



*Chartered Insurance  
Institute of Nigeria*

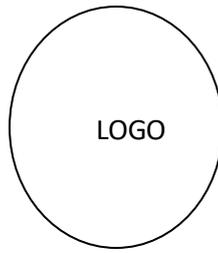
*Chief Examiners' Report*

*April 2019 Examination*

*Diploma in Insurance (D01 – D19)*

# GENERAL RELATED ISSUES TO WATCH OUT FOR IN FUTURE SITTINGS

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



**CHARTERED INSURANCE INSTITUTE OF NIGERIA  
DIPLOMA**

**APRIL 2019 EXAMINATION PAPER**

**SUBJECT D01  
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 form with care do not write notes on it.
- ✚ 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. Failure to do this may result in your paper not being assessed and marked.
- ✚ Insert your candidates 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.**

# CHARTERED INSURANCE INSTITUTE OF NIGERIA

## D01 - INSURANCE PRACTICE AND REGULATION

### INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

Part I - 140 marks.

Part II - 60 marks.

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

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

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

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

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

## **Summarized Report**

Pass Rate:	55.5%
Highest Score:	75%
Lowest Score:	39%
Average Score:	55%

## **Breakdown Updates**

### **Question 1**

About 80% scored high. It was a direct question.

### **Question 2**

Average performance. Some candidates did not do well.

### **Question 3**

About 50% of the candidates scored above average. Few candidates did not have a clear understanding of a voyage policy in Marine Insurance.

### **Question 4**

About 50% scored above average; others did not have an understanding of the Marine Insurance Act 1906 as the bedrock of Marine Insurance.

### **Question 5**

Some candidates did not understand that NIID was to combat fraud in the industry.

### **Question 6**

Above 70% scored above average; others did not understand the difference between physical hazard and moral hazard.

### **Question 7**

About 30% scored above average showing that candidates did not understand how premium rates are applied.

### **Question 8**

More candidates understood the question and got high marks than they did on other questions.

### **Question 9**

50% scored below average. Some candidates could not explain risk management. The reinsurance question was well attempted.

### **Question 10**

About 60% scored above average.

**Question 11**

About 40% scored above average.

**Question 12**

Average performance.

**Question 13**

Woeful performance!!! Many students were of the opinion that fidelity guarantee covers errors of employees.

**Question 14**

Average performance; the knowledge of self-insurance and captive insurance was shown. Subrogation was not well explained by those candidates who attempted the question.

**Question 15**

Many candidates avoided the question.

**Question 16**

Popular question. High marks scored.

**Question 17**

Nearly every candidate performed well on this question except few that did not understand the reasons for compulsory insurance.

**Question 18**

Popular question but avoided by many candidates about 20% that attempted it performed well.

**Chief Examiner's Comments on Overall Performance:**

Performance was better than last diet's. This could have happened due to better preparation.

**Chief Examiner's Suggestions on Improvement:**

Candidates who decide to be examined on this course are encouraged to adequately prepare and ensure that they cover the course book, legislation, regulations, guidelines, market agreements, e.t.c. (refer to covering page 2 above).

## Part I

**Answer ALL questions in Part I.**

**Each question carries 10 marks.**

1. According to the Federal Republic of Nigeria Insurance Act 2003, Section 2 stated the main classes of insurance as two. Mention these two main classes and state any three categories under each class.

### **Solution**

The two classes of insurance, according to the Act are:

- i) Life Insurance Business and
- ii) General Insurance Business.

**(2 marks for each correctly stated class. Sub-Total: 4 marks)**

The categories are:

#### **i) Life Insurance Business:**

- a. Individual Life Insurance Business
- b. Group Life Insurance and Pension Business
- c. Health Insurance Business

#### **ii) General Insurance Business:**

- a. Fire Insurance Business
- b. General Accident Insurance Business
- c. Motor Vehicle Insurance Business
- d. Marine and Aviation Insurance Business
- e. Oil & Gas Insurance Business
- f. Engineering Insurance business
- g. Bonds Credit Guarantee and Suretyship Insurance Business
- h. Miscellaneous Insurance Business

**(1 mark each for correct categories. Maximum of 3 to be graded per class. Sub-Total: 6 marks)**

- 2) Mention any five special features of life assurance.

### **Solution**

Five special features of life assurance are:

- a. Premium payments
- b. Participation or non-participation in profits
- c. Surrender values
- d. Paid-up policies
- e. Investments

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

3) Briefly explain the following terms:

- ✚ Time Policy
- ✚ Voyage Policy
- ✚ Mixed Policy
- ✚ Building Risk Policy

### Solution

- ✚ **Time Policy:** this is a marine policy issued for a fixed period usually not exceeding twelve months
- ✚ **Voyage Policy:** this is a marine policy issued for the period of the voyage. For cargo, the cover is from warehouse to warehouse.
- ✚ **Mixed Policy:** this is a marine policy issued which covers the subject matter for the voyage and a period of time thereafter e.g. while in port.
- ✚ **Building Risk Policy:** this is a marine policy issued for the construction of marine vessels.

**(2½ marks for each correct explanation. Total: 10 marks)**

4) State the legislation (with year) that governs Marine Insurance.

### Solution

The Marine Insurance Act 1906

**(10 marks)**

### Answer True or False to the following questions (Q5-8).

5) NIID (Nigeria Insurance Industry Database) platform is one of the other industry organized ways of combating fraud in the insurance industry.

6) Physical hazards is the hazard attaching to the morale characteristics of the subject matter of insurance.

7) Premiums are usually arrived at by applying a premium base to a premium rate. The rate could be a rate percent or per mille and it is intended to reflect the hazard associated with the particular insured.

8) It is usually easier to decide on the amount payable under a life assurance policy than other forms of policy.

### Solutions (Q8-15).

5) T **(10 marks)**

6) F **(10 marks)**

7) F **(10 marks)**

8) T **(10 marks)**

9) Explain the concept of "risk management". **(6 marks)**

b) Enumerate the reasons why insurers buy reinsurance cover

**(4 marks)**

**Solution**

Risk Management concept involve the assessment of risk to determine the level of risk exposures, minimize the risk of losses, reduce the extent of loss and prevent/eliminate risks in its entirety.

**(2 marks for any stated point/function. Maximum of 3 to be graded. Total: 6 marks)**

b) The reasons why insurers buy reinsurance cover are:

- for security
- for stability
- to prevent catastrophic losses
- to build capacity
- for macro-benefit

**(1 mark for each correctly stated reason. Maximum of 4 to be graded. Total: 4 marks)**

10) After receipt of a claim notification, mention the information that the insurer would confirm to ensure that the claim is valid.

**(10 marks)**

**Solution**

After receipt of a claim notification, the information that the insurer would confirm to ensure that the claim is valid are:

- confirmation through the insurer's record whether the policy was in force i.e. active at the time of loss
- confirm whether the loss reported is covered under the terms and conditions of the policy
- confirm whether the peril that caused the loss is an excluded peril
- insurer if the sum insured is adequate or not ( i.e. check for underinsurance)
- confirm the claimant details and existence of insurable interest as most applicable
- confirm the authenticity (or otherwise) of all submitted claim supporting documents i.e. estimate of repairs, police report, statement of claim, photograph of damaged property, etc

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

11) Mention five (5) major factors that are necessarily considered in the calculation of rates of premium in Life Assurance contracts.

**(10 marks)**

**Solution**

Five major factors that are necessarily considered in the calculation of rates of premium in Life Assurance contracts are:

- margin for reserves
- margin for profits/surplus
- margins for expected claims i.e. death/maturity

- margins for operational/overhead expenses
- mortality rate
- occupational hazards/classification
- age/medical condition

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

12) A manufacturing company insured a machine for the sum of N850,000.00 at inception five years ago. The machine was completely destroyed by fire at the 6<sup>th</sup> year. If the replacement as at the time of loss is N1,350,000.00. Briefly explain how the claim would be settled on:

a) indemnity basis **(5 marks)**

b) reinstatement basis **(5 marks)**

### **Solution**

a) With a sum insured of N850,000.00 and a value at time of loss of N1,350,000.00, **to settle on indemnity basis**, the insurer will apply "average clause" to settle the claim since there is under-insurance at play. This implies that the insured will bear a percentage of the loss.

b) With a sum insured of N850,000.00 and a value at time of loss of N1,350,000.00, **to settle on reinstatement basis**, the insurer will settle the claim based on "reinstatement memorandum clause" however, a percentage of depreciation cost will be considered before settling on the value at risk.

**(5 marks for each correctly stated point. Total: 10marks)**

13) Explain the main scope of cover under Fidelity Guarantee Insurance. **(6 marks)**

b) Mention the basic exclusion under fidelity guarantee policy. **(4 marks)**

### **Solution**

Fidelity Guarantee policy provide cover against the dishonesty or infidelity of an insured employee which resulted in financial loss or damage to the insured. The policy covers fraudulent act of the insured's employees and can be issued on blanket cover basis or named basis.

**(3 marks for any correctly stated point. Maximum of 2 points to be graded. Total: 6 marks)**

b) The basic exclusions under fidelity guarantee policy are:

- loss or damage as a result of connivance or error or commission
- loss or damage which are covered under a more specific insurance
- loss or damage which are specifically excluded from the policy conditions, or loss as a result of fortuitous event

**(2marks for any correctly stated point. Maximum of 2 points to be graded. Total: 4 marks)**

14) Differentiate between self-insurance and captive insurance. **(6 marks)**

b) Explain how subrogation is a corollary of indemnity.

**(4 marks)**

### **Solution**

**Self-insurance** is a situation where an organization or an individual set aside funds to mitigate against future losses (sinking fund); whenever the organization or individual suffers a loss, the fund is depleted. While **captive insurance** is where a large organization set up or establish subsidiary or affiliate company to insure the assets of the parent company. The premium paid is within the group and losses are equally settled by the subsidiary company, within the group.

**(3 marks for fully explained term. Total: 6 marks)**

b) Subrogation is a corollary of indemnity because under common law when an insurer indemnifies an insured, the insurer is permitted to take over the rights of the insured to recover any amount payable from the other negligent third party.

**(2marks for any correctly stated point. Maximum of 2 points to be graded. Total: 4 marks)**

### **PART II (Answer Two (2) out of Four (4)) Each question carries 30 marks.**

15. Which two international agreements relate to aviation insurance? What specific issues do they address? **14 marks**

b) The insurance market comprises of three major players. State these players with their composition and **pictorially show** the relationship between them **16 marks**

### **Solution**

a) The two international agreements that relate to aviation insurance are:

- i. The Warsaw Convention 1929 and
- ii. The Haque Protocol 1955 **(4 marks each; Sub-Total: 8 marks)**

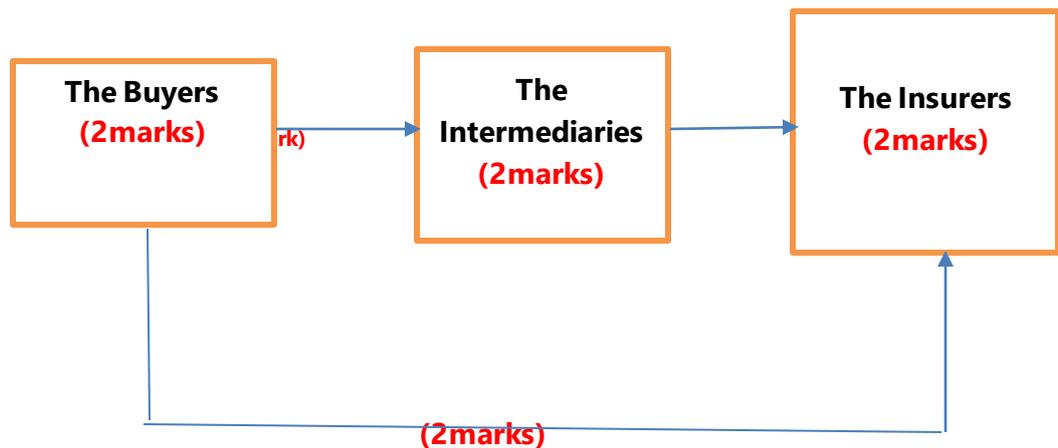
The specific issues they address are:

1. **The Warsaw Convention 1929:** made signatories liable to passengers without negligence and subject to certain maximum amounts
2. **The Haque Protocol 1955:** raised some of the maximum amounts under the Warsaw Convention 1929, subject to individual countries' own national laws  
**(3 marks each; Sub-Total: 6 marks)**

ii) The three major players in the insurance market are:

- a. **Insurers:** the insurance companies
- b. **Buyers:** the general public
- c. **Intermediaries:** agents and brokers.

**(1 mark for mentioning the player; 1 mark for stating the composition. Sub-Total: 6 marks)**



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

16) Briefly state three (3) instances each, when the intermediary is the agent of the insurer and the agent of the insured. **(12 marks)**

b) What do you understand by the term "proposal form"? **(3 marks)**

ii) What is the purpose of a proposal form? **(3 marks)**

iii) What questions are common to all proposal forms? **(12marks)**

**Solution**

S/No	When Acting as Agent of the Insurer	When Acting as Agent of the Insured
1	Explaining the policy terms	Advising on cover required
2	Collecting the premium	Advising how to make a claim
3	Issuing a cover note/delivering the policy document	Filing in a proposal form on their behalf
4	Passing on a claim payment	
5	Acting under delegated authority	

**(2 marks each for each correctly stated point. Total: 12 marks)**

b) A proposal form is the basic mechanism by which the insurer receives information about the risks to be insured. **(3 marks)**

ii) The purpose of a proposal form is to gather all the material facts which are necessary for deciding on the acceptance and terms for the risk. **(3 marks)**

iii) The questions common to all proposal forms are:

- Name of the proposer
- Address of the proposer

- Occupation of the proposer
- Details of past claims
- Period of insurance required
- Basis of premium computation
- Sum Insured of the proposed property/life

**(3 marks for each correctly stated question. Maximum of 4 to be graded. Total: 12 marks)**

17) Mention the various types of liability insurance under non-life policy, and briefly explain what it covers. **(20marks)**

b) State the reasons why some insurances are compulsory by legislation. **(10 marks)**

### **Solution**

Some types of Liability Insurances are:

- **Employers' Liability/Workmen Compensation:** this requires employer of labour to provide compensation for accident, death/bodily injury occurring to their employees in the course of employment.
  - **Public Liability:** provides compensation for the insured's legal liability to third parties as a result of injury or accident sustained in relation to the insured's activity or on the insured's premises. It could be business public liability or personal public liability.
  - **Product Liability:** provides compensation for the insured's legal liability to third parties as a result of injury or accident sustained in relation to the insured's products.
  - **Professional Indemnity:** covers the insured's legal liability against third parties arising from the insured's professional negligence or misrepresentation or wrongful advice.
  - **Directors' & Officers' Liability:** covers the legal liability of directors of companies against negligent advice which could lead to third party financial loss or injury
- (3 marks for correctly mentioning the liability type. 2 marks for brief explanation of what it covers. Sub-Total: 5 marks per type. Grand Total: 20 marks)**

b) The reasons for compulsory insurances are:

- To impose confidence in the insurance industry
- For provision of funds to mitigate any loss(es)
- To ease the burden of government providing compensation for all such accidental losses
- To enable the insured have access to risk control
- For national concern.

**(2½ marks for each correct answer. Maximum of 4 to be graded. Total: 10 marks)**

18) Who is a risk control surveyor? Enumerate the uses/purpose of "Risk Control Survey" in General Business Insurance Underwriting. **(30 marks)**

### **Solution**

A **risk control surveyor** is the person who acts as the eyes and ears of the underwriter over the risks proposed to them or insured by them, majority of underwriters appoint risk control surveyors in cases of large fire, engineering and liability risks. **(3 marks)**

The risk control surveyor is used to access and evaluate large industrial risk in order to determine the MPL (Maximum Probable Loss) of the risk and after evaluating the risk, the surveyor would prepare his report to the underwriter. **(3 marks)**

Such report is called the "risk control survey" report and it contains the following details:

- **Full description of the risk:** this include the plan of the premises, the processes involved in the business activity being carried out in the insured's business/on the insured premises, and other crucial insured's information
- **Implications Assessed Risks:** it details the risks seen by the surveyor, the interpretation of such risks, after taking into cognizance all relevant hazard factors – both moral and physical
- **Pictorial Representations of the Risk:** this details very crucial aspects of the insureds business and helps bring to the fore of the underwriter the business contents of what is being placed in their books.

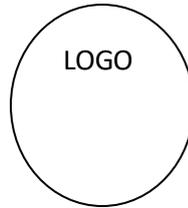
**(2for any correctly stated point above. Maximum of 2 points to be graded. Total: 4 marks)**

**The report is used in general business insurance underwriting to:**

- guide the underwriter to decide the degree of risk to accept
- assist in setting the terms, conditions and warranties to impose in the policy
- determine the maximum probable loss amount
- make loss prevention recommendations to the underwriter
- advise the insured on steps to take to protect the risk and if the sum insured is adequate.

**(5marks each on all correctly stated use. Maximum of 4 points to be graded. Total: 20 marks)**

**(Grand Total: 30 marks)**



**CHARTERED INSURANCE INSTITUTE OF NIGERIA  
DIPLOMA**

**APRIL 2019 EXAMINATION PAPER**

**SUBJECT D04  
BUSINESS 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 form with care do not write notes on it.
- ✚ Do not write on the question paper.
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- ✚ Insert your candidates 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.
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**FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL)  
WILL ATTRACT STATED SANCTIONS.**

# CHARTERED INSURANCE INSTITUTE OF NIGERIA

## D04 - BUSINESS PRACTICE

### INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

You should answer all the 20 compulsory questions, which carries 10 marks each, the paper carries a total of 200 marks.

You are strongly advised to attempt ALL the questions to score maximum possible marks.

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

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

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

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

## **Summarized Report**

Pass Rate:	40.8%	Highest Score:	85%
Lowest Score:	13%	Average Score:	44.5%

### **Breakdown Updates**

#### **Question 1**

The question was direct, simple but not understood by candidates. About 60% of candidate's attempted the question. Majority of those who attempted it failed to relate the question to NAICOM.

#### **Question 2**

The question was well worded and the performance was good with about 70% pass rate.

#### **Question 3**

The question was direct with an average of 50% pass rate. Few candidates did a guess work which resulted into poor performance in relation to the strength of the question.

#### **Question 4**

The question was easily understood but few gave wrong answers due to guess work. The performance was poor.

#### **Question 5**

The question was straight forward but most candidates did not understand it from the answers they supplied. The few that showed understanding performed very well.

#### **Question 6**

Majority of the candidates who attempted the question showed lack of understanding of the question but those who understood it performed well.

#### **Question 7**

The performance was on the average as many candidates performed well.

#### **Question 8**

The question was simple and direct and majority of the candidates performed well.

#### **Question 9**

It was not understood by majority of the candidates as the performance was bad especially the examples of criminal properties. Most candidates avoided the question completely.

#### **Question 10**

Many candidates scored high marks. It was a popular question except for few candidates who did not give correct answers.

#### **Question 11**

Candidates had a fair knowledge of solvency while the concept of depreciation was well understood by majority of candidates.

**Question 12**

This was a straight forward, easy question; those candidates who were prepared scored high marks while some candidates avoided the question entirely.

**Question 13**

Majority of the candidates understood the question and highlighted the differences between financial and strategic objectives with a table. In the (a) part, performance gap was well defined, while in the (b) part, candidates gave a scanty definition.

**Question 14**

The difference between 'debt' and 'equity' were well answered and most of the candidates performed well.

**Question 15**

The question examined the knowledge of the candidates in planning and control cycle. Only few candidates were able to sketch the required diagram. Majority of the candidates listed the stages without any illustrations, hence the poor performance.

**Question 16**

The question was on principles of budgeting. Candidates gave scanty differences between budgeting and forecasting. It seemed, from their responses, that most of the candidates were not prepared for this type of question.

**Question 17**

The question was very simple but most candidates did not understand it. Performance was poor.

