cs of decision taking is Communication.

(a) What does communication mean as it relates to communicating with staff members in an organisation? **(4 marks)**

(b) Enumerate any two (2) main steps that should be taken for effective communication of the decision to staff members in an organisation. **(6 marks)**

Solution

(a) Communication is the stage at which what has been decided and why, is explained to staff. **(4 marks)**

(b) The main steps that should be taken for effective communication of the decision to staff members in an organisation are:

- brief them on what will happen, why, and whom the decision affects;
- back up the briefing with written confirmation of the decision;
- make sure everyone understands when the decision will be implemented.

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

9. Whether stress is caused by job sources or organisation sources, the effects are the same to the organisation. Enumerate any four (4) effects of stress on the organisation.

Solution

The effects of stress on the organisation are:

* high absenteeism;	* high staff turnover;
* industrial relations problems;	* poor quality control;
* decreased productivity;	* damaged morale.

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

10. The Action Centred Leadership of Dr. John Adair identified three key areas of effectiveness: the task, the team and the individual. Enumerate any five (5) needs under the task area of effectiveness that a leader should do.

Solution

The needs under the task area of effectiveness that a leader should do are:

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

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

11. You are to advise a level of supervisors on the ingredients of effective communication to their subordinates if organisations must achieve their objectives smoothly. State five (5) of the ingredients of effective communication.

Solution:

The ingredients of effective communication are that:

- messages communicated to staff should be accurate;
- messages communicated to staff should be clear;
- messages communicated to staff should be relevant;
- messages communicated to staff should be meaningful;
- messages communicated to staff should be timely;
- messages communicated to staff should be reliable; and
- messages communicated to staff should be credible.

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

12. One of the reasons Managers like the 5Cs of the decision-making process is because it concentrates on the actions the Manager must take and the involvement of staff. State the 5Cs.

Solution

The 5 Cs of the decision-making process are:

- **consider:** the preparation stage at which the problem is considered;
- **consult:** the stage at which initiatives are taken to involve those affected;
- **crunch:** the need to ensure that something is done;
- **communicate**: the stage at which what has been decided and why, is explained to staff;
- **check**: the need to go back and monitor the results of the decision.

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

13. Employees fear change because of the consequences rather than change itself and this provokes resistance by employees. Identify any five (5) of the fears of employees.

Solution

The fears of employees as it relates to "change" 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)

14. Key Performance Indicator (KPI) has two branches: results-oriented KPI and effort-oriented KPI. Enumerate any five (5) examples to explain the effort-oriented KPI.

Solution

The examples of effort-oriented performance measures are:

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

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

Part II

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

15. (a) By definition, explain to your team member who reports to you, the difference between Management Control and Operational Control. **(10 marks)**

(b) Action/business plans must be drawn up to show the specific measures which need to be taken if corporate objectives are to be achieved. List five (5) areas the action/business plan should cover. **(20 marks)**

Solution

(a) Management control is the 'process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation's objectives. **(5 marks)** Operational control is the process of ensuring that specific tasks are carried out effectively and efficiently. It focuses on individual tasks, and is carried out within the strictly defined guidelines issued by strategic planning and management control decisions. **(5 marks)** **(10 marks)**

(b) Action/business plans should be worked to cover the following areas:

- the objectives of the plan (which must be specific, measurable, achievable, relevant and time defined);
- the strategy for achieving those objectives;
- the specific activities which will be undertaken;
- allocation of specific responsibility for carrying out each activity;
- the dates for starting and finishing each activity;

- the specific estimated resource requirement (based on time estimates) for the period of implementation;
- the expected cost of the activities;
- the expected results (sometimes called milestones) on completion of the activity.

(4 marks for each correctly stated area. Maximum of 5 to be graded, Grand Sub-Total: 20 marks)
(Grand Total: 30 marks)

16. You have just employed a staff to manage your organisation's call/contact centre.
    (a) Briefly explain what call/contact centre is all about with focus on the two key areas. **(5 marks)**
    (b) Identify with him/her, with brief explanations, five (5) areas that call/contact centres can improve the level of customer service. **(25 marks)**

Solution

(a) Call centre management is about two key aspects:
* managing the call traffic/workflow; and * managing the people.

(2½ marks for each correctly stated aspect. Grand Total: 5 marks)

(b) The following examples illustrate how call/contact centres can help improve the level of customer service:
- **increased availability:** call/contact centres can provide service with wider opening hours, in some cases 24 hours a day, seven days a week, 365 days a year;
- **speed of answer**: calls can be answered quickly with prompt handling of customer requests;
- **skilled staff**: calls can be routed to appropriately skilled staff who have been trained to handle particular types of inquiry;
- **multi contact channels**: many call/contact centres can handle a wide variety of customer contacts such as telephone, post, internet and web chat. This enables the customer to use their preferred type of channel when contacting a company;
- **use of technology**: automated services can be offered to customers on a 24-hour basis. this enables the customer to contact the company at any time that suits them;
- **internet**: support telephone services can be offered to customers should they have an enquiry when considering making a purchase through the internet. examples of how call/contact centres can help reduce costs;
- **economies of scale**: building and staff cost economies can be achieved by concentrating the handling of high-volume tasks in one location;
- **use of technology and the internet to reduce staff costs and increase efficiency**: the use of telesales, telemarketing, obtaining sales leads, up and cross selling are further examples of how increased revenue can be achieved.

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

17. (a) Interview is a conversation with a purpose. To ensure success, Dr Neil Anderson has found a number of common errors often made by panelists in the interview decision-making process which must be avoided. State and briefly explain any five (5) of them.
    (b) Full-time fixed hours i.e. 8.00a.m. – 5.00p.m., remains a common contract type around. Kindly state two (2) advantages and two (2) disadvantages of the contract type.

Solution

Common errors to be avoided in in the interview decision-making process are:

- **Primary Effect:** putting too much emphasis on information gained in the first few minutes of an interview;
- **Expectancy Effect**: forming an expectation of a candidate from prior information (e.g. application form) which overly influences the final decision;
- **Confirmation Seeking Bias**: asking questions to confirm initial biases or impressions;
- **Halo/Horns Effect**: rate candidates either in a consistently positive or negative light;
- **Contrast Effect**: decisions affected by previous candidates seen and decisions already reached (i.e. 'I have had three possibles in a row, this one has to be a no');
- **Personal Liking Bias:** selecting candidates because you like them;
- **Clone Effect**: preferring candidates who are similar to yourself.

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

(b) Advantages of fixed full-time working hours are:

- easy to administer;
- staff have fixed working hours;

(2½ marks for each correctly stated advantage. Candidates can also state any other correct advantages. Maximum of 2 to be graded. Grand Sub-Total: 5 marks)

Disadvantages of fixed full-time working hours are:

- inflexible for extended hours working;
- overtime normally payable for additional hours;

(2½ marks for each correctly stated disadvantage. Candidates can also state any other correct disadvantages. Maximum of 2 to be graded. Grand Sub-Total: 5 marks)
(Grand Sub-Total: 10 marks)
(Grand Total: 30 marks)

18. If Managers are to perform effectively, it is important that they develop a planned or systematic approach to the management of conflict.
    (a) Identify any four (4) of the six stages of conflict management. **(12 marks)**
    (b) Ability to spot the symptoms in unresolved conflict situations quickly helps to resolve conflicts. Identify nine (9) symptoms of conflict. **(18 marks)**

Solution

(a) The six stages of conflict management are:

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

(3 marks for each correctly stated stage. Maximum of 4 to be graded. Sub-Total: 12 marks)

(b) The symptoms of conflict are:

- ideas are attacked before they are completed;
- comments are made with vehemence;
- members belittle one another's ideas or the ability of the group;
- members accuse one another of not understanding;
- members distort one another's ideas;
- members are impatient with one another;

- members stick to their own points of view rather than finding common goals;
- members take sides;
- suggestions do not build on previous suggestions;
- there is little movement towards solution of problems;
- win–lose pressures and attitudes (we–they) occur;
- members attribute negative motives to others.

(2 marks for each correctly stated symptom. Maximum of 9 to be graded. Sub-Total: 18 marks)
(Grand Total: 30 marks)

CHARTERED INSURANCE INSTITUTE OF NIGERIA

INTERMEDIATE

OCTOBER 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 OCTOBER 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

The question examined candidates' knowledge of trade associations in the Nigerian insurance industry. The question was well attempted; however, most candidates demonstrated difficulty distinguishing between trade associations and regulatory bodies, indicating a gap in their understanding of the roles and functions of these institutions.

Question 2

The question focused on the four terminals at Tin Can Island Port (TCIP). Although 90% of the candidates attempted the question, performance fell below the expected standard. This may be attributed to inadequate preparation or a poor understanding of the question's requirements.

