

THE CHARTERED INSURANCE INSTITUTE

P81

Diploma in Insurance

Unit P81 – Insurance broking practice

October 2013 examination

Instructions

- Two hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit P81 – Insurance broking practice

Instructions to candidates

Read the instructions below before answering any questions

- **Two hours** are allowed for this paper, which contains 15 short answer questions and carries a total of 130 marks.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should 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.
- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

Answer ALL questions**Note form is acceptable where this conveys all the necessary information**

1. (a) List **ten** risk management services a broker may offer its clients. *(You should exclude risk transfer/retention mechanisms and motor fleet risk management from your answer.)* (10)
(b) Identify **four** services that may be provided by a motor fleet risk management provider. (4)
2. Explain the structure and operation of the Employers' Liability Tracing Office. (10)
3. (a) State the main difference between horizontal and vertical co-insurance placements. (2)
(b) State **two** circumstances where horizontal placements may be in the client's best interest and not in breach of competition law. (4)
4. (a) Explain briefly **three** key ways that firms can demonstrate to the Financial Conduct Authority their commitment to Treating Customers Fairly. (3)
(b) Explain briefly the guidance, given by the Financial Conduct Authority in its handbook document 'Responsibilities of Providers and Distributors for the Fair Treatment of Customers', on the topic of advising customers on the selection of a provider, as applied to general insurance contracts. (4)
5. State **six** of the general requirements of a broker under the law of agency. (6)
6. Explain briefly **three** factors that can favour a cross-class retention. (6)
7. Identify **six** advantages for a multi-national organisation from consolidating its insurance arrangements around the world into one global programme. (6)
8. Describe briefly **four** main features of umbrella policies and how they operate. (8)
9. (a) State **four** obligations a client may be expected to meet in negotiating service standards. (4)
(b) Identify **three** key performance indicators for a broker that flow out of service standards other than time requirements. (3)

10. (a) Outline **four** examples of conflicts of interest that may arise from a broker acting for two or more clients with similar interests.
- (b) Describe briefly the Financial Conduct Authority's guidance on the implications of Principle 8 Conflicts of interest for a broking firm handling a claim. (6)
11. State **seven** points of information about **each** policy for inclusion within a broker's register or cover summary for a client. (14)
12. (a) Explain briefly, in reference to the law of agency, the nature of the relationships between wholesale brokers, producing brokers and the insured. (6)
- (b) Describe briefly the circumstances surrounding the case of *Winter v Irish Life Assurance Plc* (1995) and the court's key findings. (6)
13. Describe briefly the **four** areas that should be clearly set out in a subjectivity in order to comply with the Contract Certainty Code of Practice. (8)
14. Explain briefly the main aim and application of a co-insurance deficiency clause. (6)
15. Explain briefly the regulatory structure for insurance in the USA, identifying the key regulatory body and how it brings about change. (6)

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