**Question 18**

Performance was fair as majority of candidates showed a better understanding of the question.

**Question 19**

Only few candidates gave good account of themselves on the question. The (b) part was least answered. The general performance was poor.

**Question 20**

Majority of candidates wrote on the different types of training which was a deviation from the question. The performance was very poor.

**Chief Examiner's Comments on Overall Performance:**

The overall performance is low (40%).

**Chief Examiner's Suggestions on Improvement:**

It seems obvious that if candidates had adequately prepared, they will perform better than they are currently doing.

This is a compulsory course and as such, candidates should adequately prepare and ensure that they cover the course book, legislation, regulations, guidelines, market agreements, e.t.c. (refer to covering page 2 above).

**Answer ALL questions.**

**Each question carries 10 marks.**

1. i) A "promoter" is **the applicant** making a **request to get approval from NAICOM to operate as either an insurance company or a reinsurance company in the Nigeria Insurance market** space. **(1 mark for each correctly stated/bolded point. Total: 4marks)**

ii) The following are the processes or actions to be taken at the registration stage of the application:

- a) pre-registration interview
  - b) publication of applicant to members of public
  - c) notification of success or otherwise after 21 days of publication
  - d) issuance of letter of success
  - e) evidence of payment of registration fee
  - f) issuance of certificate of registration.
- (2marks for each correctly stated document. Maximum of 3 to be graded. Total: 6 marks)**

2. Define the term "outsourcing". **(4 marks)**

- b) Mention three (3) benefits of outsourcing. **(6 marks)**

**Solution**

a) Outsourcing is the use of a skilled resource outside the company to handle work that was previously performed by in-house staff members. It enables the company to focus on its core activities i.e. those activities that make a company unique.

**(2 marks for each correctly state point. Maximum of 2 points to be graded. Total: 4 marks)**

b) Three benefits of outsourcing are:

- i) the perceived cost benefits
- ii) the access it provides to wider skills' base
- iii) the need to survive the effects of fast-changing technology, narrow margins and fierce competition.

**(2 marks for each correctly state point. Maximum of 3 points to be graded. Total: 6 marks)**

3. State five (5) obstacles to international trade.

b) Give five (5) reasons why States protect their industries/economics by restricting global trade.

**Solution**

a) The obstacles to international trade are:

- i) State intervention that is deliberately aimed at restricting internal trade
- ii) poor transport services
- iii) poor communications
- iv) lack of respect for the rule of law
- v) non-standardization of business practices, laws, tariffs and taxes
- vi) currency and exchange rate risks

**(1 mark for each correctly state point. Maximum of 5 points to be graded. Total: 5 marks)**

b) The reasons why States protect their industries/economics by restricting global trade are:

- i) to protect new domestic industries from competition in their early stages
- ii) to gain strategic power within an industry
- iii) to maintain full employment at home
- iv) to encourage sound policies
- v) as a way of executing foreign policies i.e. by enforcing an embargo.

**(1 mark for each correctly state point. Maximum of 5 points to be graded. Total: 5 marks)**

4. List five (5) types of interest/expectations the following stakeholders can have in a business:

- i. Shareholders
- ii. Consumerists

**Solution**

Five (5) types of interest/expectations that shareholders can have in a business are:

- i. high rate of investment returns
- ii. sustained and increased growth
- iii. increased share value
- iv. profitable products and services
- v. cost-effective operations

**(1 mark for each correctly state point. Maximum of 5 points to be graded. Total: 5 marks)**

Five (5) types of interest/expectations that consumerists can have in a business are:

- i. product safety
- ii. fair treatment of customers
- iii. value for money
- iv. good service
- v. product information

**(1 mark for each correctly state point. Maximum of 5 points to be graded. Total: 5 marks)**

5. Outline four (4) dangers expected from a bureaucratic culture.

**Solution**

The dangers expected from a bureaucratic culture are:

- i) the individual employee becomes a little log in a big machine
- ii) there is a sense among employees that personal liberty has been lost
- iii) it is difficult for employees' experience to grow
- iv) it is harder for the organization to adapt to change
- v) there is over-conformity and obeying rules becomes the goal.

**(2½ marks for each correctly state point. Maximum of 4 points to be graded. Total: 10 marks).**

6. State three (3) functions/roles of Board of Directors in a business organization. (6 marks)  
b) What four (4) roles/functions does the Chief Executive Officer play in a business environment? (4 marks)

**Solution**

a) Three (3) functions/roles of Board of Directors in a business organization are:

- i) responsible for taking strategic decisions in order to achieve the organization's objectives
- ii) they have legal responsibilities to act in good faith
- iii) they have legal responsibilities to act with care, diligence and skill
- iv) they have legal responsibilities to ensure the company complies with the law
- v) they have legal responsibilities to coordinate the production and distribution of the company's account
- vi) they are principally responsible to the shareholders in a limited liability company

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

b) The roles/functions of the Chief Executive Officer in a business environment are:

- i) execution of the board's decisions
- ii) leads the company in all ways
- iii) determines and shapes the overall strategy, use of resources, future directives and relationship with the employees, shareholders and potential investors
- iv) oversees the corporate culture and management structure of the organization, which depends heavily on the CEO's values to a very large extent

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

7. Explain the term – critical path analysis. (4 marks)  
b) What are the four (4) stages of decision making. (6 marks)

**Solution**

a) Critical path analysis is a planning method which allocates timings to each aspect of a project at each stage and for each component, determining the extent to which it is dependent upon the completion of another part of the project.

(2 marks for each correctly stated point. Total: 4 marks)

b) The four (4) stages of decision making are:

- i) understand why decision need to be taken
- ii) prior consideration and discussion of the options
- iii) take the most appropriate decision
- iv) review the decision.

(1½ marks for each correctly stated point. Total: 6 marks)

8. Highlight the typical contents of an annual general meeting.

**Solution**

The typical contents of an annual general meeting are:

- the adoption of the annual accounts
- the reading of the auditors' report and the appointment of auditors for the future

- the directors' report, which will include the directors' recommendation on dividend to be paid to shareholders. A resolution will be proposed that the recommended amount should be paid by way of dividend
- appointment of directors (or retirement of directors)
- resolution to pay the auditors
- resolution to pay the directors.

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

9. Define the term "money laundering". **(4 marks)**  
 b) List four (4) examples of a "criminal property". **(6 marks)**

**Solution**

a) Money Laundering is the term used for a number of offences involving the proceeds of crime or terrorism funds. It also includes possessing, or in any way dealing with, or concealing the proceeds of any crime. It also involves similar activities in relation to terrorist funds, which include funds that are likely to be used for terrorism, as well as the processed of terrorism.

**(2 marks for any correctly stated point. Maximum of 2 points to be graded. Total: 4 marks)**

b) "Criminal property" includes:

- i) proceeds of tax evasion
- ii) benefits obtained through bribery and corruption
- iii) benefit obtained, or income received, through the operation of a criminal cartel
- iv) benefits arising from a failure to comply with regulatory requirements, where the failure is a criminal offence

**(1½ marks for any correctly stated point. Maximum of 4 points to be graded. Total: 6 marks).**

10. List five (5) duties which a company secretary might be contracted to carry out.

**Solution**

Duties which a company secretary might be contracted to carry out are:

- i) maintaining the statutory register
- ii) giving notice of the Annual General Meeting
- iii) sending the registrar copies of extraordinary or special resolutions
- iv) ensuring that the statutory forms are completed properly
- v) supplying members with copies of annual accounts within the allotted time
- vi) keeping minutes of directors' and members' meetings
- vii) making accounts available for inspection by interested parties.

**(2 marks for any correctly stated duty. Maximum of 5 duties are to be graded. Total: 10 marks).**

11. Write short notes on:

- i) Solvency
- ii) Depreciation.

**Solution**

- i) **Solvency:** essentially relates to an organization's ability to pay its debts and it is applicable to all trading companies. It is often expressed in relation to the credit risk presented by an organization to a lender or creditor.

In Nigeria, insurers are required by law to insert a solvency margin which is the amount by which the value of an insurer's asset exceeds the amount of its liabilities.

The solvency margin is a strong indication of an insurance Company's strength and reserves, the protection afforded to creditors and ultimately, its ability to pay claims to its customers.

- ii) **Depreciation:** all organizations purchase fixed assets, such as buildings and machineries for long term use in the business with the purpose of generating income for future years. These assets usually decline in value over time and the nature of the asset is eventually reduced to nil.

Accounting concepts require that some adjustment be made to the value of these fixed assets over their useful lives to reflect that, eventually, these assets will deteriorate or become obsolete. This is known as depreciation.

12. Mention any five (5) of the normal tasks most commonly addressed by public relations.

**Solution**

The normal tasks most commonly addressed by public relations are:

- i. motivating the organization's workforce by fostering pride on its public face
- ii. handling a specific challenge or issue e.g. oil well spill or a health scare
- iii. building or maintaining the corporate image
- iv. influencing particular market segments
- v. supporting other communication activities e.g. an advertising campaign
- vi. assisting in the launch of a new product or service

**(2 marks for any correctly stated duty. Maximum of 5 duties are to be graded. Total: 10 marks).**

13. Differentiate between financial and strategic objectives, with at least two points. Give one example each for a for-profit and a not-for-profit organization. **(8 marks)**

b) Define the term "performance gap". **(2 marks)**

**Solution**

**Financial Objectives** are concerned with the way the business wants to use the money which it controls, while **Strategic Objectives** are the tactical areas that the business wishes to pursue through effective management.

**(2 marks for each correctly stated point. Sub-Total: 4 marks)**

For a profit organization, financial objective is to make profit for shareholders; while strategic objective is to achieve high income or keep expenditure low.

**(1 mark for each correctly stated point. Sub-Total: 2 marks)**

For a not-for-profit organization, financial objective is to keep within budget/activate enough funding; while strategic objective is to achieve company's aim or offer the best possible value.

**(1 mark for each correctly stated point. Sub-Total: 2 marks)**

b) "Performance Gap" is the difference between the expected state (if nothing is done) and the desired state. **(2 marks)**

14. Differentiate between debt and equity, with a minimum of four (4) points each.

**Solution**

<b>S/No</b>	<b>Debt</b>	<b>Equity</b>
1	Money raised by borrowing from another organization, most commonly a bank	Money raised by issuing shares in an organization
2	The lender hands over money to the borrower in this instance	Shareholders hands over money to the company
3	Interests on the loan is payable to the lender and not to the borrower	Future profits are payable to the shareholders
4	The debtor cannot sell off at any time in return for money	The shareholders can sell off at any time in return for money
5	The loan is not transferrable	The shares are transferrable

**(2½ marks for each comparative points. Maximum of 4 points to be graded (i.e. 8 in all) Total: 10 marks)**

15. Clearly summarize what is meant by the "planning" and "control cycle".

**Solution**

Organizations make initial aims and objectives, assumptions and predictions, which are formalized into detailed plans and budgets (i.e. the anticipated results). This is a continuous event and is known as the planning cycle.

**(2½ marks for each comparative points. Maximum of 2 points to be graded. Sub-Total: 5 marks)**

In return, as the financial period develops, and throughout the period, actual performances are compared with the plan and corrective action taken as necessary to attain the target. This scenario is in the form of a cycle i.e. it is an ongoing and repetitive exercise and it is known as the control cycle.

**(2½ marks for each comparative points. Maximum of 2 points to be graded. Sub-Total: 5 marks)**

16. Differentiate between:

- a) top-down budgeting and bottom-up budgeting
- b) budgeting and forecasting,

**Solution**

a) Top-down Budgeting denotes that the main outlines and decisions are made by the executives while Bottom-up Budgeting indicates that more initiative in the process comes from individuals and departments in the formulation of an agreed budget. : **(2½ marks for each correctly stated point. Total: 5 marks)**

b) Budgeting is usually concerned with relatively short period of time, up to a year, whereas forecasting looks forward to around three years or longer.

**(2½ marks for each correctly stated point. Total: 5 marks)**

17. Distinguish between:

- a. products and services
- b. needs and wants.

**Solution**

a. **Products** are physical, visible tangible, perishable or durable depending on their individual characteristics e.g. shoes, newspaper and furniture; while **services** are those activities which do not have a physical dimension such as insurance or dry cleaning. **(2½ marks for each correctly stated point. Total: 5 marks)**

b. **Needs** are the basic forces that drive people and business e.g. insurance needs or organizational needs while **wants** are desires on the part of the customer, which may have been promoted by the suggestion that an unsatisfied "need" exist.

**(2½ marks for each correctly stated point. Total: 5 marks)**

18. Discuss fully the concept of marketing mix.

**Solution**

Marketing mix is used to describe the combination of controllable marketing variables that a manager uses to carry out a marketing strategy in pursuit of the firm's objectives in a given target market. **(2½ marks)**

It consists of:

- **Product:** the product/service being offered **(1½ marks)**
- **Price:** the price or fees charged and the terms associated with its sale **(1½ marks)**
- **Promotion:** the communications programs associated with marketing the product or service **(1½ marks)**

- **Place:** the location and logistics involved in making the product/service available (1½ marks)
- **People:** since people are an essential element in the production and deliveries of services, the quality of the service is largely determined by the quality and behaviour of the organizational staff (1½ marks)
- **Process:** the procedures, routines and policies which are used to deliver a service to. (1½ marks)

(Total: 10 marks)

19. Define Human Resource Management (HRM) (3 marks)

b) State the three (3) significant characteristics of HRM (3 marks)

c) List the four (4) cultures identified by Handy in an organization. (4 marks)

**Solution**

a) Human Resource Management (HRM) is the management of the people employed by an organization in order to achieve set organizational objectives. (3 marks)

b) The three (3) significant characteristics of HRM are:

i) Strategic Focus

ii) more concerned with enabling rather than controlling

iii) proactive concern

(1 mark for each correctly stated characteristic Total: 3 marks)

c) The four (4) cultures identified by Handy in an organization are:

i) the power culture

ii) the role culture

iii) the task culture

iv) the people culture

(1 mark for each correctly stated culture Total: 4 marks)

20. Explain the key areas that training needs have to cover.

**Solution**

The key areas that training needs have to cover are:

i) **Introduction:** what the new members of staff need to know about the company they have joined and the basic skills they need to perform their functions.

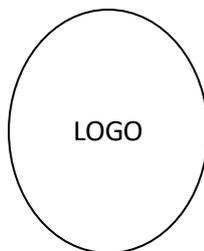
ii) **Skills Development for the Job:** these are the main skills they need for their jobs and any changes that may occur to perform effectively.

iii) **Skills Development for the Person:** many people have career aspirations and to enable them to adapt to the new job functions, developmental training will be essential.

iv) **Regulatory Training:** regulation requires that formal training must be delivered to certain members of staff to enable them achieve and maintain a certain level of competence for their particular job functions.

(1½ marks for each correctly stated area. 1 mark for correct explanation. Sub-Total per area = 2½ marks.

Total: 10 marks)



**CHARTERED INSURANCE INSTITUTE OF NIGERIA**

**DIPLOMA**

**APRIL 2019 EXAMINATION PAPER**

**SUBJECT D05  
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 form with care do not write notes on it.
- ✚ 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. Failure to do this may result in your paper not being assessed and marked.
- ✚ Insert your candidates 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.**

# CHARTERED INSURANCE INSTITUTE OF NIGERIA

## D05 - INSURANCE LAW

### INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

Part I - 140 marks.

Part II - 60 marks.

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

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

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

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

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

## Summarized Report

Pass Rate:	12.04%
Highest Score:	64%
Lowest Score:	0%
Average Score:	31.31%

### Breakdown Updates

#### **Question 1**

Not a course book question but a practitioner's one. Performance was poor. It was to test how familiar the candidates were with NAICOM's activities. They mistook this for functions of the commission. The reason for this is not far-fetched- candidates do not read journals, e.t.c. relating to developments in the industry. Candidates are to be informed to endeavour to be all-round insurance practitioners.

#### **Question 2**

A textbook question intended to test candidates' knowledge of a source of law and development of the equity as of source of law. Performance was slightly above average but it could be better if the candidates prepared well.

#### **Question 3**

Question was meant to test the candidate's knowledge of law-making process. Performance was average but could be better. Candidates are to familiarise themselves with legal issues developing around them.

#### **Question 4**

Question was direct from the course book and the candidates demonstrated adequate knowledge of the concept of partnership and how it differs from the concept of incorporation. Good performance. It shows that if candidates prepare well for the examination, they will get good results.

#### **Question 5**

Question was meant to test the candidates' knowledge of the torts of defamation, nuisance and negligence and their import – the interests that seek to protect.

Candidates demonstrated general knowledge of the torts but left out the specific requirements of the question – the interest of the individual that the tort is designed to protect. Performance was average.

Candidates need to read and understand question well before answering them.

#### **Question 6**

A textbook question on the issue of agency. It was a familiar terrain. Performance was above average. There is need for improvement. Candidates are to prepare well for future examinations.

### **Question 7**

Question was popular with the candidates but many misunderstood the requirement of the question. Many interpreted the question to be issue of non-disclosure when it was meant to test their knowledge of the meaning of legal interest in the context of insurable interest. Adequate knowledge of every topic of the course book is important and candidates should know this.

### **Question 8**

This is another textbook question meant to test the candidates' knowledge of the differences between typical insurance contract and a wagering contract.

Majority of the candidates who attempted the question misunderstood the question and interpreted it as requiring from them, general principles of insurance.

This could be as a result of lack of adequate preparation. Candidates are to start preparation early and not adopt a "fire brigade" approach to the preparation for the examination.

### **Question 9**

Question intended to test if the candidates understood the import of the case of *MANIFEST SHIPPING COMPANY V UNI POLARIES SHIPPING COMPANY* regarding the continuity of the duty of disclosure of the insured. About 40% of the candidates attempted the question and they scored average mark. Reason for the low attempt and average score might be not paying adequate attention to details by the candidates.

Whilst it is not intended to make lawyers out of the candidates, it is important that they pay attention to details of some legal authorities/cases that have interpreted and developed insurance concepts.

Adequate tutorial is also recommended to achieve this.

### **Question 10**

A practical question intended to test how to apply legal principles relating to mistake in contract to some hypothetical scenarios.

Attempt was low even though it was a compulsory question. Of course, performance was poor. Common error of candidates here is lack of adequate preparation. Tutorial classes where candidates would be taken through all the forms of methods of asking questions are encouraged on questions like this because application questions are what is in vogue now. Candidates should prepare for more of this in the nearest future.

### **Question 11**

Question is meant to test how the Road Traffic Act of 1988 (UK) serves as an exception to the doctrine of privity of contract. Only few candidates attempted and understood the requirements of the question. Candidates' answers showed they did not prepare well.

**Question 12**

Textbook question and popular with the candidates. The performance was good especially as regard the part A. Common error of candidates was that they did not avail their minds to the other details of the topic which affected their performance with regard to the part B of the question; performance was therefore average. Holistic understanding of the topics of the course book is important.

**Question 13**

Question intended to test how candidates could practicalise their knowledge of the concept of "authority" in an agency relationship.

Attempt was low because the candidates did not understand the question. The performance of the few that attempted the question was also poor. Candidates seemed not to be well disposed to practical questions.

There is need for candidates to be well tutored, going forward, on application questions. This will enable them to be well grounded so as to proceed with practicalizing the theories learnt.

Again, tutorial sessions that are consistent and adequate are recommended.

**Question 14**

Question is a textbook one. It was to test the students' understanding of the nature of claims or payment vis-a-vis the principle of indemnity especially with respect to pecuniary and marine insurances.

Many candidates attempted the question. There was a glaring display of lack of knowledge of the requirements of the question. Performance was therefore poor. Common errors were simply that the candidates could not articulate their points and majority of the method of approaching question were faulty.

There is therefore need for proper preparation and guidance.

**Question 15**

An optional question that carried 30 marks. The question was to see how deep the knowledge of the exceptions to the doctrine of privity of contract of the candidates was. The doctrine of privity of contract is critical to the concept of insurance. Therefore, the question was intended to know how well the candidates can "defend" the phenomenon of insurance in the light of the common law doctrine of privity of contract – to know that the two can co-exist side by side.