Question 3

Candidates demonstrated difficulty understanding the requirements of the question, resulting in their inability to provide the expected responses. Although the question was attempted by 75% of the candidates, overall performance was poor, suggesting insufficient knowledge of the subject matter.

Question 4

Candidates demonstrated difficulty understanding and interpreting the question, resulting in responses that did not adequately address its requirements. Candidates are advised to read examination questions carefully, identify the key requirements and structure their answers accordingly.

Question 5

Although 90% of the candidates attempted the question, overall performance was poor. Their responses indicated inadequate preparation and a limited understanding of the subject matter. Candidates are encouraged to study the relevant course materials more thoroughly.

Question 6

The question assessed candidates' knowledge of the Institute Cargo Clauses (A), (B) and (C) dated 1 January 1982. Performance was poor, as candidates' responses revealed significant gaps in their knowledge and understanding of the clauses. This may be attributed to inadequate preparation and insufficient familiarity with the relevant provisions.

Question 7

The question examined candidates' knowledge of the various types of reinsurance. Although the question covered a fundamental aspect of the subject, some candidates demonstrated insufficient knowledge and were unable to correctly identify and state the relevant types. Candidates are advised to strengthen their understanding of the basic principles of reinsurance.

Question 8

The question on broking assessed candidates' understanding of a fundamental aspect of the subject. However, their responses fell below the expected standard, indicating deficiencies in their knowledge and understanding. More attention should be given to the relevant concepts during preparation.

Question 9

Although the question was well attempted, the overall performance suggested that candidates had not prepared adequately for the examination. Candidates are encouraged to study the prescribed course materials thoroughly and revise the relevant topics ahead of future examinations.

Question 10
The question was poorly attempted, demonstrating that candidates had difficulty understanding its requirements. Candidates are advised to prepare more thoroughly by studying the prescribed course materials and practising relevant examination questions.

Question 11
Although about 90% of the candidates attempted the question, their performance was below expectations. This suggests inadequate preparation and a limited understanding of the subject matter. Candidates are encouraged to improve their familiarity with the relevant topics.

Question 12
The question assessed candidates' knowledge of transport cargo ships. However, many candidates demonstrated difficulty providing appropriate answers. Candidates are encouraged to devote more time to studying the relevant course materials and practising examination questions to improve their understanding of the subject.

Question 13
The question assessed candidates' knowledge of container ships. However, most candidates demonstrated difficulty understanding the requirements of the question. Candidates are advised to prepare more thoroughly and develop a better understanding of the subject matter.

Question 14
Most candidates were unable to correctly identify the grain products commonly carried as cargo in marine transport. This indicates a limited understanding of the subject. Candidates are encouraged to undertake more focused and thorough study of the relevant course materials.

Question 15
Both the attempt rate and overall performance were fair. Candidates demonstrated a reasonable understanding of the subject matter, although there is room for improvement. A more focused and consistent approach to studying is recommended to enhance performance in future examinations.

Question 16
The question was well attempted, and candidates' performance was fair. Although the results indicated a reasonable level of understanding, candidates are encouraged to commence their preparation early and revise the prescribed course materials thoroughly to achieve better results in future examinations.

Question 17
Candidates demonstrated a fair level of performance in the examination. However, more thorough preparation and a better understanding of the course content could have resulted in improved outcomes.

Question 18
The question was poorly attempted, and overall performance was also poor. This suggests inadequate preparation and insufficient understanding of the subject matter. Candidates are encouraged to adopt a more focused and consistent approach to studying and to practise examination questions regularly.

Comment(s) on Overall Performance

An overall pass rate of 16% was recorded, which was below average. Although candidates attempted several questions, their responses frequently revealed inadequate preparation, limited understanding of fundamental concepts and difficulty interpreting examination requirements. These weaknesses affected their ability to provide accurate, relevant and comprehensive answers.

Suggestion(s) for Improvement

Candidates are encouraged to strengthen their understanding of the syllabus through focused study, thorough revision and regular practice with examination questions to enhance their performance in future examinations.

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

1. Messrs. Omnisure, a newly incorporated and licensed insurance organisation in Nigeria, is seeking your guidance and advice as a student of the insurance professional examination in Nigeria on the various arms of trade associations that are 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 the relevance of the associations.

Solution

The arms of trade associations that are available in the Nigerian Insurance Industry and their relevancies 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 its 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 of Nigeria**: a primary trade group for the interests 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. Enumerate the four (4) terminals of/situate at Tincan Island Port (TCIP).

Solution

The four (4) terminals of/situate at Tincan Island Port (TCIP) are:

- Josephdam – Port Services Limited (Terminal A)
- Tincan Island Container Terminal Limited (Terminal B)
- Ports and Cargo Handling Services Limited (Terminal C)
- Five Star Logistics Limited (RORO Terminal)

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

3. List any four (4) examples of the "law of extension" that the Personal Injury Coverage Endorsement AVN60, amongst others, provide covered against.

Solution

The examples of the "law of extension" that the Personal Injury Coverage Endorsement AVN60, amongst others, provide covered against are:

- false arrest, restraint, detention or imprisonment, malicious prosecution;
- wrongful entry, eviction or invasion of the right of pirate occupancy, inadvertent discrimination;
- libel or slander;
- medical malpractice.

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

4. (a) How does a broker place aviation risk? **(4 marks)**
   (b) On what is the premium calculation on (i) hull; and (ii) passenger liability calculated? **(6 marks)**

Solution

(a) A broker places aviation risk by using a 'slip' **(2 marks)** and a 'lead' underwriter **(2 marks)** similar to marine insurance. **(Sub-Total: 4 marks)**

(b) (i) Hull: a percentage of the insured value. **(3 marks)**
(ii) Passenger liability: revenue passenger miles. **(3 marks)**

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

(5) (a) Why does a broker have a lien on a policy?
(b) What principle does "causa proxima, non remota (proximate) spectacular" lead to?
(c) What is a "general average loss"?
(d) What is the point of a "sue and labour" clause?
(e) What does "lost or not lost" mean?

Solution

(a) A broker has a lien on a policy because the broker is directly responsible to the insurer for the insurance premium. **(2 marks)**

(b) Proximate Cause. **(2 marks)**

(c) A "general average loss" is when an extraordinary sacrifice or expenditure is voluntarily incurred in time of peril for the purpose of saving the common adventure. **(2 marks)**

(d) A "sue and labour" clause is to compensate the assured for expenditure involved in averting or minimizing an insured loss. **(2 marks)**

(e) "Lost or not lost" means that if a loss had occurred before the contract had been entered into, the risk would still attach provided the assured was not aware of the loss. **(2 marks)**

(Grand Total: 10 marks)

6. Name at least five (5) headings under which the provisions of the Institute Cargo Clauses (A), (B) and (C) 1/1/82 are grouped.

Solution

The headings under which the provisions of the Institute Cargo Clauses (A), (B) and (C) 1/1/82 are grouped are:

* risks covered; * exclusions; * duration; * claims;
* benefit of insurance; * minimising losses; * avoidance of delay;
* law and practice.

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

7. What are the two (2) main types of:
(a) proportional treaty reinsurance? (b) non-proportional treaty reinsurance?

Solution

(a) The two main types of proportional treaty reinsurance are:
* quota share; and * surplus;

(b) The two main types of non-proportional treaty reinsurance are:
* excess of loss; and * stop loss (i.e. aggregate excess of loss)

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

8. (a) What is a slip? **(3 marks)**
(b) How do underwriters show their acceptance of a risk or part of a risk? **(4 marks)**
(c) What is the term applied to the "first underwriter" to sign a slip? **(3 marks)**

Solution

(a) A slip is a sheet of paper giving details of a particular risk which a broker wishes to place with underwriters. **(3 marks)**

(b) Underwriters show their acceptance of a risk or part of a risk by issuance of initial slip, termed 'writing a line' to show what proportion of the total risk they are prepared to accept.

(4 marks)

(c) The term applied to the first underwriter to sign a slip is "the lead underwriter". **(3 marks)**

(Grand Total: 10 marks)

9. Enumerate any five (5) main factors that determine the rate when assessing a Marine Hull Risk.

Solution

The main factors that determine the rate when assessing a Marine Hull Risk are:

(i) type of ship; (ii) tonnage and age;
(iii) trading limits, cargo and suitability; (iv) management and past claim;
(v) conditions of insurance; (vi) classification society;
(vii) flags and P & I club membership; (viii) valuation; and
(ix) repair costs.

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

10. (a) The CMR provisions regarding the transport of goods by road have the force of law in the UK under which Statute? **(4 marks)**

(b) Enumerate any two (2) types of transport that the Uniform Rule apply to in marine cargo. **(6 marks)**

Solution

(a) The Carriage of Goods by Road Act 1965 is the Statute. **(4 marks)**

(b) It applies to carriage by (i) rail; (ii) rail/road or (iii) rail/sea.