Only few candidates attempted and understood the requirements of the question. Performance was poor. Poor understanding on the part of the candidates might be responsible for this. Candidates are urged to seek help from good resource persons who will prepare them for the examination in future.

**Question 16**

Also an optional question. It was meant to see if the candidates were aware that besides the traditional meaning and purpose of indemnity, there are circumstances that could make the insured receive more than an indemnity and still not be termed as “profiting from his loss”.

Since it was an optional question, few candidates opted for the question. About 50% of those who attempted the question scored above average mark. Candidates, in future should prepare better for a better result.

**Question 17**

A textbook question meant to test the candidates’ knowledge of the nature of legislation as opposed to delegated legislation and also to test how well they understood the nature advantages, disadvantages and control of delegated legislation.

Few candidates opted to do the question and performance was average. It is recommended that candidates in future examination should prepare well for examination on the course.

**Question 18**

A textbook question and an optional one; performance was poor. Question was intended to test candidates’ knowledge of factors that could affect the validity of a sound contract.

It was well attempted but performance was below average. Common error was that candidates mistook the question to mean factors that would discharge a contract and also restricted the contract to insurance contract only and therefore were writing down about uberrima fides aspect of insurable interest. These were not the requirements of the question. Candidates should, amongst other things, urge to seek guidance and tutorial from resource persons who would guide them properly and appropriately prepare them for the examination.

**Chief Examiner’s Comments on Overall Performance:**

Overall performance was not encouraging as detailed above.

**Chief Examiner’s Suggestions on Improvement:**

This is a compulsory course and candidates are encouraged to adequately prepare and ensure that they cover the course-book, legislation, regulations, guidelines, market agreements, e.t.c. (refer to covering page 2 above). There is a need for candidates to also self-motivate themselves.

## Part I

Answer ALL questions in Part I.

Each question carries 10 marks.

1. As part of NAICOM's role to establish standards for the conduct of insurance business in Nigeria, a circular was issued to Industry Practitioners on "fair trade practice and fair treatment to customers. Enumerate the stated major focus contained in this circular.

### Solution

As part of NAICOM's role to establish standards for the conduct of insurance business in Nigeria, a circular was issued to Industry Practitioners on "fair trade practice and fair treatment to customers. The stated major focus in the circular are:

- delivery of policy document
- claims.

(5 marks for each correctly stated points. Total: 10 marks)

2. Define Equity. (3 marks)  
b) What are the defects which equity seek to correct? (7 marks)

### Solution

- a) Equity, often described as a "gloss" or "supplement to the common law", is a collection of equity rules developed by the court of chancery in England to remedy some of the short comings inherent in the common law. (3 marks)

- b) Some of the defects that equity seeks to correct are before it was in practice:
  - **system of writs:** claimants' claims must fit into the existing writ otherwise his claims would not be entertained, the writ system was not flexible and it was very expensive
  - **limited remedies were available:** only the relief of damage was available at common law. No order of specific performance or restraining order could be given by the common law courts until equity came into effect
  - **procedures:** elaborate rules of procedure which if breached, would leave the claimants without remedy was the rule of the day before equity
  - **Corruption:** it was established that the rich and powerful bought justice and there were various cries for reforms which equity was later to minimize.(1½ marks for any correctly mentioned defect. 2 marks for correct explanation on each correctly explained defect. Sub-Total: 3½ marks on each defect. Maximum of 2 defects are to be graded. Grand Total: 7 marks)

3. As an Insurance Practitioner, you have seen the need for a new Insurance Act to be enacted. Explain briefly, the steps to be taken before new Act of Parliament can be enacted for the insurance industry.

### Solution

The following are involved in the process of law making whether it is an Act of the National Assembly or law of the State House of Assembly (the Parliament):

- **1<sup>st</sup> Reading of Bill:** a bill is a law in the making. This stage is merely introductory. Here, the clerk of the parliament informs member of the existence of the bill.
- **2<sup>nd</sup> Reading of the Bill:** general debate may be held on the bill in the parliament or sent to the standing committee which will recommend whether or not to proceed with the bill. If it is recommended that the parliament should

forge ahead with it, the bill will pass to the committee stage. At this stage, the bill is looked into and amendments to it are proposed – if need be.

- **Report Stage:** the bill as amended is reported to the house where it will be debated and may even be sent back to the committee that worked on it.
- **3<sup>rd</sup> Reading:** this offer a final opportunity to debate on the bill by either the house of representatives' members or the senators.
- If the bill scales through these stages, thereafter it will be sent to the President for the **Presidential Ascent.**

**(1 mark for correct mentioning of the step. 1 mark for explaining the step. Sub-Total: 2 marks per step; Total: 10 marks)**

4. Define Partnership. (2 marks)  
 b) How is partnership different from a limited liability company? (8 marks)

**Solution**

a) Partnership is the relationship which subsists between persons carrying on a business in common with a view of profit.

**(2 marks)**

b) Differences between partnership and limited liability company are tabulated below:

S/No	Partnership	Limited Liability Company
1	No corporate existence different from that of the members/partners	There is a corporate existence different from that of the owners/shareholders
2	Members can mutually agree to change the scope of their activities	Scope of activities can only be changed by a special resolution
3	Ordinary partners have unlimited liability	Liability of shareholders is limited to the extent of their individual ownership structure
4	All members/partners are involved in the running of the establishment	Board of Directors, through the management, runs the company
5	Membership is limited to a maximum of 20	Membership can be from 2 to infinity i.e. unlimited membership
6	Details of accounts may be kept private	Details of accounts must be made public from time to time
7	Partnership is for profit making	It may or may not be for profit making
8	Membership is not freely transferable (i.e. all members/partners must agree to taking in any new member)	Membership is freely transferable (i.e. all members/partners need not agree before taking in any new member)

**(1 mark each for correctly stating a matching difference i.e. 2 marks per difference (1 on each term).**

**Maximum of 4 mentioning of the step.1 mark for explaining the step. Sub-Total: 2 marks per difference.**

**Grand Total: 8 marks)**

5. Define a tort. (2 marks)

b) Which interests do these torts seek to protect:

- i) Defamation
- ii) Trespass

- iii) Nuisance
- iv) Negligence?

**(8 marks)/**

**Solution**

- a) A tort is a civil wrong which is not contractual but which arises from the breach of a duty primarily fixed by law. Such duty is towards persons generally and its breach is re-dressable by an action for unliquidated damages. **(2 marks)**
- b) Tort seeks to protect in:
  - i) Defamation: a person's reputation
  - ii) Trespass
    - To land: a person's interest
    - To person: protection against physical harm
  - iii) Nuisance: a person's enjoyment of his land
  - iv) Negligence: protection against death, bodily injury, mental illness, financial loss or damage to land and goods**(2 marks for each correctly stated answer per term. Total: 8 marks)**

6. "Generally, an agent may not delegate his duties to a sub-agent".

- a) Under what circumstances may delegation be allowed? **(8 marks)**
- b) To whom is the sub-agent responsible and who is answerable for the sub-agent's fault? **(2 marks)**

**Solution**

Generally, an agent may not delegate his duties to a sub-agent, but the following circumstances allow such delegations:

- where the principal expressly authorizes such delegation
- where the authority to delegate can be implied or inferred from the circumstances e.g. delegation of routine clerical and or administrative tasks
- by trade custom
- necessity dictated delegation

**(4 marks for any correctly and fully stated circumstance. Maximum of 2 to be graded. Total: 8 marks)**

b) The sub-agent is responsible to the agent and is also answerable for and liable to the principal for the sub-agent's fault.

**(1 mark for each of the correctly stated answer. Total: 2 marks)**

7. For the purpose of the doctrine of insurable interest, what does the term "legal interest" mean?

**(2 marks)**

b) "M" had some quantity of timbers in his estate which he had some insurance cover for. He sold the timber to TYX Company Limited where he is the only shareholder. Fire subsequently gutted the timber. "M" seeks your legal advice on the legal action he intends to take against his insurers who have refused to pay claim on the cover. Offer your candid opinion based on the legal principle involved and also based on decided legal authorities. **(8 marks)**

**Solution**

One of the key elements of insurable interest is the insured's interest in the subject matter of insurance, which must be a legal interest.

Legal Interest in this context means both legal and equitable interest. It is an interest that law and equity will support. The interest MUST be legally recognized.

**(2 marks for any correctly stated point (related to the explanations above) on the term. Total: 2 marks)**

b) For an insurance contract to be valid, the insured must have insurable interest on the subject matter of insurance. That interest must not only be present, it must be legally recognized.

In *Macaura v. Northern Assurance Company Limited (1925)*, Macaura had some quantity of timbers on which he had taken an insurance cover. He later sold the timbers to a company in which he was the only shareholder. Fire subsequently gutted the timbers and Macaura sought to claim on the cover. As at that time, the timbers no longer belonged to him but to the company whose existence is quite different from that of Macaura. The court ruled that Macaura's interest in the timbers was no longer supportable in law.

Going by the foregoing, it is advised that "M" should not embark on the course of action he intend to take.

**(2 marks for any correctly stated point. Maximum of 4 points to be graded. Total: 8 marks)**

8. Distinguish an insurance contract from a wagering contract.

**Solution**

S/No	Insurance Contract	Wagering Contract
1	An insured must have insurable interest capable of translating to a financial interest in the subject matter of the contract	The interest of the two parties is limited to the stake to be won or lost
2	Object of contract is to protect the insured against a loss and his identity is known before the event occurs	Either of the parties may win or lose and the loser cannot be identified until after the event
3	Full disclosures is required from all parties to the contract	Full disclosures is not required from all parties to the contract
4	Payment is mostly by way of indemnity	Stakes of payments are not paid by way of indemnity rather it is made without suffering a loss.

**(1 mark for any correctly stated difference. Maximum of 4 points per term to be graded. Total: 8 marks)**

9. Briefly discuss the significance of the case of *Manifest Shipping Co v. Uni-Polaris Shipping Company* with the continuity of the duty of disclosure of the insured.

**Solution**

The contract of insurance is one of utmost good faith (*uberima fides*). This imposes the duty of disclosure of all facts on the insured and the insurer.

The duty on the part of the insured is a continuous one in two respects namely: where there is an agreed change in the contract during the period of the contract and where there is "increase of risk clauses" in the contract.

However, the case of "*Manifest Shipping Co v. Uni-Polaris Shipping Company (the Star Sea) 2001*" has introduced some changes to the position stated above. In the case, the

court confirmed that a general duty of good faith exists throughout the currency of an insurance policy and that the duty relates to both parties to the contract. In the claim process, if fraud is discovered, the insurer will have the right to repudiate the claim and the contract.

**(2½ marks for any correctly stated point. Maximum of 4 complete and correctly stated points to be graded. Total: 10 marks)**

10. With the aid of relevant decided cases, consider the validity of the following insurance contracts:

a) in a contract for purchase of an annuity, the Annuitant died before the date of purchase. **(2 marks)**

b) a life policy on the life of a person named Mr. D. Akudaya was sold for ₦400,000.00 on the assumption that Mr. D. Akudaya was alive. Unknown to the parties, Mr. D. Akudaya was dead and the maturity value of ₦700,000.00 was far greater. **(4 marks)**

c) Mr. Ekpo sought to insure the life of his mother, Madam Ekpo Mary Ekpo. The insurance company's agent thought the policy was to be on the life of Mr. Ekpo's grandmother, Madam Ekpo Ann Ekpo. The policy was actually issued in the name of Madam Ekpo Mary Ekpo but the details suited the grandmother and premium was calculated on the basis of the grandmother's age. **(4 marks)**

### **Solution**

a) Mistake can render an otherwise contract of insurance void. Mistake could relate to parties operating under a mistaken belief of a state of affairs. For example, in *Strickland v. Turner*, a contract to purchase an annuity was void for mistake because unknown to the insurer, the "Annuitant" had died before the date of purchase, Therefore, in the stated instance, the contract is void for fundamental mistake. **(1 mark for stating a correct decided case; 1 mark for stating the correct position. Total: 2 marks)**

b) A fundamental mistake will also void a life assurance contract.

For example, in *Scott v. Coulson*, a policy on the life of a person named A. Death was sold for GBP460 on the assumption that he was alive. Unknown to the insurers, Mr. A Death was already dead as at the time of entering into the contract and the maturity benefit of GBP777 was far greater. The court set aside the policy because it was void as a result of mistake.

In this stated instance, the contract is therefore invalid for mistakes of the parties. **(2 marks for stating a correct decided case; 2 marks for stating the correct position. Total: 4 marks)**

c) Also, a contract will be void for mistake, where parties are working at cross purposes.

In *Beach v. Pearl Assurance Company Limited*, a proposer wished to insure the life of her mother, Marry Ellen Ince but the insurance company's agent thought the policy was to be on the life of the proposer's grandmother, Mary Ann Ince. Policy was issued in the name of the mother, but the details and premium were more

appropriate for the grandmother. The contract was not given effect to because parties were not adidem – i.e. of the same mind.

In this instance, the contract is therefore void for mistake.

**(2 marks for stating a correct decided case; 2 marks for stating the correct position. Total: 4 marks)**

11. What is the effect of the Road Traffic Act 1988 on the principle of law that says only parties to a contract can derive benefits, sue and be sued under the contract?

**Solution**

The Road Traffic Act 1988 is a major statutory exception to the doctrine of privity of contract. The Act in S.148(7) provide as follows "...a person having a policy of insurance under s.145 of this Act shall be liable to indemnify the person or classes of persons specified in the policy in respect of any liability which the policy purports to cover in the case of those persons or classes of persons".

The effect of the above provision is to allow persons other than the policyholder (such as the other person(s) who is(are) permitted to drive the vehicle) to enforce the policy directly, even though they were not parties to the original contract. They do not have to show that the insured acted as their agent or trustee in arranging the cover.

S.151 of the Act allows the victim of road accident to make a direct claim against the motor insurer of the negligent driver who caused the accident once the victim obtains judgement against the negligent driver.

**(2½ marks for any correctly stated point. Maximum of 4 complete and correctly stated points to be graded. Total: 10 marks)**

12. What is the main purpose of the doctrine of subrogation? **(2 marks)**  
b) Notwithstanding that the doctrine of subrogation has its origin in equity, it has been supplemented by the common law. What four (4) main terms has the common law implied into insurance contracts on this account? **(8 marks)**

**Solution**

- a) The main purpose of the doctrine of subrogation is to prevent the unjust enrichment of the insured i.e. prevent him from unfairly profiting from his loss and to preserve the principle of indemnity. **(2 marks)**
- b) The four (4) main terms has the common law implied into insurance contracts on subrogation are:
- i) a duty on the part of the insured to start proceedings against a third party in order to reduce his loss
  - ii) a promise by the insured to account to the insurer for moneys received from the third party
  - iii) a promise by the insured to permit the insurer to exercise his right to action against the third party should the insured fail to do so himself
  - iv) a promise by the insured to act in good faith when proceeding against the third party.

**(2 marks for each correctly stated point. Maximum of 4 points to be graded. Total: 8 marks)**

13. Give the relevant legal advice in the following scenarios:
- a) Mr, Smith is the agent of Fidelity Insurance Company. He issued a cover to Mr. Johnson in the name of the insurance company when he had no actual authority of the Company to do so. Meanwhile, the insurance company had ratified Smith's unauthorized actions in the past. Based on this, Mr. Johnson assumed Mr. Smith had authority to issue the cover. Whose agent is Mr. Smith in this circumstance? **(5 marks)**
- b) Andrew, acting on behalf of his company, accepted premium for a risk when he knew that the insured had broker a policy condition. Can Andrew's company avoid the policy? **(5 marks)**

**Solution**

- a) Notwithstanding that an insurance agent acts for both the insurer and the insured even after the two parties have been brought together, determining for whom an agent acts between the two depends on some factors e.g. granting of cover. When the insurer empowers the agent to grant cover in personal lines business, the insurer will be taken to be the agent's principal.

In *Murfit v. Royal (1922)*, an agent had no actual authority to issue cover but the company had ratified his unauthorized action on two occasions in the past. Based on this, the insured thought the agent had authority to issue cover. It was held that the insurer were bound by the agent's act and that the policy was valid.

In this stated instance, Fidelity Insurance Company is bound by the certificate of Mr. Smith and the policy is in force.

**(2 marks for citing relevant decided case. 1 mark each for any two correctly stated point. Maximum of 2 point to be graded.1 mark for the correct conclusion. Total: 5 marks)**

- b) Another determinant factor is collection of premium. When an agent collects premium on behalf of the insurer, the latter will be taken to be the former's principal.

In *Wing v. Harvey (1854)*, an agent accepted a premium from an insured who was in breach of policy condition. Based on the doctrine of estoppel, the insurer was prevented from avoiding the policy. The agent, by accepting the premium in the circumstance, had waived the right of the principal to refute the policy and the insured having relied on the waiver, should be allowed to take the benefit of the policy.

Andrew's company is therefore bound by the contract.

**(2 marks for citing relevant decided case. 1 mark each for any two correctly stated point. Maximum of 2 point to be graded.1 mark for the correct conclusion. Total: 5 marks)**

14. "A claim under policy of indemnity is a claim for unliquidated damages" - *Jabbour v. Custodian of Israeli Absentee Property (1954)*. Discuss briefly. **(2 marks)**
- b) How is indemnity measured in:
- i) Pecuniary Insurances **(4 marks)**
- ii) Marine Insurances **(4 marks)**

### Solution

a) The statement "a claim under policy of indemnity is a claim for unliquidated damages" - *Jabbour v. Custodian of Isreali Absentee Property (1954)* simply means that the exact amount of compensation to be paid is not known in advance but it is to be fixed afterwards on the basis of the loss suffered. **(2 marks)**

b) i) Indemnity is measured depending on the type of **pecuniary insurance** policy involved i.e.

- Business Interruption Insurance: indemnity of difficult to fix or measure precisely because the exact profit lost that the insured would have made had the damage not occurred is not known. Loss will therefore be paid in accordance with a standard formula which is set out in the policy wording.
- Credit Insurance: indemnity will be the amount of the bad debt less any recoveries.

**(2 marks for each correctly stated point. Maximum of 2 points to be graded. Total: 4 marks)**

ii) **Marine Insurances:** indemnity is measured based on whether the policy is "valued" or "unvalued". For "unvalued policies", indemnity is the insurable value i.e. the value of the subject matter at the commencement of the risk. This is the amount recoverable in case of total loss. For partial loss, it depends on what is insured. If ship, indemnity is the cost of reasonable repairs. If on goods delivered in a bad or damaged state, indemnity will be measured on the difference between the "sound" and "damaged" value at the place of arrival.

**(2 marks for each correctly stated point. Maximum of 2 points to be graded. Total: 4 marks)**

### PART II (Answer Two (2) out of Four (4)) Each question carries 30 marks.

15. The doctrine of privity of contract confirms the rights and duties under a contract to the persons who originally made it. If this doctrine were to be applied strictly to insurance, it would mean that the only person who could claim under an insurance policy would be the policyholder. There are many well-established exceptions to this principle in the field of insurance.

Discuss how each of the following serves as an exception to the doctrine:

- a) "Policies with Additional Insured" **(15 marks)**
- b) "Noting the Interest of Third Party" **(5 marks)**
- c) Contracts Rights of Third Parties Act 1999 **(5 marks)**
- d) Law of Property Act 1925 **(5 marks)**

### Solution

a) **"Policies with Additional Insured"**: insurance policies e.g. liability insurance contracts, often grant an indemnity to persons other than the insured, which is usually a company. Indemnity

- any principal that employs the insured (a firm) to do perform any work of the company (the principal)
- owners of plant that is hired by the insured
- employees and directors of the insured (who could be sued personally, in place of the insured firm itself, if there is an accident).

Although the policies are designed for the category of people above, it does not mean that such people could enforce the contract by themselves. Other factors will come into play to determine if they could see to enforce the contract e.g. the wording of the policy. However, once the contract confers a right on these "additional insureds", it seems clear that they will be able to enforce the contract themselves.

In addition, most insurers exclude the operation of the contracts (Right of Third Party) Act 1999. Insurers also restrict the rights of "additional insureds" by policy wording to prevent them from claiming directly.

**(3 marks for any correctly stated point. Maximum of 5 points to be graded. Total: 15 marks)**

b) **"Noting the Interest of Third Party"**: this relates more to property insurance policies which often note the interest of third parties in them. Example is mortgagee. This "noting" does not make people whose interest is noted parties to the contract as it makes the provisions of the contract (Rights of Third Parties) 1999 applicable to them.

**(2½ marks on each correctly stated point. Maximum of 2 points to be graded. Total: 5 marks)**

c) **Contracts Rights of Third Parties Act 1999**: this law provides that a third party (i.e. a person who is not an original party to a contract of insurance) can enforce a contractual term if:

- the contract provides that he may do so
- the contract purports to confer a benefit on the third party.

By this provision, the doctrine of privity of contract cannot operate but it is possible to displace the operation of the Act.

**(2½ marks on each correctly stated point. Maximum of 2 points to be graded. Total: 5 marks)**

d) **Law of Property Act 1925**: this law provides a further exception to the doctrine of privity of contract in its S.47 which stipulates that the benefit of any insurance effected by the vendor of real property is automatically assigned to the purchaser, if after exchange of contract the property is damaged.

**(2½ marks on each correctly stated point. Maximum of 2 points to be graded. Total: 5 marks)**

16. Discuss fully, the circumstances in which an insured may recover more than a strict indemnity.

#### **Solution**

The principle of indemnity in insurance is designed to compensate the insured who genuinely suffers a loss arising from his insurance contract under which he is provided a cover by his insurer. However, in the following situations, the insured will get more than strict indemnity:

i) **Cover on a Reinstatement Basis**: an insurance cover provided on an ordinary indemnity basis may not provide the insured with enough money to restore his property in the event of damage because of substantial provision for wear and tear.

Therefore, where cover is on reinstatement basis, and in the event of a loss, the insurers will pay a sum equivalent to the cost of rebuilding the property to a

condition equivalent to, or substantially the same as, but not better or more expensive than its condition when new.

In this case, no provisions is made for wear and tear; the insurers pays the full cost of rebuilding "as new" including any increased costs resulting from inflation between the date of the damage and completion of the rebuilding work.

On this score, it is clear that reinstatement cover is more beneficial than a simple indemnity (strict indemnity). However, the insured should be ready to pay a higher premium and must actively rebuild the property involved.

**(3 marks for correctly stating the circumstance; 3 marks for each correctly stated point. Maximum of 2 points to be graded. Total: 9 marks)**

- ii) **New for Old Cover:** this is more like "reinstatement" but a little more than it; it relates more to household contents and personal "all risks" policies. By it, the insurer agrees to pay the full replacement cost as new of any insured items lost or destroyed, with no reduction for wear, tear or depreciation.

"New for old" does not contradict the principle of indemnity as it only reflects commercial necessity and it benefits the insured more.

**(3 marks for correctly stating the circumstance; 3 marks for each correctly stated point. Maximum of 2 points to be graded. Total: 9 marks)**

- iii) **Agreed Value Cover (Values Policies):** the principle of indemnity is modified by policies arranged under this basis as follows. Whereas for ordinary indemnity contract, the insurer pays a sum equivalent to the value of the property at the time and place of the loss, for this, the insurer will pay the value pre-agreed by the parties regardless of the actual value of the property at the time. In this instance, the policy of indemnity will be for a liquidated claim and not a claim for unliquidated damages.

The objective of valued policy is to avoid disputes as to the value of property at the time of the loss. Insurers are bound to pay the agreed value regardless of the actual value at the time of loss, where the insurer pays the agreed value whether or not this is greater than the value at the time of loss.

**(3 marks for correctly stating the circumstance; 3 marks for each correctly stated point. Maximum of 2 points to be graded. Total: 9 marks)**

- iv) **Partial Losses (Under Valued Policies):** here, the rule in *Elcock v. Thompson* applies where it was stated that in the case of partial loss, the insured will be entitled to a proportion of the agreed value which is equivalent to the degree of depreciation of actual value caused by the loss. This more often than not gives more to the insured than ordinary indemnity.

**(2 marks for correctly stating the circumstance; 1 mark for any correctly stated point. Total: 3 marks)**

17. a) What is a legislation? **(2 marks)**  
b) Distinguish a legislation from delegated legislation. **(4 marks)**

- c) Mention any two (2) reasons for the use of delegated authority. **(4 marks)**  
 d) Enumerate three (3) disadvantages for the use of delegated authority? **(6 marks)**  
 e) How may the abuse inherent in the use of delegated legislation be controlled?  
 Briefly explain the stated ways. **(14 marks)**

**Solution**

- a) **Legislation** is law created in a formal way and set down in writing. It is parliament-made law and may be in the form of an Act for the whole federation of a country, or a part thereof as made by the National Assembly or a part thereof as made by a State House of Assembly. **(2 marks)**  
**(2 mark for any correct and complete definition)**

b)

S/No	Legislation	Delegated Legislation
1.	It is parliament made law	It is the law made by an organ other than the parliament
2.	The power to make law arose from the nation's constitution	The power to make such laws arose from the parliament through an "Enabling Act"
3	Can only be made by legislators	Can be made by many authorized bodies i.e. executive arm of government, etc

**(1mark for any correctly compared difference. Maximum of two comparable points to be graded. Sub-Total: 2 marks per point. Sub-Total: 4 marks)**

- c) Two (2) reasons for the use of delegated authority are:  
 i) complexities involved in modern day legislation  
 ii) lack of adequate legislative time to go into details required for law making to be looked into in these modern day societies.

**(2 marks for each correctly stated point. Total: 4 marks)**

- d) The disadvantages for the use of delegated authority are:  
 i) too many delegated legislations about which many people do not know as they are hardly published or publicized  
 ii) undemocratic delegated legislation is made mostly by civil servants not elected by the people  
 iii) delegated legislation offends the principle of separation of power  
 iv) there is the fear of sub-delegation from Minister to Permanent Secretary on and on making the delegated legislation more remote from parliamentary control

**(2 marks for each correctly stated disadvantage. Maximum of 3 disadvantages to be graded. Total: 6 marks)**

- e) The possible abuse inherent in the use of delegated legislation may be controlled by:
- **Parliamentary Control:** the parliament can order that any legislation be laid before it before application of the rules made.  
**(3 marks each for stating the inherent abuse; 2 marks for the correct explanation of the stated term. Sub-Total: 5 marks)**
  - **Judicial Control:** the courts have the power to declare any delegated legislation null and void  
**(3 marks each for stating the inherent abuse; 2 marks for the correct explanation of the stated term. Sub-Total: 5 marks)**

- **Executive Control:** the executive arm of government can control itself. There is the hiring and firing power which can be used to put heads of government agencies to remain within the ambit of the enabling Acts.  
(2 marks each for stating the inherent abuse; 2 marks for the correct explanation of the stated term. Sub-Total: 4 marks) Grand Total: 14 marks

18. Discuss how the following factors may destroy the validity of an otherwise sound contract or make it partly ineffective.

- Illegality (15 marks)
- Mistake (15 marks)

### Solution

- Illegality:** this is a vital factor that can destroy the validity of a contract or make the contract ineffective. (5 marks)

The illegality may be in the following forms:

- contracts which are contrary to law e.g. committing a crime – forging of bank notes, contract to kill or injure people, e.t.c.
- contracts which are contrary to public policy e.g. contracts tending to sexual immorality, affecting the freedom of marriage, trade with an enemy country in wartime, contract to break the law of a friendly foreign state, contract to deceive public activities and contracts to corrupt public life or pervert course of justice, contracts in restraint of trade, amongst others.

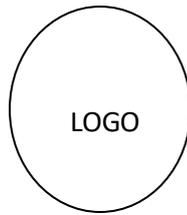
(5 marks for each correctly stated form in which illegality could relate to. Maximum of any 2 to be graded. Sub-Total: 10 marks)

- Mistake:** this is another factor that can render a contract void or ineffective. Mistake is when a party or the parties to a contract enter into a contract under a mistaken belief as to the state of affairs regarding the contract. (5 marks)

Mistake could relate to

- **Subject matter of the contract:** e.g. in *Coutourier v. Hastie* (1856), parties agreed on the sale of a cargo of wheat while unknown to them, the wheat was no longer in existence. The contract was declared void for mistake.
- **Identity of the other party:** in *Cindy v. Lindsay* (1878), a rogue called Blenkarn made an order for handkerchiefs from Lindsay and signed the order to make it look as if it was from Blenkiron & Co, a reputable firm. Lindsay sent the items to Blenkarn who in turn sold to Cindy who in turn did not pay for it. The court held the original contract void for mistake of identity of the other party.
- **Mistaken signing of written documents**
- **Mistake in recording agreements**

(5 marks for each correctly stated form in which illegality could relate to. Maximum of any 2 to be graded. Sub-Total: 10 marks)



**CHARTERED INSURANCE INSTITUTE OF NIGERIA  
DIPLOMA**

**APRIL 2019 EXAMINATION PAPER**

**SUBJECT D10  
COMMERCIAL INSURANCE 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 form with care do not write notes on it.
- ✚ 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. Failure to do this may result in your paper not being assessed and marked.
- ✚ Insert your candidates 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.**

# CHARTERED INSURANCE INSTITUTE OF NIGERIA

## D10 - COMMERCIAL INSURANCE PRACTICE

### INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

Part I - 140 marks.

Part II - 60 marks.

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

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

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

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

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

## **Summarized Report**

Pass Rate: 100%

Highest Score: 58%

Lowest Score: 58%

Average Score: 58%

## **Breakdown Updates**

### **Question 1**

The candidate understood the question well and answered appropriately.

### **Question 2**

The candidate understood the question but failed to supply more points hence performance was average.

### **Question 3**

This was wrongly answered indicating that the candidate did not understand what was being required.

### **Question 4**

The candidate understood the question well and answered it correctly.

### **Question 5**

Performance was below average as the candidate did not understand the question.

### **Question 6**

The candidate understood the subject of warranty and this reflected in the performance which was well above average.

### **Question 7**

Performance on this question was average.

### **Question 8**

The candidate obtained good mark on this question.

### **Question 9**

Performance here was good.

### **Question 10**

The candidate understood this question hence the good performance. Above average score.

### **Question 11**

The candidate obtained average mark.

**Question 12**

Question was understood and the performance was above average.

**Question 13**

The candidate obtained full marks, indicating good understanding of the question.

**Question 14**

The candidate had a deep understanding of the question.

**Question 15**

The candidate showed an above average understanding of the question.

**Question 16**

The question was not attempted by the candidate.

**Question 17**

Performance here was very poor and surprising. It clearly showed that the candidate did not understand the question.

**Question 18**

The question was not attempted by the candidate.

**Chief Examiner's Comments on Overall Performance:**

We saw one candidate writing the examination. The candidate passed with above average mark. Generally, performance was good.

**Chief Examiner's Suggestions on Improvement:**

The way forward is for candidates to read widely and robustly all relevant course materials, - coursebook, legislation, regulations, guidelines, market agreements, e.t.c. (refer to covering page 2 above) that will enhance performance at examinations.

## Part I

Answer ALL questions in Part I.

Each question carries 10 marks.

1. According to Section 6, 6.1.0 – 6.1.4 of the Market Conduct and Business Practice Guidelines issued by NAICOM,
  - i) who is a “promoter”? (4 marks)
  - ii) mention any three (3) documents required to be submitted by a “promoter” to NAICOM at the preliminary stage of application. (6 marks)

### Solution

i) A “promoter” is **the applicant** making a **request to get approval from NAICOM to operate as either an insurance company or a reinsurance company in the Nigeria Insurance market** space.

(1 mark for each correctly stated/bolded point. Total: 4marks)

ii) The following are the documents

- a) letter of intent
- b) profile of directors
- c) current CV of the proposed CEO
- d) sworn declaration of non-disqualification of the proposed directors
- e) proposed company name
- f) draft memorandum of association of the proposed company
- g) draft articles of association of the proposed company
- h) evidence of financial soundness of the shareholders supported by sworn affidavit confirming such
- i) evidence of confirmation (clean bill of health) from the primary regulator and approval by the regulator (where necessary)
- j) holding company structure and funding – where applicable
- k) class of insurance to be transacted (whether general, life or reinsurance)

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

2. Liability insurance has some exceptions, list out any five (5) of these exceptions.

### Solution

The following are the exceptions under liability insurance:

- Liability to employees (public and products liability only)
- Ownership/possession/use of motor vehicles, aircraft or water craft
- Lifts, escalators and steam boilers
- Custody or control
- Advice, treatment and professional risks
- Contractual liability/damage to contract work
- Liquidated damages
- Offshore work
- Pollution.

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

3. Briefly explain the hiring conditions usually imposed on plant owners by the Construction Plant Hire Association (CPA).

**Solution**

The conditions imposed on plant owners by the Construction Plant Hire Association (CPA) are:

- Legal liability under the terms of the hiring agreement to pay ongoing hire charges as a result of loss or damage **(5 marks)**
- Legal liability under the terms of hiring agreement for loss of damage to machinery while in the proposer's custody or control anywhere within the territory limit of the insurance cover or while in transit. **(5 marks)**

4. a) Commercial Insurance Brokers has a main role to play. What is this main role?  
b) What do you understand by the word "permanent works"?

**Solution**

- a) The commercial Broker main role is to bring together the commercial client and the insurer, within all the different commercial markets. **(5 marks)**
- b) Permanent works is the main subject of the contract. For example, the house, shop, factorye.t.c. that is being build and all the unfixed materials. **(5 marks)**

5. Having issued a bond, under what type of circumstances are insurers likely to pay for a claim? Enumerate any two.

**Solution**

The insurer will agree to pay a sum of money if the:

- Bondholder fails to perform a specific duty
- Bondholder fails to perform a duty properly
- Subject of the dishonest i.e. the bond has similarities to fidelity guarantee covers

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

6. i) What is the importance of warranty in an insurance contract? **(4 marks)**  
ii) What are the most common type of proportional (percentage) reinsurance arrangements? **(6 marks)**

**Solution**

i) The importance of warranty in an insurance contract is that **the insured gives an undertaking that a certain state of affairs will or will not continue**; or that something shall or shall not be done; **throughout the duration of the contract.**

**(1 mark for every important phrase used as bolded. Total: 4 marks)**

- ii) The most common type of proportional (percentage) reinsurance arrangements
- The Facultative Obligatory Treaty **(2 marks)**
  - The Quota Share Treaty **(2 marks)**
  - The Surplus Treaty **(2 marks)**

7. State at least five (5) of the report headings likely to be found in a report by a specialist business interruption surveyor.

### Solution

Fire from:

- Basis of cover
- Business activity
- Computers
- Declared values
- Distribution of goods
- Extensions
- Income
- Income projected
- Insured
- Likely effects of damage
- Machinery.

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

8. i) List any two (2) of the hazards for which an insurer would load its standard base fire rate.  
ii) State any two (2) of the three main general commercial insurance requirements of a building contractor.

### Solution

Hazards for which an insurer would load its standard fire base rate are:

- Combustible construction material
- Portable heaters
- Use of flammable liquids

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

The three main general commercial insurance requirements of a building contractor are:

- i) The usual commercial combined type cover protecting their own property, revenue, liability and other typical business risks **(2 marks)**
- ii) A contract work (or Contractors'-all-Risk) cover to protect the subject of the contract being undertaken **(2 marks)**
- iii) A JCT Clause 21.2.1 (or 6.5 of SBC 2005) cover protecting the employer for some contracts where requested by the employer. **(2 marks)**

9. What is the usefulness of declaration-linked basis of arranging a business interruption insurance? **(10 marks)**

### Solution

The usefulness of declaration-linked basis of arranging a business interruption insurance is that this basis of cover **allows the proposer an additional 33.33% of the estimated gross profit, without additional charge**, which **protects the proposer against volatile inflationary increases or unexpected growth** in the business **during the maximum indemnity period.**

**(2 marks for each correctly used/implied bolded phrases. Total: 10 marks)**

10. i) What do you understand by "scheme" policies in Insurance? (2 marks)  
ii) What consequences are usually covered under a libel and slander policy. Mention any four (4). (8 marks)

**Solution**

i) Scheme policies are used by insurers to offer preferential insurance cover and terms to members of particular trade associations and federations. (2 marks)

ii) The libel and slander policy will usually cover the consequences of:

- Libel
- Slander to the title of goods
- Infringement of trademark
- Infringement of registered design
- Infringement of copyright
- Infringement of patent right

**(2 marks for each correctly stated consequence. Maximum of 4 consequences to be graded. Total: 8 marks)**

11. What document is the basis of the contract between intended insured and insurance company. (4 marks)  
ii) Name the optional covers available under a bloodstock package policy. (6 marks)

**Solution**

i) The proposal form is the basis of the contract between the proposer (intended insured) and the insurer (insurance company). (4 marks)

ii) The optional covers available under a bloodstock package policy are:

- Saddlery and Tack (2 marks)
- Personal Accident (2 marks)
- Legal Liability (2 marks)

12. Special liability protection covers are many in insurance products. Mention any five (5).

**Solution**

Some special liability protection covers are:

- Retrospective cover
- Professional indemnity cover
- Directors' and Officers' cover
- Legal costs and expenses
- Environmental liability
- Product guarantee
- Financial loss

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

13. Enumerate the four (4) ways by which insurance company can meet the insurance needs of multi-national and global businesses.

**Solution**

insurance company can meet the insurance needs of multi-national and global businesses through

- a portfolio of insurance policies
- self insurance
- captive companies and
- alternative risk transfer arrangements

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

14. Name two (2) of the common exclusions to all commercial policies. **(10 marks)**

**Solution**

Two (2) from

- Sonic bangs
- Radioactive contamination
- War risks

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

**PART II (Answer Two (2) out of Four (4)) Each question carries 30 marks.**

15. Stock Declaration

Period of Insurance: 31/12/2016 – 31/12/2017

<b>Monthly Basis</b>	<b>Declaration Received (NGN)</b>
January	400,000.00
February	350,000.00
March	300,000.00
April	350,000.00
May	-
June	400,000.00
July	350,000.00
August	450,000.00
September	650,000.00
October	-
November	600,000.00
December	500,000.00

PLEASE NOTE:

- Stock Sum Insured: NGN700,000.00
  - Rate of Fire and Special Perils: 0.45%
- a) Write out the adjusted declaration figures as expected.
  - b) Calculate the total expected declarations
  - c) Calculate the average declaration at risk during the period of insurance
  - d) Calculate the expected premium
  - e) What is the maximum additional premium that could be charged in this case?

**Solution**

Monthly Basis	Declaration Received (NGN)	Adjustment (NGN)	
January	400,000.00	400,000.00	(1 mark)
February	350,000.00	350,000.00	(1 mark)
March	300,000.00	300,000.00	(1 mark)
April	350,000.00	350,000.00	(1 mark)
May	-	700,000.00	(1 mark)
June	400,000.00	400,000.00	(1 mark)
July	350,000.00	350,000.00	(1 mark)
August	450,000.00	450,000.00	(1 mark)
September	650,000.00	650,000.00	(1 mark)
October	-	700,000.00	(1 mark)
November	600,000.00	600,000.00	(1 mark)
December	500,000.00	500,000.00	(1 mark)
Total:			(12 marks)

b) Total Expected Adjusted Declaration Amount

$$\begin{aligned} &= \text{Addition of all the monthly adjusted figures} && \text{(3 marks)} \\ &= \text{NGN5,750,000.00} && \text{(1 mark)} \end{aligned}$$

c) Average declaration at risk during the period of insurance

$$\begin{aligned} &= \text{N,750,000.00} / 12 && \text{(3 marks)} \\ &= \text{N479,166.67} && \text{(1 mark)} \end{aligned}$$

d) The expected premium

$$\begin{aligned} &= \text{N479,166.67} * 0.45\% && \text{(3 marks)} \\ &= \text{N2,156.25} && \text{(1 mark)} \end{aligned}$$

- e) Maximum Additional Premium that could be charged
- |                             |                  |
|-----------------------------|------------------|
| = N700,000.00 * 0.45 at 25% | <b>(4 marks)</b> |
| = N3150 * 25%               | <b>(1 mark)</b>  |
| = N787.50                   | <b>(1 mark)</b>  |

16. The main intent of the employers' liability cover is to insure the employers against the legal liability they have to their employees. However, employers' liability can be extended to cover the insured's workers who are not employees.