(3 marks to any correctly stated carriage. Maximum of 2 to be graded. Sub-Total: 6 marks)

(Grand Total: 10 marks)

11. (a) What are the three (3) important elements of a bill of lading? **(6 marks)**

(b) A waybill is similar to a bill of lading but has one particular advantage. What is this advantage? **(4 marks)**

Solution

(a) The three important elements of a bill of lading are:

(i) a receipt for goods; (ii) a written evidence of the contract of carriage;
(iii) a document title.

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

(b) The advantage is that a buyer can take delivery of cargo with proof of identity, without having to produce a waybill. **(4 marks)**

(Grand Total: 10 marks)

12. (a) Name the three (3) classes of ships referred to as "transport cargo". **(6 marks)**

(b) What schedule route does a tramp ship follow? **(4 marks)**

Solution

(a) The three classes of ships referred to as "transport cargo are:

* dry cargo vessel; * tankers;
* specialist vessel e.g Reefer, heavy lift and RORO.

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

(b) Tramp Ship have no scheduled route – but take whatever cargo is suitable from any port to wherever such is required to be delivered to. **(4 marks)**

(Grand Total: 10 marks)

13. (a) Why do container ships have to use special equipped container ports? **(4 marks)**

(b) (i) What does the acronym "RORO" mean? **(2 marks)**

(ii) What does (i) above refer to. **(4 marks)**

Solution

(a) Container ships have to use special equipped container ports because they need specialised berths with rapid gantry cranes that are able to lift the containers. They do not carry their own cargo handling gear. **(4 marks)**

(b) (i) RORO = Roll-on, Roll-off. **(2 marks)**

(ii) It refers to ships which carry drive on, drive off vehicles such as ferries, or those transporting large numbers of cars. **(4 marks)**

(Grand Total: 10 marks)

14. (a) Enumerate any three (3) types of grain products that are carried as cargo in marine transport. **(6 marks)**
    (b) State the two (2) ways by which the products in (i) above are carried. **(4 marks)**

Solution

(a) The types of grain products that are carried as cargo in marine transport are:
* wheat; * barley; * maize; * oats; and * rye.

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

(b) They are carried by bulk carriers or in smaller quantities in bagged form.

(2 marks for each correctly stated way. Sub-Total: 4 marks)

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

15. Discuss the following with regard to marine insurance contracts:
    (a) Protection and Indemnity Clubs (P and I Clubs); **(8 marks)**
    (b) Role of an Original Slip in Marine Insurance; **(8 marks)**
    (c) Concept of Contingent Interest in Relation to Cargo Covers; **(8 marks)**
    (d) Concept Of Sympathetic Damage. **(6 marks)**

Solution

(a) **Protection and Indemnity Clubs (P and I Clubs):** P and I Clubs are mutual insurance associations that provide liability insurance to shipowners and charterers. They cover risks that are not typically covered by traditional marine insurance policies, such as collision liability, pollution liability, and crew liability. **(8 marks)**

(b) **Role of an Original Slip in Marine Insurance:** The original slip is a document that outlines the terms and conditions of the insurance policy. It is a binding contract between the insurer and the assured. **(8 marks)**

(c) **Concept of Contingent Interest in Relation to Cargo Covers:** Contingent interest refers to the interest that a person has in the cargo being transported, even if they are not the owner of the cargo. This can include a buyer or seller who has a contractual interest in the cargo. **(8 marks)**

(d) **Concept of 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. **(6 marks)**

(Grand Total: 30 marks)

16. (a) What are 'perils of the sea' as per the Marine Insurance Act 1906? **(8 marks)**
    (b) What is insurable interest and what does it entail, covering in detail every aspect of the application of this principle in relation to marine insurance? **(8 marks)**
    (c) The Assured under a contract of marine insurance policy is under an obligation to avert or minimise the loss. Analyse the implications of this statement for an assured under a marine insurance policy. **(8 marks)**
    (d) The right of subrogation is statutorily recognised by the Marine Insurance Act 1906, and its application occurs at the expense of the insured. Using suitable case law to support your answer, explain the right of a subrogated insurer. **(6 marks)**

Solution

(a) "Perils of the sea" refers to the risks and dangers that are peculiar to the sea and are not encountered on land. According to Section 3 of the Marine Insurance Act 1906, "perils of the sea"

includes damage caused by waves, storms, and other natural forces, as well as accidents and mishaps that occur at sea.

A "peril of the sea" must be something more than an ordinary weather condition, and must be a danger peculiar to the sea.

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

(b) Insurable interest refers to the interest that a person has in the subject matter of the insurance policy, which is the vessel or cargo being insured. The Marine Insurance Act 1906 requires that the assured must have an insurable interest in the subject matter of the policy at the time of the loss.

The principle of insurable interest is essential in marine insurance as it ensures that the assured has a legitimate interest in the subject matter and is not simply speculating on the risk. The insurable interest can be based on ownership, possession, or a contractual interest in the subject matter.

Case law: Lucena v Craufurd (1806) - The court held that the assured must have a pecuniary interest in the subject matter of the policy, and that the interest must be a legally recognised interest.

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

(c) The assured has a duty to take reasonable steps to prevent or minimise the loss, as failure to do so may result in the insurer being able to avoid liability. This duty is implied in the Marine Insurance Act 1906 and is also a common law principle.
Implications of this are that:

- The assured must take reasonable care to prevent or minimize the loss.
- The assured must not take any action that would increase the risk of loss.
- Failure to comply with this duty may result in the insurer avoiding liability.

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

(d) The right of subrogation allows the insurer to step into the shoes of the assured and pursue any rights or remedies that the assured may have against third parties.
Case law: The "Yardarm" (1962) - The court held that the insurer's right of subrogation is a statutory right that arises upon payment of the claim.

The insurer's right of subrogation is subject to the following conditions:

- The insurer must have paid the claim in full.
- The insurer must not have waived its right of subrogation.
- The assured must not have taken any action that would prejudice the insurer's right of subrogation.

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

(Grand Total: 30 marks)

17. (a) (i) What are sue and labour expenses? **(4 marks)**
(ii) Define the essential requirements for justifying a claim under sue and labour expenses. **(4 marks)**
(ii) In what circumstances may a shipowner give notice of abandonment of his insured ship? **(3 marks)**
(iii) How are such notices given? **(3 marks)**

(b) Briefly explain the meaning of the following terms in maritime adventure:
(i) General Average Contribution; (ii) General Average Bond;
(iii) General Average Deposit;
(iv) General Average Disbursements. **(16 marks)**

Solution

(a) (i) Sue and labour expenses are expenses incurred by the assured to prevent or minimise a loss. **(4 marks)**

(ii) The essential requirements for justifying a claim under sue and labour expenses are that the expenses must be reasonable and incurred for the purpose of preventing or minimising a loss. **(4 marks)**

(b) (i) A shipowner may give notice of abandonment of his insured ship if the ship is a constructive total loss. **(3 marks)**

(ii) The notice must be given in writing and must be unconditional. **(3 marks)**

(Sub-Total: 14 marks)

(i) **General Average Contribution** refers to the contribution made by all parties involved in a maritime adventure to make good a loss or expense incurred for the benefit of all parties.

(ii) **General Average Bond** is a document that is signed by the parties involved in a maritime adventure, agreeing to contribute to a general average loss.

(iii) **General Average Deposit** is a deposit made by the parties involved in a maritime adventure to cover the cost of a general average loss.

(iv) **General Average Disbursements** refer to the expenses incurred in making good a general average loss.

(Sub-Total: 16 marks)
(Grand Total: 30 marks)

18. What are the general exclusions applicable to all sections of the AIOA/Lloyd's aircraft policy (AVNIA)? Your answer should incorporate an outline of the sub-divisions of the War Exclusion.

Solution

The general exclusions applicable to all sections of the AIOA/Lloyd's aircraft policy are as follows:

- 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;

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

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).

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

(Grand Total: 30 marks)

CHARTERED INSURANCE INSTITUTE OF NIGERIA

INTERMEDIATE

OCTOBER 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 OCTOBER 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
Not Applicable as no candidate attempted the course.

Comment(s) on Overall Performance
Not Applicable.

Suggestion(s) for Improvement
Not Applicable.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

INTERMEDIATE

OCTOBER 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 OCTOBER 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

The question assessed candidates' knowledge of the categorisation of insurance business under the Nigerian Insurance Industry Reform Act (NIIRA) 2025. The question was well attempted, with an attempt rate of 97.07% and a pass rate of 94.72%. This impressive performance demonstrated a strong understanding of the subject matter.

Question 2

The question examined candidates' understanding of the operation and importance of the insurance common pool. An attempt rate of 90% was recorded, while the pass rate was 46%. This indicated a below-average performance, as more than half of the candidates were unable to provide satisfactory answers. Candidates are encouraged to prepare more thoroughly for future examinations.