- a) Before this extension can be effective, the Insured must satisfy some conditions that make their workers qualify as employees. Enumerate any five (5) of these conditions.
- b) Under Employer's Liability (Compulsory Insurance Act (1969), some person(s) are exempted to be an employee of the Insured? Who are these persons?

### Solution

- a. Employers' liability can be extended to cover the insured's workers who are not employees subject to the insured satisfying some of the conditions stated below:
- anyone on voluntary works for the insured
  - persons hired or borrowed by the insured under an agreement by which the person is deemed to be employed by the insured
  - self-employed persons
  - persons employed under labour-only sub-contracts
  - labour masters and persons supplied by them
  - persons engaged on work experience or similar schemes

**(3 marks for any correctly stated point. Maximum of five (5) points from the above.**

**Total: 15 marks)**

- b. Under Employer's Liability (Compulsory Insurance Act (1969), the following persons are exempted to be an employee of the Insured:
- Employees who are insured's family members
  - Employees of nationalized industry
  - Employees of police authority
  - Employees of local authority

**(5 marks for any correctly stated persons. Maximum of three (3) persons from the above. Total: 15 marks)**

17. In Business Interruption Insurance cover, a prudent underwriter must take into consideration the profitability that insured's risk will happen. For an insured whose occupation involves timber pallet manufacturing, what would the underwriter consider before arriving at an appropriate rate? List any five (5) out of those various available considerations.

- b) State and explain the usefulness of "age" and "value of vehicles" in a standard motor insurance proposal form.

### Solution

- a. For an insured whose occupation involves timber pallet manufacturing, the underwriter would consider the following before arriving at an appropriate rate:
- the claims experience
  - nature of the trade (hazards)
  - type of heating used, if any
  - number and type of machine used
  - extent of any trade waste and how it is managed
  - use of highly flammable liquids, if any
  - fire extinguishing appliances and sprinklers.

**(3 marks for any correctly stated point. Maximum of five (5) points from the above. Total: 15 marks)**

- b. **Age:** It will let the insurance company know how old the subject matter of insurance is; to determine the road worthiness and type of cover the insurer can offer for such vehicle.

**(5 marks for each correctly stated point. Maximum of 3 points to be graded. Total: 9 marks)**

**Value of Vehicles:** it will let the insurance company know the amount to base the premium rate upon and also determine whether or not there was any under-declaration in value or if the declared sum insured is in synchronization with the current market value of such vehicle.

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

18. There are different methods of rating risks by Insurance Companies to arrive at equitable premium that will be enough to compensate the Insured in the event of a claim during the Insurance year. Give at least two (2) methods on each of the following risks:

- a. Goods-in-Transit cover **(5 marks)**  
b. Money Insurance cover **(5 marks)**  
c. Glass Insurance cover. **(4 marks)**

b. Like ordinary insurance cover, reinsurance is an annual contract and insurance companies usually apply for the renewal of their reinsurance covers. Before any reinsurance company will renew the covers, some underwriting factors will be considered. Name two (2) of the underwriting factors that will guide the reinsurance company. **(8 marks)**

c. if the reinsurance company finds out that the business portfolio it has with insurance company is not profitable, state the two (2) of the available options the reinsurer has that can be exercised by the reinsurance company. **(8 marks)**

### Solution

a)

- i. GIT
- Rate on the total value of goods in transit per annum
  - Rate on maximum value of a load per vehicle
  - Rate as flat premium per vehicle

**(2½ marks for each correctly stated point. Maximum of 2 points to be graded. Total: 5 marks)**

ii. Money

- Rate on annual amount of cash in transit
- Rate on money in safe
- Rate on money in the custody of security companies

**(2½ marks for each correctly stated point. Maximum of 2 points to be graded. Total: 5 marks)**

iii. Glass

- Rate on the contents sum insured
- Rate on the specific measurements of different type of glass
- Rate based on the width of the shop front
- Rate on the building sum insured.

**(2 marks for each correctly stated point. Maximum of 2 points to be graded. Total: 4 marks)**

b) Two (2) from:

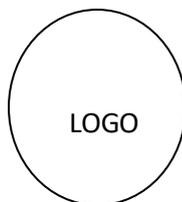
- Insurance company's performance during the last twelve months
- Insurance company's large claims experience
- Insurance company's quality of staff both in the underwriting and claims departments

**(4 marks for each correctly stated point. Maximum of 2 points to be graded. Total: 8 marks)**

c) Two (2) from:

- Reinsurer can refuse to renew the cover
- Reinsurer can renew with reduced cover
- Reinsurer can renew but increase insurance company's net retention.

**(4 marks for each correctly stated point. Maximum of 2 points to be graded. Total: 8 marks)**



**CHARTERED INSURANCE INSTITUTE OF NIGERIA  
DIPLOMA**

**APRIL 2019 EXAMINATION PAPER**

**SUBJECT D11  
PERSONAL INSURANCE 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 form with care do not write notes on it.
- ✚ 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. Failure to do this may result in your paper not being assessed and marked.
- ✚ Insert your candidates 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.**

# CHARTERED INSURANCE INSTITUTE OF NIGERIA

## D11 - PERSONAL INSURANCE PRACTICE

### INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

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

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

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

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

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

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

## Summarized Report

Pass Rate:	51.72%
Highest Score:	68%
Lowest Score:	18%
Average Score:	46%

### Breakdown Updates

#### **Question 1**

This is a practical question on the vital information requested by NAICOM to be on the website of insurance companies. 95% of the candidates failed the question.

#### **Question 2**

A lot of candidates got above average in this question. Only very few candidates did not know the difference between real and perceived needs of customers.

#### **Question 3**

A very popular question that bothers on the stages in product cycles. Majority of the candidates performed very well on this question.

#### **Question 4**

The question was not a popular question with the candidates. The few candidates that attempted it understood the question well and performed well on it.

#### **Question 5**

Many attempted the question and average scores were achieved by some candidates who attempted it because case study question had never been a popular question.

#### **Question 6**

Question on contribution that the examiner expected high marks, however, candidates performed below average on this question.

#### **Question 7**

Poorly attempted question. About 10% of the candidates had weak passes.

#### **Question 8**

Exclusion questions also had never been popular. Only few candidates performed well.

#### **Question 9**

The question tested candidates' knowledge on personal accident benefits. Some candidates got average marks, while others did not do well.

#### **Question 10**

The question tested the knowledge of candidates on their understanding of "money". The candidates who attempted the question performed well.

**Question 11**

A lot of candidates did not understand the question. Performance was woeful.

**Question 12**

This was a very popular question and performance was also equally good.

**Question 13**

This was a simple question on reinsurance, which was well attempted by almost all the candidates. Performance was also good.

**Question 14**

This question tested the knowledge of candidates on arbitration. Candidates scored average. No candidate was able to mention any of the statutes backing up arbitration.

**Question 15**

Candidates had a good understanding of the composition of an office premium; however, only few candidates did well on the general exclusion on household policies.

**Question 16**

Question on travel insurance has never been popular so performance in section (a) was poor while candidates took advantage of the section (b) to boost their marks.

**Question 17**

Many of the candidates avoided this question. Those that attempted it did well.

**Question 18**

None of the candidates had a good understanding of the Building Act of 1986. Other aspects of the question were better attempted, although performance was not encouraging.

**Chief Examiner's Comments on Overall Performance:**

There was an improvement in the area of performance of candidates if we compare the result with that of the October 2017 diet. However, it is still not a very impressive performance as a whole.

**Chief Examiner's Suggestions on Improvement:**

Candidates who decide to be examined on this course are encouraged to adequately prepare and ensure that they cover the course book, legislation, regulations, guidelines, market agreements, e.t.c. (refer to covering page 2 above).

## Part I

Answer ALL questions in Part I.

Each question carries 10 marks

1. As part of NAICOM's role to establish standards for the conduct of insurance business in Nigeria, a circular was issued to Industry Practitioners on "fair trade practice and fair treatment to customers". Enumerate the stated minimum information that insurance institutions are required to update their websites with, as stated in the circular.

### Solution

As part of NAICOM's role to establish standards for the conduct of insurance business in Nigeria, a circular was issued to Industry Practitioners on "fair trade practice and fair treatment to customers. The stated minimum information that insurance institutions are required to update their websites as stated in the circular major focus in the circular are:

- the average timeline to settle claims (for various classes of insurance)
- business location and contact telephone number of all its branches
- the complaint procedure.

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

2. What is the difference between a real need and a perceived need of a customer?

### Solution

The difference between a real need and a perceived need of a customer is that a real need will arise where the customer recognizes that a risk exists which is capable of being reduced or eliminated through the purchase of an insurance products. It may also relate to a recognized need for a particular service associated with an insurance product.

However, a perceived need will arise where an insurer identifies that an uninsured risk or an opportunity to provide a service exists, which has not yet been recognized by the customer.

(2½ marks for every correctly stated point. Maximum of 2 points should be graded under each term. Sub-Total per term: 5 marks. Grand Total: 10 marks)

3. Give the four (4) stages in product cycle and explain them.

### Solution

The four stages in product life cycle are:

- **Introduction Stage:** this is when the product is newly introduced to the market, sales could be slow and cost may be high because of promotion. There could be no profit.
- **Growth Stage:** this is the period of rapid market acceptance; sales could grow but with little or no profit.

- **Maturity Stage:** this is the period whereby sales begin to slow down because most of the potential buyers have been reached. No new cost of introduction and promotion is incurred. Profit could be realized.
- **Decline Stage:** this is the stage where sales declines as the product loses its appeal and better or more sophisticated products enter the market. Profit may begin to decline.

(1½ marks for every correctly stated stage. 1 mark for correct explanation. Sub-Total: 2½ marks. Grand Total: 10 marks)

4. Explain the composition of promotion as stated in marketing management authored by P. Kotler.

**Solution**

Promotion is one of the six “p”s in marketing. It informs the people or public of the availability and benefits of the product. P. Kotler states that in marketing management, promotion is composed of four major tools. These are:

- Advertisement
- Sales Promotion
- Publicity
- Personal Selling.

(2½ marks for every correctly stated point from above. Maximum of 4 points to be graded – each tool above can be graded as a point provided such is correctly stated and linked to the point being made. Total:10 marks)

5. What is the fact of the case in *Bond v. Commercial Union Assurance Co. Ltd (1930)* and the insurance principle behind it?

**Solution**

The fact of the case in *Bond v. Commercial Union Assurance Co. Ltd (1930)* is that Bond had completed a proposal form for motor insurance and during the policy period, an accident occurred when the car was being driven by Bond’s son who had had a motoring conviction before. However, when the proposal form was being completed, Bond had answered all the questions asked but had not disclosed details of his son’s motoring convictions. The court held that Bond should have disclosed this information, therefore Bond’s claim against Commercial Union Assurance Co. Limited failed.

The insurance principle behind it is Utmost Good Faith.

(6 marks for correctly stating the facts of the case (2 marks for each correctly stated point. Maximum of 3 sub-facts to be graded. 4 marks for correctly stating the principle behind the case. Total: 10 marks).

6. What happens at common law when an insured has more than one insurer?  
ii) What is an example of a typical contribution condition?

**Solution**

- i) At common law, when an insured has more than one insurer, the insured can confine the claim to one of the insurers if they so wish. That insurer must meet the loss to the limit of her liability and, at common law can call for contribution

from other insurers after the insured have been indemnified on the claim, subject to the conditions guiding contribution.

**(2½ marks for every correctly stated point from above. Maximum of 2 points to be graded.**

**Sub-Total: 5 marks)**

- ii) An example of a typical contribution condition can be "at the time of any loss, damage or liability, resulting in a claim under this policy, if you have any other insurance covering the same loss, damage or liability, we (the insurer) will only pay for our share of the claim". **(5 marks)**

7. What are the specific questions that insurer will ask in relation to content insurance?

**Solution**

The specific questions that insurer will ask in relation to content insurance are:

- the value of the contents
- whether the house is used for business purpose
- whether the property is left unoccupied for periods more than 30 days
- whether the property is self-contained, if rented
- full information about how the property is secured
- whether the proposer has voluntarily had a burglar alarm fitted
- whether the purpose belongs to a neighbourhood watch scheme

**(2 marks for every correctly stated point from above. Maximum of 5 points to be graded. Total: 10 marks)**

8. What are the typical exclusions under the contents section of a household policy?

**Solution**

The typical exclusions under the contents section of a household policy are:

- property more specifically insured
- securities, certificates and documents
- motor vehicles, motorcycles, caravans, trailers, watercraft, aircraft and their accessories
- livestock and pets
- any part of the structure of dwelling, ceiling, wallpapers, e.t.c.
- property held or used primarily for business purposes

**(2 marks for every correctly stated point from above. Maximum of 5 points to be graded. Total: 10 marks)**

9. Under a continental scale of benefits, list the description of permanent disablement that attracts 100% maximum benefits payable.

**Solution**

Under a continental scale of benefits, the following are description of permanent disablement that attracts 100% maximum benefits payable:

- loss of both hands
- loss of both feet
- complete and irrevocable loss of sight in both eyes
- loss of one hand and one foot

- loss of one hand and one foot together with complete and irrevocable loss of sight in one eye
- complete and incurable insanity
- complete and incurable paralysis

**(2 marks for every correctly stated point from above. Maximum of 5 points to be graded. Total: 10 marks)**

10. How is money defined under a household policy?

**Solution**

The definition of money under a household policy varies but it is covered under the following sub-definitions and usually include the following:

- cash and bank notes
- cheques
- postal orders
- bankers' drafts
- current postage stamps
- savings stamps and certificates
- premium bonds
- luncheon vouchers
- gift tokens
- travel tickets
- telephone cards

**(2 marks for every correctly stated point from above. Maximum of 5 points to be graded. Total: 10 marks)**

11. Not Graded

**Solution**

Not Graded

12. What are the duties of the policyholder under a motor insurance policy?

**Solution**

The duties of the policyholder under a motor insurance policy are:

- policyholder must observe and fulfil the terms and conditions of the policy
- the information on the completed proposal form must be true and correct to the best knowledge of the policyholder
- the policyholder must take reasonable steps to prevent a loss from arising, including maintaining the vehicle in an efficient and roadworthy condition
- the insurer has the right to examine the vehicle at any reasonable time and the insured must make the vehicle available at such times. Rarely would an insurer wish to inspect other than when an accident occurs or when fraud is suspected.

**(5 marks for every correctly stated point from above. Maximum of 2 points to be graded. Total: 10 marks)**

13. What is facultative reinsurance?

**(2 marks)**

ii) List two (2) advantages and two (2) disadvantages of facultative reinsurance. **(8 marks)**

**Solution**

- i) Facultative insurance is the oldest form of reinsurance where each risk is reinsured separately and the reinsurer being free to accept or reject the reinsurance or to accept a proportion of the risk and determine the premium accordingly. **(2 marks)**
- ii) Two (2) advantages of facultative reinsurance are:
- allows a small insurer with limited capacity to compete for risks beyond its usual capacity
  - allows an insurer to accept a risk which falls outside the parameters of their usual businesses

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

Two (2) disadvantages of facultative reinsurance are:

- the insurer is unable to accept the risk until the underwriter has obtained reinsurance
- the negotiation involved can be time consuming and costly
- the reinsurance arrangement has to be negotiated at each renewal/placement

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

14. Explain arbitration and its historical background.

**Solution**

Arbitration is a form of alternative dispute resolution (ADR) which is a way to resolve dispute, between two or more parties, by an impartial third party whose decision the contending parties agree to accept, outside the courts.

The principle of referring disputes, particularly those of technical natures to arbitration rather than to a court of law had been formally recognized since the end of the 17<sup>th</sup> Century. Although it was condemned in legal circles until the passing of the Arbitration Acts 1934 and 1950; which made it clear that an arbitration is a legal proceeding. The 1950 Act was amended by the Arbitration Act 1979.

Arbitration applies only to quantum disputes and it involves appointing an independent arbitrator who will look at the merits of the case and make a judgement. This option is usually taken, instead of going to full scale litigation and this results largely to saving time and costs.

Voluntary arbitration is increasingly now being used to settle not only quantum cases but also liability disputes.

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

**PART II (Answer Two (2) out of Four (4)) Each question carries 30 marks.**

15. Enumerate and explain any four (4) general exclusion applicable to a household policy?

**(20 marks)**

b) What are the components of an office premium? Explain them.

**(10 marks)**

**Solution**

a) The general exclusions applicable to a household policy are:

- **war risk:** it is a fundamental risk which is generally regarded as being the responsibility of the State to handle
- **radioactive contamination and explosive nuclear assemblies:** losses here have potentials to be too big for an insurer to carry. Cover is instead provided by market pool(s) whereby each underwriter accepts a share of the risk
- **sonic bang:** this excludes damage caused by pressure waves created by aircrafts travelling at supersonic speeds
- **pollution or contamination:** this excludes any loss caused by pollution or contamination, unless arising from a sudden and unforeseen accident. This will therefore exclude losses arising gradually over a period of time. Losses caused by leakage of oil from any heating installation are not subject to this restriction.
- **Terrorism:** in light of developments since September 11 attack on America, insurers have started to restrict terrorism by introducing a specific exclusion in same. Terrorism means the use of threat or use of biological, chemical and/or nuclear force by any person(s) whether acting along or on behalf of others.
- **Computer Equipment:** this excludes any losses due to the failure of computer or other electronic equipment to recognize correctly any date as its true calendar date. It was introduced into insurance policy contracts in order to prevent claims being made for computer equipment's' failures to recognize the changes in dates as we entered a new millennium.
- **Confiscation:** this excludes any loss caused by property being confiscated, seized or destroyed by any government – public or local authority.

**(2½ marks for each enumerated exclusion. 2½ marks for each correctly stated explanation. Sub-Total per exclusion: 5 marks. Maximum of 4 exclusions to be graded. Total: 20 marks).**

b) The components of an office premium are:

- **pure premium:** it is the amount to cover the expected cost of risk. This portion is a function of the probability of the occurrence and it is drawn from the Industry statistics over the years.
- **contingency loading:** is the amount to cover the risk that the actual cost will exceed the expected cost while ensuring that the claim reserves are sufficient.
- **expenses loading:** is the cost to the company of introducing, issuing and servicing the insurance product.
- **profit loading:** is to provide a return to the owners of the company. A composite company may be under pressure to achieve an underwriting profit on its personal insurances portfolio to maximise its investment income.

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

16. What are the main extensions to travel insurance? State and explain any six (6) of these main extensions. (18 marks)

b) Mention three (3) advantages and three (3) disadvantages of direct marketing

(12 marks)

### Solution

a) The main extensions to travel insurance are:

- **Hospital Cash Benefits:** this section provides a daily cash benefit while the insured is confined to the hospital. The essence of this benefit is to take care of additional expenses like toiletries or making phone calls.
- **Delay Baggage:** cover relates to the cost of essential items of clothing and toiletries purchased as a result of the delay of baggage for minimum period after the time at which it should have arrived, usually 12 hours.
- **Travel Interruption:** this covers the failure of public transport to deliver the insured person to the departure point, Some insurers may extend cover to include delays caused by the insured's car breaking down or being involved in an accident.
- **Travel Delay:** this covers the delay of the aircraft, sea vessel or publicly licensed conveyance in which the insured has arranged travel for at least twelve (12) hours from the departure time indicated by the carrier, due to strike, adverse weather conditions, mechanical breakdown or structural defect.
- **Failure of Tour Organizer:** this provides compensation following financial failure of tour organizers, travel agents, airline or anyone to whom advance money has been paid for service.
- **Lack of Service or Amenities:** if there is a withdrawal of services at a hotel where the insured is staying for the purpose of travelling, as a result of strike for at least 48 hours – insured can extend cover lack of services like water or electricity facility that is affected during the strike or industrial action.
- **Loss of Passport:** cover is provided for additional travelling and accommodation costs to obtain a replacement passport following loss or theft of passport. A particular amount is set as the sum insured.
- **Legal Expenses:** some insurers provide cover for legal cost and expenses in pursuing claims for compensation arising out of death or personal injury of the insured person caused by negligence of a third party whilst on holiday.