Question 3

The question assessed candidates' knowledge of the meaning of an underwriter and the underwriter's major responsibilities. The attempt rate was 99.9%, while a pass rate of 97% was recorded. This was an impressive result, demonstrating that candidates had a strong understanding of the subject matter.

Question 4

Despite the straightforward nature of the question, candidates did not demonstrate a satisfactory understanding of its requirements. Many provided irrelevant points, which contributed to the poor performance. Only 20% of the candidates scored above average. Candidates are advised to improve their preparation and pay closer attention to the specific requirements of examination questions.

Question 5

The question examined candidates' knowledge of the components of an insurance policy document. An attempt rate of 95% and a pass rate of 90% were recorded, indicating a very good understanding of the subject matter. However, candidates are encouraged to sustain this level of performance and strive for further improvement in future examinations.

Question 6

About 90% of the candidates attempted the question, with a pass rate of 64%. Although the question was well attempted, some candidates repeated points in their answers, while others omitted important aspects of the subject matter. Candidates should ensure that their responses are comprehensive, well-structured and free from repetition.

Question 7

The question assessed candidates' knowledge of insurance marketing tools. A pass rate of 85% was recorded, demonstrating a good understanding of the subject matter. The result suggested that most candidates were familiar with the concepts covered in the syllabus.

Question 8

The first part of the question was well answered, with more than 50% of the candidates scoring above-average marks. However, the second part was poorly attempted, as many candidates either omitted it or demonstrated an inadequate understanding of the concepts. Some candidates were unfamiliar with the meanings of Estimated Maximum Loss (EML) and Maximum Possible Loss (MPL). Candidates are encouraged to study all aspects of the syllabus thoroughly and pay equal attention to every part of a question.

Question 9
The second part of the question was avoided by almost all candidates, despite carrying six marks. Thus, many candidates forfeited the available marks and relied on the first part, which carried only four marks. Although the attempt rate was 98%, the pass rate was only 13%, indicating poor performance. Candidates are advised to attempt all parts of examination questions and prepare adequately for future examinations.

Question 10
The question recorded an attempt rate of 97%, but the pass rate was only 16%. Candidates demonstrated a poor understanding of the section carrying the higher marks, which significantly affected their overall performance. Candidates are encouraged to study the prescribed course materials more thoroughly and practise answering questions that require detailed explanations.

Question 11
The question assessed candidates' knowledge of the principle of utmost good faith and its implications. It was well attempted, with an attempt rate of 98.90% and a pass rate of 78.15%. The first part was generally well answered, while performance in the second part was moderate. Candidates should ensure that they understand and adequately address every component of a question.

Question 12
The candidates recorded a pass rate of 56%, indicating that slightly more than half demonstrated an adequate understanding of the concept assessed. The result reflects an average level of performance. Candidates are encouraged to prepare more comprehensively and give equal attention to all questions they choose to answer.

Question 13
A pass rate of 35% was recorded. Despite the straightforward nature of the question, candidates performed poorly, suggesting inadequate preparation and insufficient knowledge of the subject matter. Candidates are advised to devote more time to studying the relevant course materials to improve their performance in future examinations.

Question 14
Out of 237 registered candidates, 86% attempted the question, while 47% passed. Candidates demonstrated difficulty understanding the importance of timely policy documentation and the functions of an insurance policy document. This indicated a need for improved understanding of the subject matter and more thorough preparation.

Question 15
The question was avoided by the majority of candidates, suggesting limited familiarity with the subject matter. Out of 273 candidates, only 38 attempted the question, representing an attempt rate of 13.92%. Of those who attempted it, 19 candidates scored above-average marks. Candidates are encouraged to develop a more comprehensive understanding of the syllabus and avoid neglecting topics during their preparation.

Question 16
The question assessed candidates' knowledge of co-insurance arrangements. An attempt rate of 86.68% was recorded, while 88.94% of those who attempted the question achieved the reported performance benchmark. This indicated a good understanding of the subject matter

among the candidates who attempted it. Nevertheless, further preparation is encouraged to sustain and improve performance in future examinations.

Question 17
The question examined candidates' knowledge of risk control surveys. An attempt rate of 56.41% was recorded, while 90% of those who attempted the question scored above average. This demonstrated a strong understanding of the subject among the candidates who attempted it, although the relatively low attempt rate suggested that more candidates need to develop confidence across the entire syllabus.

Question 18
The question was avoided by many candidates, with an attempt rate of 37.93%. Of those who attempted it, 42.20% scored above average, indicating a limited understanding of the subject matter among a considerable proportion of respondents. Candidates are encouraged to broaden their knowledge of the syllabus and prepare more thoroughly for future examinations.

Comment(s) on Overall Performance
The overall performance was commendable, with a pass rate of 76% recorded. There is still room for further improvement in future examinations.

Suggestion(s) for Improvement
Candidates are encouraged to prepare more thoroughly for future Institute examinations by studying the prescribed course materials, revising relevant topics and paying closer attention to the specific requirements of examination questions to achieve improved performance.

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

1. (a) State the two categorisations of insurance business from Section 3 of the Nigerian Insurance Industry Reform Act (NIIRA) 2025. **(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. A community association proposes creating an internal fire-loss sharing scheme for its members. Using this scenario, explain how the "insurance common pool" operates and analyse its importance to the functioning of insurance, with at least four (4) explanations in total.

Solution

- ***Definition:*** The common pool is a collective fund into which many insured contribute premiums, and from which the few who suffer losses are compensated.
- ***Risk Sharing:*** Losses are spread across many members, reducing individual financial burden.
- ***Predictability:*** Pooling enables insurers to predict expected losses using the law of large numbers.
- ***Equitable Contribution:*** Higher-risk members pay more to maintain fairness in the pool.
- ***Financial Sustainability:*** The pool must cover claims, expenses, and profit to keep insurance viable.

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

3. You are newly employed as an underwriter and given multiple proposals across different classes. Using this scenario, define what underwriting is and briefly state and explain any three (3) major responsibilities and tasks of an underwriter.

Solution

- ***Definition:*** Underwriting is the evaluation and selection of risks to protect the insurance pool. **(4 marks)**
- ***Risk Assessment:*** Analysing hazards, exposure, and risk suitability.
- ***Accept/Reject Decision:*** Determining whether to accept, decline, or modify the risk.
- ***Terms and Conditions:*** Applying warranties, exclusions, and other protective clauses.
- ***Premium Determination:*** Setting the appropriate price for the risk.

(All correctly stated definitions of underwriting should be graded as correct with 4 marks)
(1 mark for each correctly stated responsibility. 1 mark for each correct and completely stated explanation. Sub-Total per responsibility: 2 marks. Maximum of 3 to be graded. Sub-Total on responsibilities: 6 marks.
(Grand Total: 10 marks)

4. A life office wants to redesign its rating system to reduce underwriting delays. Using this scenario, identify and explain any four (4) key factors affecting life assurance premium calculation.

Solution

- **Age:** Mortality risk increases with age; older applicants pay more.
- **Medical condition:** Existing illnesses raise the probability of early death.
- **Lifestyle factors**: Smoking, alcohol, and occupation influence risk.
- **Sum assured**: Higher benefits and longer terms affect premium levels.
- **Term**: Higher benefits and longer terms affect premium levels.

(1½ marks for each correctly stated factor. 1 mark for each correct and completely stated explanation. Sub-Total per factor: 2½ marks. Maximum of 4 to be graded. Grand Total:10 marks)

5. A policyholder complains that he never understood the meaning of endorsements and conditions in his policy document. Using this scenario, state and explain any four (4) key components of an insurance policy document.

Solution

- **Schedule:** Specific details: sums insured, names, premiums.
- **Operative Clause:** Defines the insurer's promise and coverage scope.
- **Exclusions**: Risks not covered by the policy.
- **Conditions**: Rules governing insurer and insured responsibilities.
- **Endorsements**: Modifications or additions to policy terms.

(1½ marks for each correctly stated component. 1 mark for each correct and completely stated explanation. Sub-Total per component: 2½ marks. Maximum of 4 to be graded. Grand Total:10 marks)

6. An insurer's solvency margin is dropping because outstanding claims have increased significantly. Using this situation, explain any four (4) importance of claims reserves to an insurer.

Solution

- Ensures future claim payment ability
- Supports accurate financial reporting
- Protects the insurer's solvency
- Influences premium rating
- Builds policyholder confidence

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

7. A new insurer wants to build brand awareness and attract young customers. Using this scenario, state any four (4) major tools used in insurance marketing.

Solution

- Advertising; * Sales promotion;
- Public relations; * Direct marketing;
- Online/digital channels.

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

8. A printing company installs fire-resistant doors and detectors. Using this scenario, State the meaning of EML and MPL and explain any three (3) differences between the two.

Solution

- **Meaning:** *of*
  - ***EML:*** Estimated Probable Loss
  - ***MPL:*** Maximum Probable Loss
- **Explanations Required:**
  - *Difference:* MPL does not consider protective features; EML does.
  - *Fire protection effects:* Upgrades reduce expected loss significantly.
  - *Application example:* The printing firm's improvements lower EML.
  - *Use by insurers:* Helps determine retention levels and reinsurance needs.

(2 marks for each correctly stated meaning. Sub-Total per meaning: 4 marks. 2 marks for each correct and completely stated explanation. Maximum of 3 to be graded. Sub-total: 6 marks. Grand Total: 10 marks)

9. A warehouse insured by two companies suffers a fire, and two policies apply. Using this case, explain the principle of contribution and how it works.

Solution

- **Meaning***:* two or more insurance companies are responsible for the financial implications of the loss and will share the loss amount in the proportion it had the risks assumed.
- **Explanations Required:**
  - Conditions for contribution (same risk, interest, peril)
  - Methods (pro-rata, independent liability)
  - Prevents over-indemnity
  - Insurer-insurer settlement process.

(4 marks for correctly stated meaning. 2 marks for each correct and completely stated explanation. Maximum of 3 to be graded. Grand Total: 10 marks)

10. A motor insurer pays for a loss caused by a negligent third party and seeks recovery. Using this case, explain subrogation and its importance.

Solution

- **Meaning:** insurer steps into insured's legal rights
- **Explanations Required:**
  - Purpose – prevents double recovery
  - Applies only to indemnity contracts
  - Helps control fraud and recover costs.

(4 marks for correctly stated meaning. 2 marks for each correct and completely stated explanation. Maximum of 3 to be graded. Grand Total: 10 marks)

11. A fire insurance proposer hides information about previous fire incidents. Using this scenario, explain the doctrine of utmost good faith and its implications.

Solution

- **Meaning**: full disclosure of material facts
- **Explanations Required:**
  - What constitutes a material fact

- Duty of proposer
- Insurer remedies (avoidance or amendment)
- Importance in preventing moral hazard

(4 marks for correctly stated meaning. 2 marks for each correct and completely stated explanation. Maximum of 3 to be graded. Grand Total: 10 marks)

12. A storm claim was rejected when investigation showed that poor maintenance was the real cause of damage. Using this scenario, explain proximate cause and its relevance in claim processing.

Solution

- **Meaning:** it is the active, efficient reason for the occurrence of the loss that determines the way, manner and quantum of any loss in claim processing.
- **Explanations Required:**
  - Covered vs. excluded perils
  - Multiple causes
  - Application to maintenance issue
  - Ensures fair claim settlement

(4 marks for correctly stated meaning. 2 marks for each correct and completely stated explanation. Maximum of 3 to be graded. Grand Total: 10 marks)

13. A factory owner failed to act while a fire spreads. Using this scenario, explain the insured's duty to minimise loss and its relevance in clam processing, with at least four (4) valid explanations.

Solution

- **Explanations Required:**
  - Insured must take reasonable steps
  - Negligence reduces claim
  - Practical examples (fire service, extinguishers)
  - Importance in reducing moral hazard.

(2½ marks for correctly stated meaning. 2 marks for each correct and completely stated explanation. Maximum of 3 to be graded. Grand Total: 10 marks)

14. An insurer delays delivering the policy document for weeks. Using this scenario, explain the importance of timely policy documentation, with at least four (4) valid explanations.

Solution

- **Explanations Required:**
  - Legal evidence of contract
  - Clarifies terms, conditions, exclusions
  - Prevents misunderstandings
  - Enhances professionalism/trust
  - Required for regulatory compliance.

(2½ marks for correctly stated meaning. 2 marks for each correct and completely stated explanation. Maximum of 3 to be graded. Grand Total: 10 marks)

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

15. An insured commercial client rejects the arbitrator recommended by the insurer, claiming potential bias, and requests an alternative dispute-resolution method. Explain

the characteristics of voluntary arbitration and alternative dispute-resolution (ADR) methods available to insurance customers, with at least six (6) valid explanations.

Solution

Explanations Required:

- "Litigation is not voluntary and, once a case has started, neither party can withdraw without the consent of the other."
- "If the parties are unable to negotiate a settlement, the court will impose a solution."
- "By contrast, arbitration is voluntary, in the sense that the parties enter into the arbitration agreement of their own free will."
- "However, when a dispute arises, one party can then force the other to arbitrate against their will and the arbitrator can impose a solution which, ultimately, the winning party is free to enforce against the losing party."
- "There are, however, a number of other forms of dispute resolution which are neither litigation nor arbitration."
- "These are usually referred to by the expression Alternative Dispute Resolution (ADR)."
- "ADR is truly voluntary in that its aim is to facilitate a mutually acceptable agreement to end the dispute."
- "It is an essential feature of any of the methods of Alternative Dispute Resolution (ADR) that an outsider (or third party) is brought in to help reach an agreement, and that this third party is entirely independent."
- "It is also important that they are not able to impose any resolution upon the parties."
- "This independence frequently leads to a greater degree of trust and openness being shown by the parties in dispute."

(5 marks for each correct and completely stated characteristic. Maximum of 6 to be graded. Grand Total: 30 marks)

16. A manufacturing company approaches an insurer with a request to insure an extremely large industrial complex valued far above the insurer's normal retention capacity. The insurer decides to involve other insurers to share the risk. Explain why insurers share risks and how co-insurance arrangements work, with at least five (5) valid explanations.

Solution

- "When the total sum insured on certain property is too large to be accepted by one primary insurer, or where it is the insured's wish to interest several insurers, a collective policy is issued."
- "This is called co-insurance. Instead of each insurer issuing its own policy, one company is nominated as the leading insurer of a panel of insurers, and is responsible for all negotiations, arranging surveys, calculating and collecting premiums, issuing policies and endorsements etc."
- "In such a case, each insurer signs up for a particular share (e.g. a fixed percentage) of the risk on an individual basis, and the names of all the insurers involved will be noted on the policy, together with their shares."
- "However, if one insurer on the panel is unable, for example, through insolvency, to meet its share of a claim, there is no liability on the other insurers on the panel to cover that proportion of the loss belonging to the insolvent insurer."
- "As the leading insurer will incur the major share of the expenses on behalf of all the panel, in surveying and documentation processing, it is usual for all the co-insurers to pay 5% of their share of the premium to the leading insurer as a contribution to these expenses."

- "Generally, a broker will be involved. Most requests for changes in the policy will be handled by the leading insurer, but sometimes it is necessary to seek the opinions of the second and third insurers or even the whole panel for some of the more unusual requests for cover."

(6 marks for each correct and completely stated characteristic. Maximum of 5 to be graded. Grand Total: 30 marks)

17. A large manufacturing company has suffered several small fires over the past year. The insurer is concerned about potential escalation into a catastrophic loss and has sent a surveyor to assess the premises. Explain the key functions of risk control surveys and how they support loss prevention for insurers and insureds, with at least six (6) valid explanations.

Solution

- "The risk control surveyor is the person who acts as the eyes and ears of the underwriter."
- "Many companies employ specialist surveyors in the different areas of risk such as fire, security, liability, business interruption, and so on."
- "The surveyor will eventually prepare a report for the underwriter and in the case of many property risks, will also draw a plan."
- "The report will cover a number of features, including the following: A full description of the risk."
- "An assessment of the level of risk. This will take into account all the relevant hazard factors, both moral and physical, and provide the underwriter with some idea of the degree of risk which they are being asked to accept."
- "The surveyor will also be able to comment on surrounding property as, in the case of fire insurance for example, this may have an impact on the level of risk."
- "A measure of the maximum probable loss (MPL). This MPL, or estimated maximum loss (EML) as it is known by some, is the maximum that the surveyor believes will be the subject of a loss."
- "Recommendations on loss prevention. The surveyor will also make known to the insured what steps should be taken to protect the risk."
- "The surveyor's risk control recommendations (frequently referred to as a loss prevention programme) will be passed to the insured, usually via a broker, for action."
- "It is now usual to include what amounts to a disclaimer pointing out that the recommendations arise from conditions observed during the inspection, and that it should not necessarily be inferred that other hazardous or adverse conditions are not present."

(5 marks for each correct and completely stated characteristic. Maximum of 6 to be graded. Grand Total: 30 marks)

18. An insurer has received numerous complaints from clients concerning delays in claims settlement. NAICOM initiates a routine market-conduct inspection to determine whether the insurer is complying with minimum claims-handling standards. State any six (6) key regulatory requirements imposed by NAICOM for claims management and claims notification.

Solution

- "The regulator, NAICOM, requires that every insurance institution shall ensure that claims settlement procedures are clearly defined and appropriately communicated to the insured."