(2 marks for each correctly stated extension. 2 marks for each correct explanation. Sub-Total per extension: 4 marks. Maximum of 6 extensions to be graded. Total: 24 marks).

b) The advantages of direct marketing are:

- it is very easy to adapt the scale of sales operation according to demand

- cost can be easily identified and controlled
- computer systems allow instant adjustments of rating factors at relatively low costs
- clients' needs can be directly assessed and product modified appropriately

**(1 mark for each correctly stated advantage. Maximum of 3 advantages to be graded. Sub-Total: 3 marks)**

The disadvantages of direct marketing are:

- cost of staff training by the insurer
- lack of customer loyalty
- impersonal relationship
- lack of independent advice to the insured.

**(1 mark for each correctly stated disadvantage. Maximum of 3 disadvantages to be graded. Sub-Total: 3 marks)**

17. What are the six (6) powers of Financial Services Authority (FSA) that are also exhibited as the powers of National Insurance Commission (NAICOM)? **(18 marks)**
- b) What is the full meaning of ICOB? **(4 marks)**
- c) Insurers are responsible for producing product information to customers. State and briefly explain any four (4) heading that product information must be given to a retail customer by the insurer. **(8 marks)**

**Solution**

- a) The six powers of the Financial Services Authority (FSA) that are also exhibited as the powers of National Insurance Commission (NAICOM) are:
- Authorization:
  - solvency margin
  - monitoring
  - intervention
  - conduct of business
  - winding up
- (3 marks for each correctly stated power. Total: 24 marks).**
- b) Full meaning of ICOB is Insurance Conduct of Business Sourcebook **(4 marks)**
- c) Insurers are responsible for producing product information to customers. ICOB defines the product information which must be given to a retail customer by the insurer. The headings this information should be under are:
- product summary:** this gives a picture of what the product is all about to the customer
  - statement of price:** this provides the cost implication and the price to be paid for the product by the customer
  - cancellation information:** this shows the terms governing the cancellation rights by both parties, to the contract
  - claims handling process information:** this provides a detailed statement of how the claims will be handled and the documentation required for the handling of the claims

- v. **policy document:** this is the evidence of the contract, stating the terms, conditions, warranties, e.t.c. and all other information that governs the contract to the customer
- vi. **renewal information:** is the details of what is expected of the customer when the current policy period expired, so as to ensure that there is no lapse in cover. It is required to be given at least 21 days before expiry of the current contract.

**(1 mark for each correctly stated heading. 1 mark for the brief explanation. Maximum of 4 headings to be graded. Sub-Total per heading: 2 marks. Grand Total: 8 marks).**

18. Write short notes on the following:

- a. Building Societies Act 1986
- b. Notification Condition
- c. Capital and Free Reserves
- d. Expressed Duties
- e. Motor Engineers
- f. The Financial Service Compensation Scheme

#### **Solution**

- i. **Building Societies Act 1986:** this Act allows building societies to raise deposits from more sources and make more loans with a corresponding higher percentage of the purchase price. This Act provided the opportunity for building societies to adopt PLC status. It is envisaged that more building societies will take steps to become a PLC and thereby be in a stronger position to expand into other areas of the financial services market like insurance.
- ii. **Notification Conditions:** this standard conditions cover three basic requirements namely that the insured or their legal representatives must:
  - tell the insurer as soon as possible about any incidence which might give rise to a claim
  - forward immediately to the insurer all written documents which they receive as a result of the incidence
  - advise the insurer in writing immediately they have word of any prosecution pending or of an inquest or of a fatal accident enquiry.
- iii. **Capital and Free Reserves:** the company must make a decision regarding the level of capital and free reserves they wish to hold. The first step in fixing retentions will be to decide to what extent they can afford to risk the loss of free reserves in any one year. The size of the company will also be important as a small insurer is likely to require a retention which is a greater proportion of capital than a large insurer.
- iv. **Expressed Duties:** these are the duties written into or expressed into the contract. They are usually printed as the conditions in the policy document. Insurers sometimes reinforce or modify the implied duties in some way by inserting an appropriate condition in the policy. thus then makes the duty a contractual one, and any breach may lead to a claim being repudiated. Insurance Act 2003 states that insurers must not unreasonably repudiate a

claim where there has been a breach of warranty or condition unless the circumstances of the loss are connected to the breach.

- v. **Motor Engineers:** they are usually directly employed by insurers or are sometimes self-employed independent engineers who are paid a fee by the insurer. Their roles are:

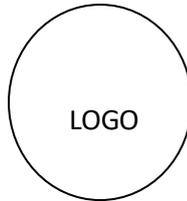
- to inspect damaged vehicles for pre-accident and worthiness
- checking estimates of repairs by repairers
- assessing whether repair of vehicles is an economic proposition or whether the vehicle should be classified as a total loss
- setting up networks of recommended repairers on behalf of the company they represent.

- vi. **The Financial Service Compensation Scheme:** in 1975, the Policyholders Protection Board was established under the Policyholders Protection Act 1975. The board provided compensation to meet the claims of policyholders in the event that an insurance company had become insolvent and was unable to meet its contractual obligations.

The policyholders Protection Board has been replaced by a new organization known as the Financial Services Compensation Scheme (FSCS). This is a one stop compensation ship and provides compensation for customers of deposit taking companies and investment firms as well as those of insurance companies and intermediaries.

The purpose of the scheme is to protect the insured against the possibility of a valid claim not being met following the winding up of an authorized firm. In the event of such winding up, the FSCS will arrange for payment to be made to the individuals.

**(2½ marks for each correct and complete explanation. Maximum of 4 explanations to be graded per term. Sub-Total per heading: 5 marks. Grand Total: 30 marks).**



**CHARTERED INSURANCE INSTITUTE OF NIGERIA  
DIPLOMA**

**APRIL 2019 EXAMINATION PAPER**

**SUBJECT D12  
LONG TERM BUSINESS**

**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.
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- ✚ Handle the answer form with care do not write notes on it.
- ✚ 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. Failure to do this may result in your paper not being assessed and marked.
- ✚ Insert your candidates 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.**

# CHARTERED INSURANCE INSTITUTE OF NIGERIA

## D12 - LONG TERM BUSINESS

### INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

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

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

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

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

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

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

## **Summarized Report**

Pass Rate: 100%

Highest Score: 54%

Lowest Score: 54%

Average Score: 54%

## **Breakdown Updates**

### **Question 1**

This is straight forward and was well-answered by the candidate. Maximum mark was obtained.

### **Question 2**

The candidates did not attempt this question probably because it is from the last chapter of the coursebook.

### **Question 3**

The candidate understood the questions, the answers were full and maximum mark obtained.

### **Question 4**

Performance here was poor. The candidate did not study this part of the coursebook hence performance was poor. The candidate failed woefully.

### **Question 5**

The candidate failed to name the branches of life assurance proximate cause can apply. He/she obtained less than average mark because of this lack of understanding.

### **Question 6**

Performance was great as the candidates got the maximum mark. He/she understood the questions.

### **Question 7**

The candidate has a good understanding of the question and therefore delivered maximum mark for himself or herself. Good performance.

### **Question 8**

Though the candidate confused the contents of POA 1867 with a letter of Notice, but he/she was able to state what was required of him/her hence the good marks he/she obtained.

### **Question 9**

The candidate understood the question but failed to provide enough points to earn maximum marks. He/she got the average mark.

**Question 10**

A very poor performance here because of lack of understanding of the question. The candidate failed to explain with points the financial factors in life assurance risk assessment.

**Question 11**

The candidate was not successful here. It was like a dead end for him/her as he/she could not draft the caveat. His/her understanding of the question is very low and poor.

**Question 12**

The candidate had a fair idea and understanding of the questions. He/she obtained a good mark.

**Question 13**

The candidate could have obtained maximum marks if she/he had done the last two legs of the calculation. He/she understood the question very well but failed to nail it.

**Question 14**

The candidates' performance was average. He/she understood the question but failed to provide more points to earn full marks.

**Question 15**

The candidates obtained above average mark. He/she could have obtained more marks, with more relevant points, but failed to do so.

**Question 16**

The question was not answered.

**Question 17**

The question was not answered.

**Question 18**

The candidate stated the points but failed woefully to provide explanations to buttress the listed points. Performance was below average. The candidate can be said to have little understanding of the question.

**Chief Examiner's Comments on Overall Performance:**

Performance generally was good but could be better if preparation is more in-depth. The performance of the candidate was just a little above average.

**Chief Examiner's Suggestions on Improvement:**

Our students are encouraged to read our study materials and keep abreast with regulatory environment to be up to date with industry happenings.

Course book is a must read from the beginning to the end and should not be selective. Same applies to the need to study through industry related legislation, regulations, guidelines, market agreements, e.t.c. (refer to covering page 2 above).

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

1. As part of NAICOM's role to establish standards for the conduct of insurance business in Nigeria, a circular was issued to Industry Practitioners on "fair trade practice and fair treatment to customers. Enumerate the stated minimum information that insurance institutions are required to update their websites with, as stated in the circular.

**Solution**

As part of NAICOM's role to establish standards for the conduct of insurance business in Nigeria, a circular was issued to Industry Practitioners on "fair trade practice and fair treatment to customers. The stated minimum information that insurance institutions are required to update their websites as stated in the circular major focus in the circular are:

- the average timeline to settle claims (for various classes of insurance)
- business location and contact telephone number of all its branches
- the complaint procedure.

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

2. Explain the reason for the enactment of Data Protection Act 1988 **(4 marks)**
  - b) Define Personal Data **(3 marks)**
  - c) Explain Sensitive Data **(3 marks)**

**Solution**

a) **Data Protection Act 1988:** this Act implements the provision of the EC Data Act Protection Directive of 1998. It regulates the use of computers and other authorized data processing equipment and it also covers information recorded in a relevant filing system and thereafter applies to many manual and paper record. **(4 marks)**

b) **Personal Data:** this is defined as any data relating to an identifiable living individual.

**(3 marks)**

c) **Sensitive Data:** this concern such things as a person's ethnic, or racial origin, religious or political beliefs, health or sexual life.

**(3 marks)**

3. Life insurers usually write letters to policyholders on the maturity of their policy one or two months before the maturity date. What is the significance of the letter?

**Solution**

A maturity payment is usually initiated by the life office writing to the policyholder, a month or two months before the maturity date. The significance of the letter is to:

- remind the policyholder of the maturity date
- state the amount payable or if not,
- list the requirement for payment

- forward the relevant form of discharge.

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

4. Taxation of life assurance policies will basically depend on whether the policy is qualifying or non-qualifying. So,

- a) when is tax payable in life assurance policies? **(3 marks)**
- b) what are the chargeable events for qualifying life policies? **(2 marks)**
- c) what are chargeable events for non-qualifying life policies? **(5 marks)**

**Solution**

- a) Taxation of life policies is possible if
  - i. A chargeable event occurs
  - ii. A chargeable gain arises from it
  - iii. When the gain is added to the taxpayer's total income for that year which moves the taxable to a higher tax bracket.

**(1½ marks for each correctly stated answer. Maximum of 2 points to be graded. Total: 3 marks)**

- b) Chargeable events for qualifying policies are:
  - i. Death
  - ii. Maturity

**(1 mark for each correctly stated answer. Maximum of 2 points to be graded. Total: 2 marks)**

- c) Chargeable events for non-qualifying policies are:
  - i. Death
  - ii. Maturity
  - iii. Surrender
  - iv. Policy loan
  - v. Assignment for money
  - vi. Certain part surrender
  - vii. Certain part assignment for consideration.

**(2 marks for each correctly stated answer. Maximum of 4 points to be graded. Total: 3 marks)**

5. A contract of indemnity is one in which an insurer, in the event of the occurrence of an insured event, indemnifies the insured against a loss suffered. However, life policies are not contracts of indemnity.

- a) Explain why life policies are not contracts of indemnity. **(4 marks)**
- b) Explain the branch of life assurance where proximate cause can be relevant. **(6 marks)**

**Solution**

- a) Life policies are not contracts of indemnity because no one can put a monetary value on human life. Thus, on a death claim, the sum assured is payable in full regardless of the financial circumstances of the life assured at the time of death, and even if it makes their dependants much better off financially.

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

- b) Proximate cause is relevant to **critical illness cover** and **double accident benefit**. If there is a claim, **the critical illness claimant has to prove that the proximate cause of the illness is specified in the critical illness cover**. Also, the double accident benefit claimant has to prove the proximate cause of the death was an accident as defined in the policy in order to get the accident death sum assured.

**(1½ marks for each correctly stated answer as bolded above. Total of 4 points to be graded. Total: 6 marks)**

6. Executors or Administrators, as representing an estate, are always requested to produce relevant documents to make a successful claim. What are these documents? **(4 marks)**

- b) What documents will the following require to prove title before a claim is paid?
- i) Assignee **(2 marks)**
  - ii) Trust Policy **(2 marks)**
  - iii) Life of Another **(2 marks)**

**Solution**

- a) The documents that executors or administrators are expected to produce are:
- i. grant of probate when there is a valid will
  - ii. grant of letter of administration when there is no valid will
- (1 mark for each correctly stated answer. Maximum of 2 points to be graded. Total: 2 marks)**
- b) The documents that will be required to prove title before a claim is paid in the following instances are:
- i. **Assignee:** deed of assignment and policy document
  - ii. **Trust Policy:** trust deed and policy document
  - iii. **Life of Another:** Policy Document.

**(2 marks for each sub-point correctly and fully answered. Sub-Total: 2 marks each. Total: 6 marks)**

7. Insurers are expected to pay all valid claims as efficiently and speedily as possible, they are however mindful of the fact that claims are subject to certain criteria before effecting payment. What are these criteria?

**Solution**

The criteria that insurers are mindful of before effecting claim payments are:

- Payment of all due premiums
- Production of the original policy document (or its equivalent)
- Proof of title (the onus of which is on the claimant)
- Proof of death (on death claims)
- Proof of age (on death claims)

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

8. What is the meaning of "assignment" in life assurance contract? **(1 mark)**

- b) The law on assignment of life policies is contained in the Policies of Assurance Act 1867. State the contents of the Policies of Assurance Act 1867. **(9 marks)**

**Solution**

- a) "Assignment" in life assurance contract is a transfer of ownership from one person to another. **(1 mark)**
- b) The contents of the Policies of Assurance Act 1867 as contained on the law of assignment of life policies are:
- i. stipulates that everyone to whom a policy is assigned to must serve notice of the assignment to the life office giving details of the assignment
  - ii. the assignee cannot claim from the life office until notice have been served
  - iii. when served notice, the life office must on request and for a fee, supply a written acknowledgement of receipt of the notice

- iv. the life office is required to have a system of recording notices of assignments to enable it comply with the Act and also pay the right person when a claim arises
- v. the acknowledgement from the life office is a conclusive evidence of receipt of the notice
- vi. the claimant must produce a deed of assignment and policy document, and not a notice of assignment when a policy payment is required.

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

9. How do life insurers treat a request for reinstatement of a policy lapsed by reason of non-payment of premium?

**Solution**

Life insurers treat request for policy reinstatement of a lapsed policy by reason of non-payment of premium in the following manner.

In the first instance, once a policy lapses due to non-payment of premium, the life office goes off risk, the office may thereafter agree to reinstate the policy subject to payment of all outstanding premiums, late payment charges (i.e. interest) and a satisfactory declaration of health.

The policyholder will have to declare that (s)he is in good health and as the duty of disclosure is also revived, give details of any health deterioration since the date of the proposal/policy.

If a longer period had elapsed since the policy expired, the office may not be willing to reinstate the old policy at the old renewal premium rate, it may then be willing to consider a new proposal based on the premium rate for the life assured's current age, which may well be higher than the old premium being paid.

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

10. In the course of risk assessment, underwriters always pay close attention to financial factors. Carefully examine any five (5) of those financial factors that are of high consideration during underwriting.

**Solution**

The following are some of those financial factors that are of high consideration during underwriting:

- where the sum assured looks very high for the circumstances of the life assured
- if the policy is sold for a sum assured and/or the premium which is inconsistent with the life assured's circumstances
- where there is suspicion of overselling then there must be a fact-find to check for justification for the sale
- where a high valued policy is sold on a life of another basis. There must be a fact-find to check for insurable interest in the life assured
- where there is a proposal for key-person assurance, there must be a fact-find to check out the details of the company involved, its turnover, profit levels and the significance of the key person in the business

- where the large sum assured may be suspicious, there could be possibility of a would-be fraudulent claim on the policy afterwards and this must be thoroughly checked out

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

11. Based on your knowledge of life assurance proposal forms and the Insurance Act 2003, you are required to draft a caveat to be included on your company's life proposal form as regards someone (an agent) who completes the form on behalf of another person (the proposer). Draft the caveat now!

**Solution**

According to the Insurance Act 2003 and NAICOM directive, the caveat is as follows: "an insurance agent who assist an applicant or life to be assured/proposer to complete an application or proposal form for insurance cover shall be deemed to have done so as the agent of the applicant or proposer/life to be assured". **(10 marks)**

12. What is a scheme pension? **(6 marks)**

b) Enumerate the different ways an individual can provide retirement income for him(her)self. **(4 marks)**

**Solution**

a) A scheme pension is a pension paid to a member directly by the scheme out of its assets. Note that the scheme can effectively buy a pension from an insurance company with the sum at retirement. **(6 marks)**

b) Income at retirement can be provided for by:

- i. Scheme pensions
- ii. Lifetime annuities
- iii. Unsecured pension
- iv. Alternatively secured pension

**(2 marks for each correctly stated answer. Maximum of 2 points to be graded. Total: 4 marks)**

13. Suppose Mr. Aja is to complete his tax returns for year 2018. In year 2018, he took out a qualifying life policy of N60,000,000.00 sum assured for which he paid an annual premium of N2,500,000.00. he has a personal allowance of N50,000.00 and he pays 15% tax to government yearly on an annual income of N3,000,000.00 only. You are required:

a) calculate the tax payable if he files his tax returns with evidence of life assurance annual premium fully paid and he also attached a copy of his life assurance premium relief certificate to the returns) **(5 marks)**

b) calculate his tax liability if he files his tax returns without the life assurance premium relief certificate attached due to the non-payment of the annual premium. **(5 marks)**

**Solution**

a)	NGN	NGN	
Annual Income		3,000,000.00	<b>(1 mark)</b>
Annual Premium Paid	2,500,000.00		
Personal Allowance	50,000.00		
Total Relief		<u>(2,550,000.00)</u>	<b>(1 mark)</b>

Taxable Income		450,000.00	(1 mark)
Tax Payable	=	450,00000 * 15%	(1 mark)
	=	N67,500.00	(1 mark)

b)		NGN	NGN	
Annual Income			3,000,000.00	(1 mark)
Annual Premium Paid		-		
Personal Allowance		50,000.00		
Total Relief			<u>(50,000.00)</u>	(1 mark)
Taxable Income			2,950,000.00	(1 mark)
Tax Payable	=	2,950,00000 * 15%		(1 mark)
	=	N442,500.00		(1 mark)

14. What are the uses of whole life assurance policy?

**Solution**

The uses of whole life assurance policy are:

- As protection for those who are concerned about family and dependants for their entire lifetime, rather than about making gains through investments
- to provide a cheaper cover on longer term basis as against a life assured seeking to effect cover in latter life
- used as a "plan for life" and may incorporate disability benefit and guaranteed insurability
- used to provide cover for the elderly people especially when their existing arrangements can no longer provide adequate protection for their family
- used to secure peace of mind regarding the financial security of his dependants all through the life assured's lifetime

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

**PART II (Answer Two (2) out of Four (4)) Each question carries 30 marks.**

15. Write short notes on:

- Gilt Securities
- Debentures.