- "The insurer shall set out timelines in its policy and procedure manual within which to settle all admitted claims."
- "The insurer shall have a fair and transparent claims handling and claims dispute resolution procedures in place."
- "The insurer shall maintain written documentation on its claims handling process."
- "The insurer shall inform claimants about procedures, formalities and common timeframes for claims settlement."
- "The insurer shall ensure that assessors and adjusters are given independence to operate."
- "The insurer shall explain to its clients their obligation to notify claims promptly and to disclose all material facts and advise subsequent developments as soon as possible."
- "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."
- "Notification of the claims may be made in line with the policy conditions, provided that the claimant shall use any fast means of communication to the insurer."
- "Provided that where the mode of communications used lacks written evidence, the insurer shall inform the claimant of the need to follow up such communications with a letter and/or completion of the appropriate claims form."
- "Where claims notification is received by an intermediary, such notification shall immediately but not later than 2 working days be transmitted to the insurer."
- "When a policyholder or claimant reports a loss, the insurer, broker or agent shall make available an appropriate claims form for the class of business, with clear instructions as to how the form shall be completed."
- "When a loss is reported, the insurer, broker or agent shall advise the policyholder or claimant to co-operate in the investigation by providing the insurer with all relevant information."
- "If the insurance institution requires specific documents from policyholder or claimant when a claim is filed, the insurer, broker or agent shall provide a list of these requirements with the claims form."
- "An insurer shall respond promptly to notification of a claim. The insurer shall acknowledge receipt of the claims form within 2 working days."

(5 marks for each correct and completely stated characteristic. Maximum of 6 to be graded. Grand Total: 30 marks)

CHARTERED INSURANCE INSTITUTE OF NIGERIA

INTERMEDIATE

OCTOBER 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 OCTOBER 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 question assessed candidates' knowledge of the various arms of trade associations in the insurance industry. Being a compulsory question, it was attempted by all candidates. A pass rate of over 40% was recorded, indicating a below-average understanding of the subject matter.

Question 2

The question focused on market dynamics and the classification of clients within the insurance market. It was well attempted by all candidates; however, the pass rate was below 50%, indicating a limited understanding of the subject matter.

Question 3

The question assessed candidates' knowledge of the General Data Protection Regulation (GDPR). It was well attempted, with a pass rate exceeding 50%. As the question was drawn from the prescribed coursebook, the performance indicates a moderate understanding of the subject matter.

Question 4

The question focused on clients' needs, demands and the factors to be considered in addressing them. All candidates attempted the question, with a pass rate of about 40% recorded. This indicated a below-average understanding of the subject matter and the need for improved preparation.

Question 5

The question assessed candidates' understanding of the significance of co-insurance, a familiar concept in insurance market practice. A pass rate of about 50% was recorded. However, Part (b) was poorly attempted by approximately 80% of the candidates, indicating difficulty in addressing that aspect of the question.

Question 6

The question assessed candidates' knowledge of the principle of certainty in insurance. Being a compulsory question, it was attempted by all candidates, with a pass rate of about 60% recorded. This reflected a satisfactory understanding of the subject matter.

Question 7

The question focused on objectives of presenting and explaining terms to the clients. It was well attempted by all candidates, with a pass rate of about 50% recorded. This indicated an average understanding of the subject matter, although there is room for improvement.

Question 8

The question assessed candidates' knowledge of horizontal and vertical placements in co-insurance arrangements. The topic appeared unfamiliar to some candidates, resulting in a relatively low attempt rate.

Question 9

The question examined the criteria for assessing the suitability of an insurer for a specific risk. About 80% of the candidates attempted the question, with approximately 70% providing satisfactory responses. This demonstrated a good understanding of the relevant considerations in insurer selection.

Question 10
The question assessed candidates' knowledge of the five levels of service that insurance brokers should consider when selecting an insurer for business placement. The question was closely related to Question 9, and candidates demonstrated a similar level of understanding. Their responses generally reflected understanding of the key service considerations required when assessing the suitability of an insurer.

Question 11
The question assessed candidates' understanding of Excess and Franchise, which are fundamental concepts in insurance practice. All candidates attempted the question, with about 90% recording an excellent performance.

Question 12
The question focused on the areas where a Broker needs to give guidance to the client on insurance matters. All candidates attempted the question, with a pass rate exceeding 80%.

Question 13
The question assessed candidates' knowledge of issues relating to insurance programme design. About 60% of the candidates attempted the question, with a failure rate of approximately 70% recorded. This indicated poor performance.

Question 14
The question examined the activities and responsibilities of insurance brokers in claims handling. Almost all candidates attempted the question, with a pass rate of about 90% recorded. This impressive performance demonstrated a strong understanding of the broker's role in the claims process.

Question 15
The question assessed candidates' understanding of the legal remedies available to victims of accidents involving unidentified drivers under the Nigerian Insurance Industry Reform Act (NIIRA) 2025. About 40% of the candidates demonstrated an understanding of the relevant provisions. This indicated a need for greater familiarity with the Act.

Question 16
The question focused on brokers' judgement on a quote for a new risk, especially liability. About 30% of the candidates attempted the question. While performance in Part (a) was commendable, Part (b) recorded a relatively low pass rate, indicating that candidates experienced difficulty addressing that aspect of the question.

Question 17
The question assessed candidates' understanding of claims notification, claim advocacy, claims register and risk reduction. Almost all the candidates attempted the question, with about a 90% success rating recorded in (a) and about a 75% success rate recorded in (b).

Question 18
The question assessed candidates' understanding of conventional programmes, self-insurance programmes and the fiduciary responsibilities of insurance brokers. Parts (a) and (b) recorded a commendable pass rate of about 75%, with candidates demonstrating a particularly good understanding of self-insurance. The marks obtained in these sections contributed positively to the overall performance of several candidates.

However, Part (c) recorded a pass rate below 45%, as most candidates were unable to adequately relate fiduciary duties to the responsibilities of insurance brokers. The topic should be given greater emphasis in future examinations to encourage improved understanding.

Comment(s) on Overall Performance

The overall performance was below expectations, as 27% of the candidates passed the examination. This was largely attributed to inadequate preparation and limited understanding of certain technical and practical aspects of insurance practice.

Nevertheless, commendable performances were recorded in some questions, particularly Questions 16 and 17.

Suggestion(s) for Improvement

Candidates are encouraged to devote more time to studying the prescribed course materials and developing a comprehensive understanding of the principles and practical aspects of insurance broking. Particular attention should be given to the provisions of the Nigerian Insurance Industry Reform Act (NIIRA) 2025 and its implications for contemporary insurance practice. Candidates should also familiarise themselves with current industry developments and practical market operations.

Candidates are further advised to carefully interpret examination questions, address all relevant requirements and demonstrate the practical application of their knowledge to achieve improved performance in future Institute examinations.

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

1. Messrs. Omnisure, a newly incorporated and licensed insurance organisation in Nigeria, is seeking your guidance and advice as a student of the insurance professional examination in Nigeria on the various arms of trade associations that are 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 the relevance of the associations.

Solution

The arms of trade associations that are available in the Nigerian Insurance Industry and their relevancies 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) The following groups of brokers are usually acting on behalf of "which group of clients" and what is "the group name of the client" that they act for?
(i) a retail broker (ii) a wholesale broker (iii) a reinsurance broker **(6 marks)**

(b) State the two (2) duties owed by a client to its Broker. **(4 marks)**

Solution

(a) (i) A **retail broker** is usually acting on behalf of the insured **(1 mark)**. The insured is therefore the retail broker's client **(1 mark)**.

(ii) A **wholesale broker** is usually acting on behalf of a retail or introducing broker **(1 mark)**. The retail/introducing broker is therefore the broker's client. **(1 mark)**

(iii) **A reinsurance broker** is usually acting on behalf of a ceding insurer **(1 mark)**. The ceding insurer is therefore the reinsurance broker's client **(1 mark)**.

(Sub-Total: 6 marks)

(b) The two duties owed by a client to its Broker are the duties of remuneration and the duty of utmost good faith.

(2 marks for each correctly stated duty. 4 marks)
(Grand Total: 10 marks)

3. (a) Explain the implication of General Data Protection Regulation (GDPR) for firms and individual brokers. **(2 marks)**

(b) GDPR refers to sensitive personal data as 'special categories of personal data'. State four (4) information in the category. **(8 marks)**

Solution

(a) Considering the nature of broking business, broking firms process millions of items of personal data for their clients and compliance with the Act should be built into the way the firm does business. Some large firms will have put in place a dedicated data protection team and may have published their own policy statement on data protection.

(2 marks for correct explanation)

(b) The information in the "special categories of personal data" are:

* race; * ethnic origin; * politics; * religion; * health;
* trade union membership; * genetics; * sex life;
* biometrics (where used for ID purposes); * sexual orientation.

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

4. (a) In assessing whether an insurance policy is suitable to meet the demands and needs of a customer, the Broker must take into account issues/matters. State any two (2) out of the three issues/matters.