**Solution**

a) **Gilt Securities:**

- gilts or gilt-edged or fixed interest securities are government owned securities issued to the public as loans to the government.
- They are called gilt interest stocks because the interest rate is fixed and guaranteed in advance, which is usually expressed as an annual rate.
- Individual gilts are traded on the stock exchange and their prices will vary daily like company shares depending on the balance of buyers and sellers but generally they are less volatile than shares.
- Interests in gilts are normally paid gross and must be declared in the individual tax returns because they are taxable income.

(5 marks for each correctly stated point. Maximum of 3 points to be graded. Total: 15 marks)

b) **Debentures:**

- are secured loans made to companies either by means of fixed charge on the company's property or as a floating charge on its assets
- if the company defaults on the loan, the debenture holder can takeover and sell the property charged, in order to recoup the money back
- trustees are appointed on the issue of debentures; these trustees act on behalf of the debenture holders in the event of a default
- interest is paid net of lower rate tax as debentures are traded on the Stock Exchange and they are taxable from source

**(5 marks for each correctly stated point. Maximum of 3 points to be graded. Total: 15 marks)**

16. a) What are the three stated purposes of the Pension Reform Act 2014 as amended?

**(9 marks)**

b) What is the minimum rate of contribution for an employee and the employer in the private sector under the Pension Reform Act 2014?

**(6 marks)**

c) What is the percentage of "gratuity" or "lump sum" available/grantable at retirement from the accrued contribution under the Pension Reform Act 2014 as amended?

**(5 marks)**

c) What retirement plans are available to retirees by the provisions of the Act?

**(10 marks)**

**Solution**

a) The three stated purposes of the Pension Reform Act 2014 as amended are to:

- i) ensure that every person who worked, wither in the public or provateector receives his retirement benefits as and when due
- ii) ensure that the improvident individuals are assisted to save in order to cater for the livelihood during old age
- iii) establish a uniform set of rules, regulations and standards for the administration, and payments of retirement benefits in both public and private sectors.

**(3 marks for every correctly stated purpose. Total: 9 marks)**

b) The minimum rate contribution foran employee and the employer in the private sector under the Pension Reform Act 2014 respectively are 8% and 12%.

**(3 marks for each correctly stated rate. Total: 6 marks)**

c) The percentage of "gratuity" or "lump sum" available/grantable at retirement from the accrued contribution under the Pension Reform Act 2014 as amended is "25% of total contributions standing in the retirement savings account of the retiree".

**(5 marks)**

d) The retirement plans available to retirees by the provisions of the Act are:

- Programmed Withdrawal or
- Annuity

**(5 marks for each correctly stated plan. Total: 10 marks)**

17. Mr. Carpenter has a renewable term assurance with your organization. The policy is to be renewed every five years, and according to the terms of the policy, he is required to disclose any new material fact to the risk he is presenting for insurance. Mr. Carpenter

requested for renewal ten years from the inception date and was given a declaration of continued good health form to complete. He completed the form and paid the premium and thereafter, the policy was renewed. Eight (8) months later, Mr. Carpenter was confirmed dead and the cause of death was cancer, which was diagnosed when the policy was in its 9<sup>th</sup> year, how will you attend to the claim?

**Solution**

The principle of utmost good faith requires the assured to make disclosure of risks being presented for assurance during contract negotiation, during contract active existence and at renewal of the policy. any material non-disclosure will always give insurers room to avoid the contract.

In the case of *Marshall v. Scottish Employer's Liability and General Insurance Company (1901)*, it was held that any material fact which becomes known by the proposer before the contract is completed must be disclosed.

The duty of disclosure is automatically revived at renewal and Mr. Carpenter was required to disclose the deterioration of his health. He was also required to disclose the discovery/diagnosis of the cancer in his body. In addition, Mr. Carpenter was given a continued good health form to complete and he lied on the information provided.

This disclosure would have assisted the insurer to make quality decision as to whether or not to renew the policy, and if to renew, at what rate or premium or at what terms to be imposed; and if not to renew, out rightly decline the risk.

The material concealment of the information is a breach of the duty of disclosure, which also shows the policyholder's attempt to cheat the insurance company; for this, the insurer is absolved from any liability arising from such non-disclosure.

Therefore, the claim must fail and the beneficiary will NOT be paid the claim.

**(5 marks for each correctly stated point/argument. Maximum of 6 points to be graded. Total: 30 marks)**

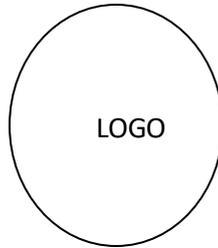
18. People are motivated, for example, to buy food to quench hunger, or subscribe to cable TV for entertainment. Explain in detail what will motivate an individual to buy a long term assurance contract?

**Solution**

People are motivated, for example, to buy food to quench hunger, or subscribe to cable TV for entertainment. The following are motivations why an individual could decide to buy a long term assurance contract:

- the need for protection
- the need for income
- the need to earn reasonable return on investment
- the need to heed advice of financial planners as to future certainty

**(The candidate is required to state the reasons and also explain the stated reason for the motivation. 2½ marks for each correctly stated motivation. 2½ points for each correct explanation under the stated reason. Maximum of 2 points to be graded under each stated reason. Sub-Total per reason: 5 Marks; Total Sub: 7½ marks. Grand Total: 30 marks)**



**CHARTERED INSURANCE INSTITUTE OF NIGERIA  
DIPLOMA**

**APRIL 2019 EXAMINATION PAPER**

**SUBJECT D13  
MARINE AND AVIATION INSURANCE**

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# CHARTERED INSURANCE INSTITUTE OF NIGERIA

## D13 - MARINE AND AVIATION INSURANCE

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Part II	-	60 marks.

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

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

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

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

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

## Summarized Report

Pass Rate:	0%	Highest Score:	45%
Lowest Score:	15%	Average Score:	26%

### **Breakdown Updates**

#### **Question 1**

Only one candidate attempted the question and scored full marks. It was meant to test the understanding of NAICOM's Directives. Candidates should acquaint themselves with Nigerian Regulations and Directive issued by NAICOM.

#### **Question 2**

The only candidate who attempted it answered the (b) part of the question and scored full marks. It was meant to test the understanding of the internationally used time in Marine and Aviation; and also test the calculation of local times based on longitude of the place. Candidates are encouraged to prepare better in future diets.

#### **Question 3**

The question was meant to test candidates' knowledge of the value of air cargo and cargoes most suitable for carriage by air. Performance here was woeful.

#### **Question 4**

Fairly answered by the two candidates that attempted it. It was meant to test the knowledge of what cargo vehicles are adopted to carry. Performance was woeful.

#### **Question 5**

Only one candidate knew this important document export trade and its main content. Performance was equally woeful.

#### **Question 6**

The question was attempted by only one of the candidates, and the response was above average.

#### **Question 7**

None of the candidates who attempted the question understood it. Candidates should acquaint themselves with the advantage of limitation of liability to ship-owners on various types of claims. Performance was equally woeful.

#### **Question 8**

Though a simple question to test the condition of international carriage by road, the answers supplied showed that candidates did not adequately prepare for the course.

#### **Question 9**

The question was attempted by only one of the candidates, and the response was above average.

**Question 10**

The question was attempted by only one of the candidates, and the response was above average.

**Question 11**

A fairly technical question on aviation. Candidates did not understand the unique rating of airlines by their fleet. Candidates are encouraged to study more thoroughly.

**Question 12**

Candidates answered the (a) part but left out the satellite claims aspect. Candidates should study the special nature of the satellite claims.

**Question 13**

Candidates are to acquaint themselves with popular abbreviations used in Marine and Aviation. Performance here was below standard.

**Question 14**

Though two candidates defined the marine insurance fairly well, they did not understand that, in the manner and to the extent thereby agreed, makes marine insurance not a perfect contract of indemnity.

**Question 15**

Well answered by a candidate and another fairly well. Candidates were expected to know the interests insured under the various marine items. Candidates are advised to pay attention to technical and practical matters when preparing for future examinations.

**Question 16**

Only one candidate attempted the question fairly. Candidates should endeavour to cover the syllabus fully.

**Question 17**

Not attempted by any candidate. Candidate to cover the international conventions during future studies.

**Question 18**

A candidate answered it well and another fairly well. It was meant to test the knowledge of coverage provided by the ICC (B) and the use of agreed value and insured value policies in aviation. Candidates are encouraged to pay attention to practical aspects of the course.

**Chief Examiner's Comments on Overall Performance:**

Candidates performed poorly. They need to prepare more seriously for subsequent examinations.

**Chief Examiner's Suggestions on Improvement:**

Candidates who decide to be examined on this course are encouraged to commence study in earnest and also ensure that they cover the course book, legislation, regulations, guidelines, market agreements, e.t.c. (refer to covering page 2 above).

## Part I

Answer ALL questions in Part I.

Each question carries 10 marks.

1. As part of NAICOM's role to establish standards for the conduct of insurance business in Nigeria, a circular was issued to Industry Practitioners on "fair trade practice and fair treatment to customers. Mention any two requirements for insurers as it relates to delivery of policy document stated in the circular.

### Solution

As part of NAICOM's role to establish standards for the conduct of insurance business in Nigeria, a circular was issued to Industry Practitioners on "fair trade practice and fair treatment to customers. The two requirements for insurers as it relates to delivery of policy document stated in the circular are:

- insurance institutions are required to adequately document evidence of the delivery of the insurance policy document to the insured
- insurance institutions shall obtain an appended signature of the insured or his/her representative evidencing his/her concurrence with the content of the policy document

(5 marks for each correctly stated points. Total: 10 marks)

2. a) What are the two other names the Greenwich Meantime (GMT) are now more commonly called? (4 marks)
- b) If local time at Alpha on longitude 45 degrees West is 12.00hrs (noon), what is the local time at Beta on Longitude 45 degrees East? (6 marks)

### Solution

- a) The two other names that the Greenwich Meantime (GMT) are now called are the "Co-ordinated Universal Time" (UTC) and "British Summer Time" (BST). (2 marks for each correctly stated term. Total: 4 marks)

Difference in longitude =  $90^{\circ}$  (2 marks)

Difference in time =  $90^{\circ}/15^{\circ} = 6\text{hrs}$  (2 marks)

If local time at Alpha = 12.00 hrs

Local Time at Beta =  $(12.00 + 6.00) = 18\text{hours}$ . (2 marks)

(Total: 6 marks)

3. Why does air cargo with only 1% of the tonnage of International Trade represent a higher proportion of the total value of total trade?
- b) Mention five (5) characteristics of Air Cargo.

### Solution

- a) Air cargo with only 1% of the tonnage of International Trade represent a higher proportion of the total value of total trade because it has high value in relation to bulk/weight.

- b) The following are the characteristics of Air Cargo:

- i) fashion goods of all descriptions
- ii) cargoes which are volumetric and have a low weight in relation to their size
- iii) perishable cargo
- iv) cargo with high technological content
- v) specialized chemicals or medical products
- vi) livestock and

vii) cargoes with short market life  
**(1 mark for each correctly stated information. Maximum of 5 to be graded. Total: 5 marks)**

4. How are refrigerated cargoes carried by cargo vessels? **(4 marks)**  
b) What are the three (3) types of refrigerated cargoes? **(6 marks)**

**Solution**

a) Refrigerated cargoes are carried by cargo vessels by filling ordinary cargo vessels with some insulated space for the purpose of carrying refrigerated cargoes, in addition to normal cargoes. **(2marks for any correctly stated point above. Total: 4 marks)**

b) The three types are:

- i) Frozen
- ii) Chilled and
- iii) Temperature Regulated.

**(2 marks for each correctly stated type. Total: 6 marks)**

5. In export trade, what document does the exporter issue to the importer to claim payment for the goods sold to the importer? **(4 marks)**  
b) State any three (3) information usually shown on the document referred to in (a) above. **(6 marks)**

**Solution**

a) Commercial invoice **(4 marks)**

b) The information usually shown on the commercial invoice are:

- i) Detailed description of the goods
- ii) Prices of the goods
- iii) Total weight of the goods
- iv) Terms of payment
- v) Packing details
- vi) Shipping marks

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

6. What is the aim of the International Civil Aviation Organisation (ICAO) and how does the body achieve the aim?

**Solution**

The aim of the ICAO is to achieve the agreement of its Member States on the necessary level of standardization for the adoption of safe, efficient and regular air services. **(4 marks)**

ICAO has achieved its aim achieved by:

- defining International Standards and Recommended Practices (SARPs) which now constitutes 18 annexes to the Chicago Convention, which created ICAO in 1944
  - "Standard" is defined as specification whose application is necessary for the safety or regularity of international air navigation whilst
  - "Recommended Practice" is one agreed to be desirable but not essential.

- suggesting to its Member States to, at least, incorporate the “standards into their national regulations, as far as practicable, using the same wording as ICAO.
- obliging Member States to inform ICAO of any differences between their state regulations and practices, and the corresponding ICAO standard.

**(3 marks for each correctly stated point. Maximum of 2 points to be graded. Total: 6 marks)**

7. Under Article 2 of the “convention on limitation of liability for maritime claims”, what five (5) types of claims may be limited?

**Solution**

Under Article 2 of the “convention on limitation of liability for maritime claims”, the following types of claims may be limited:

- Loss of Life or personal injury occurring on board or in connection with the operation of the ship and salvage operations
- Loss or damage to property, occurring on board or in connection with the operation of the ship and salvage operations
- Loss resulting from delay in the carriage by sea of cargo, passengers or their luggage
- Loss resulting from infringement of rights other than contractual rights in the operation of the ship or salvage
- In respect of the raising, removal, destruction or rendering harmless of a ship which is sunk, wrecked, stranded or abandoned
- In respect of the removal, destruction or rendering harmless of the cargo of the ship.

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

8. A road carrier received a consignment in London for carriage to Paris under the “Carriage of Goods by Road Act 1965 CMR Conditions.” On arrival at the seaport for the sea leg of the journey, there was no RoRo vessel available to carry the loaded vehicle across. The next RoRo vessel would be available in a week’s time, so the carrier advised the shipper accordingly who requested the road carrier to load the consignment into the available liner vessel. On discharge in France, the consignee received the consignment with some packages missing and some others damaged. He put up a claim against the road carrier for both the shortage and damage but the road carrier declined the claim. Explain the position of the road carrier in declining the claim.

**(5 marks)**

- b) A road carrier accepted a consignment in UK under the CMR conditions for delivery to a consignee in Belgium. The consignment was damaged whilst still in UK. Will the CMR Conditions apply to the said damage? Give reasons? **(5 marks)**

**Solution**

- a) For the Road Carrier to be liable, all the CMR conditions must be fulfilled.
- the relevant provision in this case is that the “carriage must be effected by road”
  - there is a requirement that the goods should remain loaded on the vehicle throughout the journey until delivery

- as there had been offloading of the goods from the carrying vehicle into the vessel, the Road Carrier is discharged of liability and he will succeed in declining the claim.

**(2½ marks for any correctly stated point. Maximum of 2 points to be graded. Total: 5 marks)**

b) Yes, the CMR Conditions apply to the said damage for the following reasons:

- the carriage has satisfied the requirement of international status by being between UK and France which are both contracting countries and
- the carriage had commenced when the damage happened and not before

**(2½ marks for any correctly stated point. Maximum of 2 points to be graded. Total: 5 marks)**

9. Under the conventions concerning the carriage of Goods by Rail (CIM), what is a contract of carriage? **(4 marks)**

b) When is CIM carriage deemed to be performed?

**Solution**

a) A contract of carriage is made when the forwarding railway has accepted goods for carriage with a consignment note signifying his acceptance of the goods by affixing to the consignment notes, its stamp bearing the date of acceptance.

**(2 marks for any correctly stated point. Maximum of 2 points to be graded. Total: 5 marks)**

b) CIM carriage is deemed to have been performed when:

- on arrival at the destination station, it is incumbent upon the railway to deliver the goods and the consignment note at the destination station or the address of the consignee
- the consignee acknowledges receipt of the goods and pays the amount chargeable by the railway.

**(3 marks for any correctly stated point. Maximum of 2 points to be graded. Total: 6 marks)**

10. What is the importance of Marine Insurance in overseas commerce?

**Solution**

The importance of Marine Insurance in overseas commerce are:

- it enables those engaged in overseas trade to venture their capital freely since they are protected against fortuitous losses, thus expanding the scope of their activities
- it attracts overseas funds which help in the balance of payments
- banks require marine insurance, including war risk as collateral security for financing overseas trade
- even where shipments are not financed by banks, it is sensible for interested parties to opt for insurance protection.

**(5 marks for any correctly stated point. Maximum of 2 points to be graded. Total: 10 marks)**

11. How are aircraft hulls rated in aviation insurance?

**Solution**

Aircraft hulls are rated in aviation insurance as follows:

- rating is done to produce a premium commensurate with the risk
- aircrafts are rated for hull damage at an amount percent of the value of the hull

- the type of flying of the hull and past experience of the hull are also considered in the rating
- for large or medium-sized airlines, hulls are often insured on one single policy with other liabilities, using a combined single limit for passengers, third party and product liabilities
- the premium is then calculated on the total fleet value and the amount of flying expected during the policy period. Other more appropriate methods may be used for short period risks.

**(2½ marks for any correctly stated point. Maximum of 4 points to be graded. Total: 10 marks)**

12. Why do space insurers employ engineers for the assessment of satellite risks? **(5 marks)**

b) How do space insurers handle their salvage rights in satellite claims? **(5 marks)**

**Solution**

a) Space insurers employ engineers for the assessment of satellite risks for the following reasons:

- satellites are technically complex and highly specialized, a skill which insurers do not normally possess
- the risk of total loss is high and engineering issues are paramount in the risk assessment, which necessitates expert opinion and guidance
- manufacturing of satellites involves many disciplines, which the engineer is widely knowledgeable about so the engineer can guide on adequacy, or otherwise, of insured values
- so also is the launch vehicle, and generally mechanical, electrical, electronic, dynamic, computing and communications expertise are required; on which the expert opinion and guide of the engineer will be highly valuable.

**(2½ marks for any correctly stated point. Maximum of 2 points to be graded. Total: 5 marks)**

b) Space insurers handle their salvage rights in satellite claims as follows:

- it is often based on a proportion of available revenue – when it involves a failed satellite
- the insurer would also negotiate to sell back to the insured for an agreed lump sum since it is impractical to sell to a third party due to the specialization involved in design, licensing and other regulatory issues.