(b) In the instance a recommendation has been made concerning a contract, the suitability statement needs to record some key information. State any two (2) out of the three key information.

Solution

(a) The following issues/matters are required to be taken into account in assessing whether an insurance policy is suitable to meet the demands and needs of a customer:

- whether the level of cover is sufficient for the risks that the customer wishes to insure;
- the cost of the contract, where this is relevant to the customer's demands and needs;
- the relevance of any exclusions, excesses, limitations or conditions in the contract.

(2½ marks for each correct and completely stated issue/matter. Maximum of 2 to be graded. Sub-Total: 5 marks)

(b) The suitability statement needs to record the following key information:

- the customer's demands and needs;
- how the recommendation addresses these demands and needs; and
- the reasons for the recommendation.

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

5. (a) State any two (2) instances why co-insurance, whether in the company or the insurance market, tends to be an appropriate option. **(4 marks)**

(b) State any three (3) obligations of brokers arising from the Nicholas G Jones v. Environcom Limited and MS PLC t/a Miles Smith Insurance Brokers (Third Party) (2010) case. **(6 marks)**

Solution

(a) The instances, why co-insurance, whether in the company or the insurance market, tends to be an appropriate option are where:

- the risk is high, complex or requires significant limits and no one insurer can provide 100% capacity
- it is needed to gain excess or spare capacity to allow for mid-term increases in risk or exposure; and
- given today's economic environment, some clients may wish to look to spread their risk capital among a number of insurers.

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

(b) The court held that a broker must:

- advise clients of their duty to disclose all material circumstances and enter into specific verbal or written exchanges on the subject to ensure that it is adequately explained;
- explain the consequences of failure to disclose;
- provide an understanding of matters that should be disclosed as being material;
- take reasonable care to elicit matters that clients ought to disclose, but might consider unnecessary to mention.

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

6. (i) Explain the principle of "contract certainty" when granting insurance covers. **(2 marks)**

(ii) State the four (4) approaches that help ensure that this happens. **(8 marks)**

Solution

(i) The principle of "contract certainty" makes it a market rule that cover should be agreed before inception.

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

(b) The approaches are:

- using agreed wordings 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;
- making negotiating the wording an integral part of the placing negotiation with insurers.

(2 marks for each correct and completely stated approach. Sub-Total: 8 marks)
(Grand Total: 10 marks)

7. State any four (4) objectives of presenting and explaining terms to the clients.

Solution

The objectives of presenting and explaining terms to the clients are to:

- convey the terms accurately and concisely to the client;
- ensure that the client understands, particularly important aspects of the cover and the terms and conditions;
- ensure that the client understands where the cover on offer does not match their requirements;
- provide a record of the advice to the client;
- bring special payment or standard credit terms to the client's attention; and
- provide full details of the insurers.

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

8. Explain the following terms as it relates to co-insurance:
   (a) Horizontal Placements; (b) Vertical Placements.

Solution

(a) Horizontal placements may be used in the client's best interest and not in breach of competition law where it can be evidenced that: the price set by a well-known and expert lead is holding down the price; and the efficiency gains of a horizontal placement accrue to the client. **(5 marks)**

(b) A vertical placement, just like the traditional horizontal method, starts with the broker agreeing all the cover terms and policy wording with a lead insurer and the client. The broker then takes the risk to other markets, seeking support for the cover set out and agreed to by the lead insurer. They invite the markets to quote the risk on the same cover/wording as the lead, but for a different, ideally lower premium to that already agreed with the lead insurer. **(5 marks)**

(Grand Total: 10 marks)

9. State any five (5) criteria for assessing insurers for a specific risk by a Broker for a prospective client.

Solution

The criteria for assessing insurers for a specific risk are:

- Innovation
- Technical Advice and Specialist Expertise
- Survey and Risk Control
- Capacity
- Claims Service
- Premium Financing
- Geographical Spread
- Price
- Continuity

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

10. Brokers and insurers are both in business to make a profit and to do this, each must not only retain the business they already have, but must seek new sources of business. State five (5) levels of service that should be looked for when considering an insurer.

Solution

The levels of service that should be looked for when considering an insurer are:

- fast and comprehensive quotations
- suggestions for the improvement of cover
- an efficient system of documentation
- prompt notification of proposed changes in market practice
- responsiveness to brokers' and clients' needs, particularly in preparing claims experiences and renewal terms in good time
- timely payment of claims and good claims service throughout the life of the claim
- a competent survey system
- specialist services
- efficient accounting
- web-based quotation and document production

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

11. (a) Explain the following terms:
    (i) Excess (ii) Franchise **(6 marks)**
    (b) Using a simple case study example, differentiate between the two terms in (a) above. **(4 marks)**

Solution

(a) (i) **Excess:** This is the amount of a claim that the insured has to pay. The effect is that the total policy limit is inclusive of the excess. **(3 marks)**

(ii) **Franchise:** This is a term that is sometimes used as an alternative to an excess or deductible. The basic difference is that with an excess or deductible the amount is to be borne by the insured, with the insurer dealing with the remainder of the claim. A franchise acts like an excess for claims up to the level of the franchise, but if the total claim exceeds the franchise, then the insurer will deal with the claim in its entirety, without contribution from the insured. **(3 marks)**

(Sub-Total: 6 marks)

(b) Candidates are required to state a simple case study to differentiate between the two terms in (a) above.

(2 marks for each correctly stated analogy on each term. Sub-Total: 4 marks)
(Grand Total: 10 marks)

12. State any four (4) areas where a Broker need to give guidance to the client on insurance matters.

Solution

The areas where the Broker must give guidance to the client on insurance matters are:

- disclosing material circumstances to enable a fair presentation of the risk without misrepresentation, in the case of business insureds (you will remember that for consumer insureds, the duty is to answer questions on the proposal form truthfully and accurately, to take reasonable care and not make misrepresentations);
- the meaning and importance of average and the importance of updating sums insured;
- how declaration clauses work and the possibility of additional premiums being generated after expiry of the policy;
- indemnity periods under business interruption (BI) policies and how they affect the sum insured;
- warranties and policy conditions concerning, for instance, storage of property, maintenance and efficacy of fire and burglar alarms and loss prevention systems, and the control of the application of heat**.**

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

13. State and explain any four (4) key issues in insurance programme design.

Solution

(a) The key issues are:

- Risk Retention; * Packages and Combining Policies; * Limits;
- Programme Term; * Specialist Cover * Insurers.

(Candidates are required to state and explain the terms. 1½ marks for each correctly stated term. 1 mark for correct and completely stated explanation under each term. Sub-Total per term: 2½ marks. Maximum of 4 to be graded. Grand Total: 10 marks)

14. State any five (5) basic activities of the broker in relation to claims.

Solution

(a) The basic activities of the broker in relation to claims are:

- advising the client as to whether the loss is insured or not;
- giving immediate notification of losses to insurers;
- advising the client of their rights and obligations under the policy;

- arranging for the completion of appropriate claims forms;
- ensuring that, where necessary, adjusters are appointed and briefing the client on the role of the adjuster;
- assisting the client in preparing the necessary documents and information in support of the claim to best present the claim to the market;
- collecting claim payments from insurers; and
- especially when a major loss occurs, attending site meetings with the adjuster and the insurer's personnel.

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

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

15. Mr. Olu was lawfully walking along a public road when he was struck by a motor vehicle driven by an unidentified driver. The driver failed to stop after the accident and fled the scene, making it impossible for the victim to ascertain the identity of the vehicle or its owner. As a result of the accident, Mr. Olu sustained serious bodily injuries and incurred significant medical expenses.

Upon receiving news of her husband's involvement in the accident, Mrs. Olu, who was heavily pregnant at the time, suffered severe emotional shock which led to a miscarriage. The family is now considering the legal remedies available to them and the documentation required for pursuing insurance-related claims.

(a) (i) Explain the remedy Mr. Olu has under NIIRA 2025 in respect of the injuries sustained in the accident. **(5 marks)**

(ii) Explain if Mrs. Olu can benefit from the same remedy available to her husband, having suffered a miscarriage as a result of the emotional shock caused by the news of the accident. **(5 marks)**

(iii) In the event of a claim under a Group Life Insurance Policy, state any four (4) documents that must be submitted to support and substantiate the claim. **(10 marks)**

(b) Brokers should be aware of the potential abuses of position in their organisations. State any five (5) potential abuse. **(10 marks)**

Solution

(a) (i) Mr. Olu has a remedy under S. 99 of NIIRA 2025, which established the Road Accidents' Victims Compensation Fund. The Law provides that this fund should be used to compensate innocent individual third parties permanently disabled or killed by uninsured or unidentified drivers.

(5 marks for correct explanation)

(ii) Mrs. Olu will generally not benefit from the same remedy because the compensation fund is primarily intended for persons who suffer bodily injury or death directly arising from the motor accident. Her miscarriage resulted from emotional shock occasioned by the news of the accident rather than direct involvement in the accident itself.

(5 marks for correct explanation)

(iii) The required documents that must be submitted to support and substantiate a Group Life Claim are:

- proof of identity of the beneficiary;

- completed claim form;
- death certificate;
- evidence of enrolment under the group life scheme;
- police report (where applicable).

(2½ marks for each correctly stated document. Maximum of 4 to be graded. Sub-Total: 10 marks)
(Grand Sub-Total: 20 marks)

(b) The potential abuse of position include:

- inappropriately accepting services from or supplying to colleagues, friends or relatives;
- not accounting for all money received – premiums, refunds or claims;
- misappropriation of client money or money held under risk transfer agreements;
- falsifying customer details to obtain insurance business that would otherwise be turned down or be more expensive;
- issuing false cover notes or false certificates of insurance;
- accepting inducements to favour one insurer or service provider over another;
- falsifying expense claims or timesheets;
- misusing company assets, property or intellectual property; and
- falsifying company records to conceal wrongdoings.

(2 marks for a correctly stated potential abuse. Maximum of 5 to be graded. Sub-Total: 10 marks)
Grand total: 30 marks)

16. (a) Many insurers will not quote for a new risk, especially liability, unless they see an authenticated claims experience from the holding insurer. State any five (5) ideals that should be applied with the broker's judgment

(b) Presenting a risk to an underwriter is a fundamental part of the broker's role. State any five (5) qualities and objectives of a good submission of such a presentation.

Solution

(a) (i) The ideals that should be applied with the broker's judgment when providing a liability quote are:

- always retain claims experiences from previous years – this enables the progress of claims to be tracked;
- check claims listings for duplications and claims shown as outstanding that have been settled;
- ask insurers for the experience well in advance, at least two months before expiry;
- try and agree a claims 'cut-off' date so that losses after that date do not affect renewal negotiations;
- seek reviews of large losses and do this in good time. Some brokers employ their own liability specialists to examine loss reserves, particularly for liability claims;
- for large losses ensure that the circumstances are clearly understood, especially any remedial steps taken or changes in the risk that may have eliminated the cause of the loss;
- for cases with large numbers of claims, present tables of losses with clarity and in a way that enables you to analyse the losses by values, after the application of different levels of deductible, by type or location and so on;
- ensure that any factors that may have a special influence on loss/claims statistics are identified and explained, for example closure of premises, changes in working practices and the like.

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

(b) The qualities and objectives of a good submission of such a presentation are:

- 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, for example, exports to the USA for products liability, or scaffolding activity for a contractor;
- 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;
- represent the client's best interests; and
- ensure that all information is recorded and acknowledged by the insurers.

(3 marks for each correct and completely stated quality and objective. Maximum of five (5) to be graded. Sub Total: 15 marks)
(Grand Total: 30 marks)

17. (a) According to NAICOM's directives on claims notification, state five (5) procedures that must be adhered to on claim notification.
(b) Explain the following terms:
(i) Claim Advocacy; (ii) Claims Register; (iii) Risk Reduction.

Solution

(a) The following procedures must be adhered to on claim notification:

- notification of the claims may be made in line with the policy conditions, provided that the claimant shall use any fast means of communication to the insurer, designated contact person or department or through the intermediary by direct reporting, telephone call, text message, email, fax, letter, use of social site or website, any other form of technology of wide usage.
- provided that where the mode of communications used lacks written evidence, the insurer shall inform the claimant of the need to follow up such communications with a letter and/or completion of the appropriate claims form.
- where claims notification (or an incident that may give rise to claims) is received by an intermediary, such notification shall immediately but not later than 2 working days be transmitted to the insurer.
- when a policyholder or claimant reports a loss, the insurer, broker or agent shall make available an appropriate claims form for the class of business, with clear instructions as to how the finn shall be completed. This shall be done within 2 working days of receiving notification of a claim.
- when a loss is reported, the insurer, broker or agent shall advise the policyholder or claimant to co-operate in the investigation by providing the insurer with all relevant information to ensure timely processing of the transaction.
- if the insurance institution requires specific documents from policyholder or claimant when a claim is filed, such as copies of official documents regarding the loss or any other relevant form of evidence, the insurer, broker or agent shall provide a list of these requirements with the claims form.
- if a broker or agent is the initial contact for the policyholder, the broker or agent shall forward the completed claims form to the insurer within 2 working days from the date of receipt of the completed claims form.

- an insurer shall respond promptly to notification of a claim. The insurer shall acknowledge receipt of the claims form within 2 working days.
- the insurer shall indicate to the policyholder or claimant the relevant department or contact person to whom all information or enquiries must be channeled. The insurer's claims department, the broker or agent shall be easily accessible.
- the insurer shall maintain a checklist for all relevant documents needed. This shall be completed and dated for all claims.
- the insurer shall advise the policyholder of the consequences of submitting a false or incomplete statement (which could include criminal prosecution).
- if a claim involves more than one insurer on the risk, the lead insurer or broker, where applicable, shall contact the other insurer(s) within two working days of the initial notification.
- the insurer shall inform the policyholder or claimant if an independent adjuster will be engaged to conduct a survey and/or an assessment. Where the insurer uses claims adjusters or other intermediaries, the insurer must be satisfied as to their competence and qualifications and shall use only persons who are registered for these purposes. The insurer shall hire the adjuster within 2 working days from the date of receipt of the completed claims form accompanied by all relevant documentation. The 'adjuster shall submit the assessment of damage report within ten (10) working days after receiving the instructions from the insurer. In large and complex special risk losses, a specified extra grace period might be allowed; however, the claimant shall be formally notified of this exception and evidence of concurrence obtained.
- within five (5) working days of receipt of the assessment report, the insurer shall notify the claimant as to its acceptance or rejection of the claim.
- in instances where the insurer does not engage the services of an adjuster, the insurer shall conduct an investigation into the reported loss within five (5) working days of receipt of a Claims Form accompanied by all relevant documentation.
- an Insurance intermediary shall advise the client without delay of the insurer's decision or otherwise on a claim; and give all reasonable assistance to the client in pursuing his claims, provided that the intermediary shall not take up recovery assignment on a policy contract which has not been serviced through him or shall not work as a claims consultant for a policy which has not been serviced through him.
- an insurer shall not settle an insurance claim in which it did not issue the policy or participate as co-insurer in an attempt to entice a policyholder whose claim was rejected. If an insurer has a genuine reason why such claims shall be paid, it shall be reported to the appropriate authorities.

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

(b) (i) **Claims advocacy** means simply helping and advising the client with any problems with the individual claim or the policy cover. The insurer will, therefore, still need to advise the broker of any major or contentious claim if the client has not already done so.

(ii) **Claim register** is a register that contains each client full details of the agreed settlements and current outstanding figures.

(iii) **Risk reduction** is the process of taking active steps to reduce the degree of hazard presented by a risk that cannot be eliminated, or to reduce the frequency with which it may result in loss.

(5 marks for each correct and completely stated explanation. Sub-Total: 15 marks)
(Grand Total:30 marks)

18. (a) Explain the following terms:
(i) Conventional Programme; (ii) Self-Insured Programme **(8 marks)**
(b) State three (3) advantages and disadvantages each of self-insurance. **(18 marks)**
(c) State any two (2) fiduciary duties of the brokers. **(4 marks)**

Solution

(a) (i) A **conventional programme** means that the premium is fixed, irrespective of the claims during the period of insurance. **(4 marks)**

(ii) **Self-insured programmes**, come in a variety of forms, influenced to some extent by tax treatment and local regulation. **(4 marks)**

(Sub-Total: 8 marks)

(b) The advantages of self-insurance are:

- cash flow saving: the initial premium is likely to be far less than for a conventional programme.;
- depending upon the structure, the insurance premium tax (IPT) will be much lower;
- these programmes respond quickly to investments in loss prevention as reduced claims directly equal reduced costs;
- it could help in the control of claims.

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

The disadvantages of self-insurance are:

- uncertainty;
- administration and commitment: self-insured programmes require a mechanism for their administration within the insured and they require the finance function to be aware of the need to reimburse claims years into the future;
- the insured is assuming the 'tail' in liability cover that is traditionally retained by insurers and for some liability covers, particularly EL, this can last many years and cause a strain on the insured's cash flow;
- security in the form of Letters of Credit (LOC) are irritations for many clients as they tend to be deducted from their overall debt facilities and thus impinge on the working capital of the business.

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

(Sub-Total: 18 marks)

(c) The fiduciary duties of the Brokers are that:

- Brokers must account to their principal for all money they receive on behalf of their principal, and must keep a proper record of all transactions;
- Brokers have a duty to take reasonable care to maintain proper and adequate records;
- brokers had a fiduciary duty to provide Equitas with copies of their internal records, where these related to transactions they had undertaken as agents.

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

(Grand Total: 30 marks)