**(2½ marks for any correctly stated point. Maximum of 2 points to be graded. Total: 5 marks)**

13. State the full forms of the following abbreviations:

- |      |                |                  |
|------|----------------|------------------|
| i)   | LMP BRAT Slips | <b>(4 marks)</b> |
| ii)  | MIA 1906       | <b>(2 marks)</b> |
| iii) | IATA           | <b>(2 marks)</b> |
| iv)  | CAA            | <b>(2 marks)</b> |

**Solution**

- |      |   |                  |
|------|---|------------------|
| i)   | LMP BRAT Slips: London Market Principles, Broker Reform Action Team Slips | <b>(4 marks)</b> |
| ii)  | MIA 1906: Marine Insurance Act 1906                                       | <b>(2 marks)</b> |
| iii) | IATA: International Air Transport Association                             | <b>(2 marks)</b> |
| iv)  | CAA: Civil Aviation Authority   | <b>(2 marks)</b> |

14. Define Marine Insurance. (6 marks)

b) Why is Marine Insurance not a perfect contract of indemnity? (4 marks)

**Solution**

a) Marine Insurance is **an insurance contract** whereby the **insurer undertakes to indemnify the assured** in a **manner and to the extent thereby agreed**, against **marine losses, that is to say, the losses incident to marine adventure**.  
(2 marks for any of the bolded point. Maximum of 3 points to be graded. Total: 6 marks)

b) Marine insurance is not a perfect contract of indemnity because indemnity is provided in a manner and to the extent thereby agreed and not necessarily always to the value of the lost items/property. (4 marks)

**PART II (Answer Two (2) out of Four (4)) Each question carries 30 marks.**

15. In accordance with MIA 1906, what are the insurable values of the following:

- a. Ship
- b. Steamship
- c. Freight
- d. Goods or Merchandise
- e. Any other subject-matter

(25 marks)

b) how does a missing ship constitute an actual total loss? (5 marks)

**Solution**

In accordance with MIA 1906, the insurable values in the following are:

- i. **Ship:** it is the value of the ship at the commencement of the risk, including her outfit, provisions, stores for officers and crew and other disbursements necessary for the voyage, plus the charges of insurance upon the whole ship.
- ii. **Steamship:** it is the value of steamship, machinery, boilers, coals and engine stores if owned by the assured. Where ship is engaged in a special trade, the ordinary fittings requisite for that trade is also covered.
- iii. **Freight:** it is the gross amount of freight at the risk of the assured plus the charges of insurance.
- iv. **Goods or Merchandise:** it is the prime cost of the goods or merchandise plus shipping expenses and the charges of insurance on the whole.
- v. **Any other subject-matter:** it is the value of any other subject-matter at the risk of the assured when the policy attaches, plus the charges of insurance.

(5 marks each. Total: 25 marks)

b) A missing ship constitute an actual total loss if after the lapse of a reasonable time, no news of the missing ship has been received, an "actual total loss" may be presumed. (5 marks)

16. Distinguish between Hub Airports, Periphery Airports and International Airports.

**Solution**

**Hub airports** are:

- usually located at or close to the centre of their market
- has available, best travel facilities to local cities
- often older than the periphery airports, having been in locations that used to be the edge of a major city
- surrounded by homes and other superstructures, leading to capacity constraints caused by noise and movements of aircrafts at night and early in the morning
- usually dominated by international airlines.

**(2½ marks for any of correctly stated point. Maximum of 4 points to be graded. Total: 10 marks)**

**Periphery Airports** are:

- located at the edge of the market, often a few kilometers from a major city
- usually smaller than a hub airport
- have lower operating costs
- usually have excess capacity
- very attractive to low cost earners
- unable to offer same facilities as the hub airports, but are still preferable by passengers because of their low ticket prices.

**(2½ marks for any of correctly stated point. Maximum of 4 points to be graded. Total: 10 marks)**

**International Airports** are:

- have facilities for the aircrafts in worldwide operations
- all countries have this in place, though in varied quantum
- a number of world's major airports are currently being modified to cater for the new and very large airbus 380 aircraft.

**(5 marks for any of correctly stated point. Maximum of 2 points to be graded. Total: 10 marks)**

17. What is the International Union of Aviation Insurers and who are its members?

**(20 marks)**

b) (i) What is the full official title of the Montreal Convention 1999? **(5 marks)**

(ii) Under the Montreal Convention 1999, what defence is available to the carrier against liability for damage occasioned by delay? **(5 marks)**

**Solution**

a) The International Union of Aviation Insurers:

- evolved from a sub-committee of International Union of Marine Insurers.
- it was founded in London in 1934 at a meeting held there with eight (8) founding members
- it is actively engaged as an international organization with 48 members in thirty countries throughout the world
- members are pools, groups and associations whose participants engage in aviation insurance or reinsurance, aerospace and space risks

- it, among other functions, act as a focal point for international aviation and space insurance interests, providing a central office for the circulation of information between members.

**(5 marks for any of correctly stated point. Maximum of 4 points to be graded. Total: 20 marks)**

b) i) The full official title of the Montreal Convention 1999 is Convention for the Unification of Certain Rules for International Carriage by Air (Montreal, 28 May 1999)

**(5 marks)**

(ii) Under the Montreal Convention 1999, the defence available to the carrier against liability for damage occasioned by delay is for the carrier to prove that it and its servants and agents took all measures that could reasonable be required to avoid the damage or that it was impossible for it or them to take such measures. **(5 marks)**

18. What cover is provided by Institute Cargo Clauses (B)? **(20 marks)**

b) (i) What is the effect of "agreed value" policies use in Aviation Hull Insurance?

**(5 marks)**

(ii) When are "insured value" policies used in Aviation Hull Insurance?

**(5 marks)**

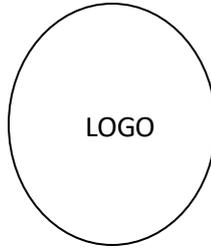
**Solution**

a) Institute Cargo Clause (B) cover the following, subject to policy terms and conditions:

- Loss of, or damage to the subject-matter insured reasonably attributable to:
  - fire or explosion
  - vessel or craft being stranded, grounded, sunk or capsized
  - overturning or derailment of land conveyance
  - collision or contact of the vessel, craft or conveyance with any external object other than water
  - damage of cargo at a port of distress
  - earthquake, volcanic eruption or lightning.
- Loss of, or damage to the subject-matter insured caused by:
  - general average sacrifice
  - jettison or washing overboard
  - entry of sea, lake or river water into the vessel, craft, hold, conveyance, container, lift van, or place of storage
- Total loss of any package lost overboard or dropped whilst loading on to, or unloading from the vessel or craft

b) i) The effect of "agreed value" policies used in Aviation Hull Insurance is that it enables the measure of indemnity to be agreed at inception rather than at the time of loss. **(5 marks)**

ii) The "insured value" policies are used in Aviation Hull Insurance for older and vintage type of aircrafts. **(5 marks)**



**CHARTERED INSURANCE INSTITUTE OF NIGERIA  
DIPLOMA**

**APRIL 2019 EXAMINATION PAPER**

**SUBJECT D17  
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 form with care do not write notes on it.
- ✚ 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. Failure to do this may result in your paper not being assessed and marked.
- ✚ Insert your candidates 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 instructions 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.**

# CHARTERED INSURANCE INSTITUTE OF NIGERIA

## D17 - OPERATIONAL MANAGEMENT

### INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

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

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

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

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

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

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

## **Summarized Report**

Pass Rate:	63%
Highest Score:	73%
Lowest Score:	25%
Average Score:	48.25%

## **Breakdown Updates**

### **Question 1**

38% pass rate for a house-hold question not fair enough. Candidates took the abbreviation NIA for granted and assumed different meanings.

### **Question 2**

100% failure rate. Question is unambiguous and direct. Candidates need to study harder for better result.

### **Question 3**

50% pass rate. Performance is fair.

### **Question 4**

13% pass rate. Question is fair enough for studious candidates.

### **Question 5**

13% pass rate. Candidates need to study harder for better result.

### **Question 6**

100% failure rate. Candidates need to study harder for better result.

### **Question 7**

88% pass rate. Good attempt.

### **Question 8**

38% pass rate. Candidates need to study harder for better result.

### **Question 9**

63% pass rate. Candidates need to study harder for better result.

### **Question 10**

38% pass rate. Question is technical but straight forward. Candidates, who passed, passed excellently, while those who failed, failed extremely.

**Question 11**

100% pass rate. Candidates could easily relate with the question, even with residual knowledge.

**Question 12**

63% pass rate. Fair attempt.

**Question 13**

50% pass rate. Fair attempt.

**Question 14**

38% pass rate. Candidates need to study harder for better result.

**Question 15**

Only one candidate attempted the question out of 8. Poor attempt though. Question is fair enough.

**Question 16**

3 of the 8 candidates attempted the question. Fair attempt.

**Question 17**

63% of the candidates attempted.

**Question 18**

Good attempt.

**Chief Examiner's Comments on Overall Performance:**

63% pass rate is fair performance. Candidates can do better if they can study better. Questions are fair and direct enough for more serious candidates to pass well.

**Chief Examiner's Suggestions on Improvement:**

Candidates who decide to be examined on this course are encouraged to adequately prepare and ensure that they cover the course book, legislation, regulations, guidelines, market agreements, e.t.c. (refer to covering page 2 above).

## Part I

Answer ALL questions in Part I.

Each question carries 10 marks.

1. What is the full meaning of NIA? Enumerate any four (4) of roles of the body.

### Solution

Nigeria Insurers Association. (2 marks)

Some of the roles are:

- to protect, promote, and advance the common interest of insurers
- to advise members on any action by government or any authority in connection with any legislation or policy
- to advise or consult with the government regarding any act by it or its agencies with regard to any matter relating to insurance
- to guide and assist members in complying with any statute, regulation and government directive relating generally to the insurance business
- to create better understanding of insurance by all sections of the community
- to maintain constant dialogue with other trade associations
- to consult, co-operate with any individual, association within or outside Nigeria having objectives similar to those of the Association
- to promote cordial relationship among members

(2 marks for any correctly stated role. Maximum of 4 roles to be graded. Total: 8 marks)

2. Decision making and problem solving are linked. Mention four (4) techniques of problem solving.

### Solution

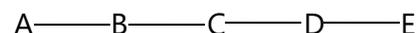
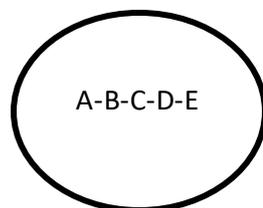
Four (4) techniques of problem solving are:

- i. become aware of the problem and define it
- ii. survey data
- iii. advance hypothesis and
- iv. move towards a solution.

(2½ marks for each correct answer. Total: 10 marks)

3. "The Circle" and "The Chain" are two of the four patterns of communication networks for WRITTEN communication between members of a small group. Draw the two patterns and identify one similarity and one dissimilarity for the two patterns.

### Solution



**Similarity:** each member of the group could communicate with only the others in the group e.g. B can communicate with A and C.

**Dissimilarity:** in circle, A can communicate with E but this is not so in chain as they are at different ends.

(2½ marks for correctly diagram and correct stating of similarity and differences. Total: 10 marks)

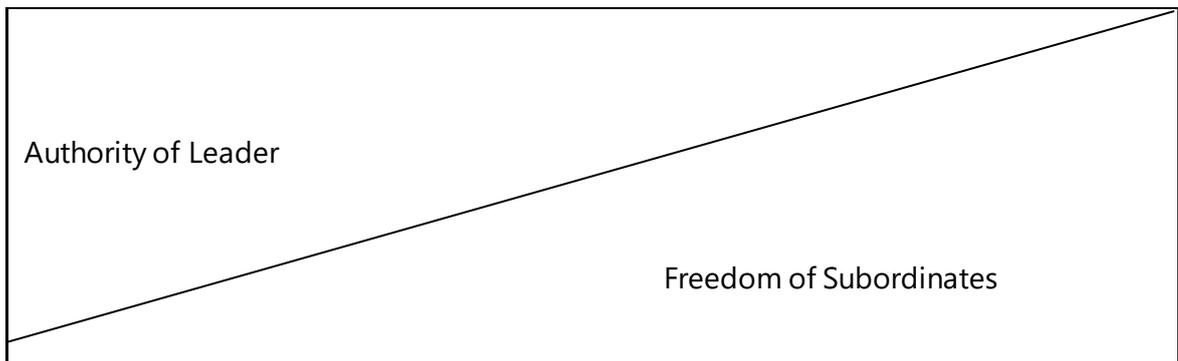
4. The general theories of motivation are only useful in establishing a general framework of understanding. Effective motivation depends on the individual to be motivated. Mention four (4) things the Manager should consider for effective motivation.

**Solution**

Four (4) things a manager should consider for effective motivation are:

- i. Identify factors impacting on motivation which the manager can and cannot influence and focus on factors within control
  - ii. understand the people being managed: their needs and requirements
  - iii. clarify the needs of both the manager and the subordinates
  - iv. create a working environment which enables individuals to fulfil their needs.
- (2½ marks for each correctly stated answer. Total: 10 marks)

5.



\*Announces Decisions \*Sells Decisions \*Gives Ideas Invite Questions \*Presents Tentative Decisions \*Presents Problems Invites Suggestions \*Defines Problems Group Decides \*Group Operation within Limits

From the diagram above, mention the three (3) styles that most expand the authority level of the leader and 2 styles that most expand the freedom of subordinates.

**Solution**



\*Announces Decision \*Sells Decision \*Gives Ideas Invite Questions \*Presents Tentative Decisions \*Presents Problems Invites Suggestions \*Defines Problems Group Decides \*Group Operation within Limits

<b>Authority of the Leader</b>	<b>Freedom of Subordinates</b>
Announces decision	Group operation within limits
Sells decision	Defines problems group decides
Gives Ideas	Presents tentative decision
Invites Questions	Present Problems
Invites suggestions	

(1 mark for repeating the diagram. 1 mark for each correct classification. Total: 10 marks)

6. Many organizations are moving from the permanent "8-5" type of contract for two key reasons. State the two reasons.

**Solution**

Two reasons why many organizations are moving from the permanent "8-5" type of contract are:

- There is need for specialized skills for particular periods
- Consumers are now demanding service outside traditional working windows, in the evenings and even on weekends.

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

7. What is outsourcing? **(4 marks)**

b. Mention three (3) benefits of outsourcing. **(6 marks)**

**Solution**

a) Outsourcing is the use of skilled resource outside the company to handle the work that was previously performed by in-house staff. **(4 marks)**

b) The (3) benefits of outsourcing are:

- i) cost benefits
- ii) access to wider skills base
- iii) need to survive the effects of fast-changing technology, narrow margins and fierce competition.

**(2 marks for each correctly stated benefit. Maximum of 3 benefits to be graded. Total: 6 marks)**

8. Customer expectations have been classified under three broad headings – convenience, cordiality and consistency. Mention five (5) requirements under convenience.

**Solution**

Five (5) requirements under convenience are:

- i. to be answered quickly
- ii. to get to someone who could help
- iii. an informatics queuing system
- iv. to be transferred only once
- v. to have no need to repeat oneself

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

9. State four (4) common challenges (problems) encountered with project management.

**Solution**

Common challenges (problems) encountered with project management are:

- late completion
- running over budget
- failure to achieve all goals due to failure to involve all parties affected
- results only achieved at the expense of severe disruption to routine working and operations.

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

10. There are four (4) perspectives to "balanced score card". Name them.

**Solution**

The four (4) perspectives to "balanced score card" are:

- financial perspective

- internal perspective
  - customer perspective
  - learning and growth.
- (2½ marks for each correctly stated perspective. Total: 10 marks)**

11. List five (5) types of interviews popularly conducted in an office environment/relationship.

**Solution**

Five (5) types of interviews popularly conducted in an office environment/relationship are:

- appraisal interviews
- career development interviews
- disciplinary interviews
- grievance interview
- termination interview

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

12. Mention five (5) examples of self-generated time stealers in the workplace.

**Solution**

Examples of self-generated time stealers in the workplace are:

- disorganization – messy desk/work station
- procrastination – putting things off
- inability to say NO – letting people interrupt your time
- poor delegation
- failure to prioritize
- perfectionism

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

13. Mention four (4) types of reward mechanism in performance management.

**Solution**

Four (4) types of reward mechanism in performance management are:

- Individual bonuses
- Team bonuses
- Profit sharing
- Gain sharing

**(2½ marks for each correctly stated answer. Total: 10 marks)**

14. Classroom induction is one of the induction programmes for a new recruit but not all areas of induction can be discussed in the classroom. Mention five (5) topics that could be effectively discussed in classroom induction.

**Solution**

Topics that could be effectively discussed in classroom induction are:

- company history and culture
- health and safety
- company's personnel policy and career opportunities
- company's business, markets and distribution
- customer focus and communication skills
- product knowledge

- processes and procedures.  
(2 marks for each correctly stated answer. Maximum of 5 should be graded. Total: 10 marks)

**PART II (Answer Two (2) out of Four (4)) Each question carries 30 marks.**

15. The competencies of an effective manager are expected to cover the following areas: customer focus, leadership, planning/organization and developing others

- a) List ten (10) competency requirements under leadership and (20 marks)  
b) List five (5) competency requirements under customer focus. (10 marks)

**Solution**

- a) Ten (10) competency requirements under leadership are:
- Sets clear roles and responsibilities amongst team members
  - Leads the team in a way that they need to follow
  - Applies motivational techniques to achieve performance
  - Encourages team members and creates open communication
  - Thinks proactively about the team and obtain resources
  - Encourages high performance from the team
  - Demonstrates trust and confidence and treats all fairly
  - Communicates openly about goals and performance issues
  - Recognizes good team performance and celebrates team/individual successes
  - Gives team quick responses when they seek advice.

(2 marks for each correctly stated competency. Maximum of 10 competencies to be graded. Total: 20 marks)

- b) Five (5) competency requirements under customer focus are:
- check out whether customers are satisfied and that their expectations are met
  - takes customers problems away from them for quick resolution
  - focus on meeting customers' expectations
  - takes actions beyond normal expectations
  - takes proactive action to satisfy customers' needs
  - get close to customer issues and needs to provide solutions
  - explain NO positively
  - provides clear explanation behind decisions.

(2 marks for each correctly stated competency. Maximum of 5 competencies to be graded. Total: 20 marks)

16. Define "control: according to Henry Fayol. (5 marks)

b) Mention five (5) techniques the Management Accountant can use in management control. (10 marks)

c) A project is said to be successful if it meets certain criteria. Name five (5) of the criteria.

(15 marks)

**Solution**

a) Control, according to Henry Fayol, consist in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and the principles established. It has for object to point out weaknesses and errors in order to rectify them and prevent a re-occurrence. It operates on everything – things, peoples, actions.

(5 marks)

b) Five (5) techniques that Management Accountant can use in management control are:

- historical costing 'standard costing
- budgetary control
- marginal costing
- cost/profit/volume relationship and ratios
- uniform costing
- inter-firm comparisons
- capital investment appraisal.

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

c) A project is said to be successful if it meets the following criteria:

- stated objectives and deliverables are achieved
- delivered on time
- within budget
- perform to an agreed specification
- meet pre-defined success criteria
- satisfy the sponsor and beneficiaries.

**(3 marks for each correctly stated point. Maximum of 5 points to be graded, Total: 15 marks)**

17. Delegation is not mere "load shedding".

a) Briefly discuss the five (5) stages an effective delegation should follow **(20 marks)**

b) Despite the fact that delegation is hugely beneficial, there are obstacles to effective delegation. Mention four (4) **(10 marks)**

**Solution**

a) The five (5) stages an effective delegation should follow are:

- Observation:** the manager demonstrates to their subordinates how the task is done by doing it himself. The subordinate watches and asks questions.
- Coaching:** the subordinate is asked to do it while the manager watches and provides guidance.
- Controlling:** the team member can now do the job themselves without supervision.
- Exception:** the task should now be done by the delegate without asking any question. At the end, the delegate will have to discuss any particular point with the manager.
- Delegation:** here, the manager hands over responsibility and authority for the job. The process could have been discontinued at any of the stages above if things were not going on well. By planning delegation in this way, the dangers are minimized.

**(2 marks for each correctly stated stage. 2 marks for correct explanation of the stated point.**

**Sub-Total: 4 marks per point. Total: 20 marks)**

b) The obstacles to effective delegation are:

- managers may be afraid that the subordinates may not carry out the job as expected
- managers may not be willing to pass across tasks they enjoy doing even when such tasks are not making the best use of their time
- fear of the skills of subordinates to take on more responsibilities
- can be time consuming and managers cannot spare the time for the stages.

**(2½ marks for each correctly stated skill. Total: 10 marks)**

18.

- a) Explain the four (4) principal roles of a facilitative leader. **(12 marks)**
- b) Mention five (5) of the skills a facilitative leader uses to facilitate a chosen role **(10 marks)**
- c) List additional four (4) views of leadership. **(8 marks)**

**Solution**

- a) The four (4) principal roles of a facilitative leader are:
  - i. **Teacher:** shows how things are done by providing relevant and meaningful information and instruction
  - ii. **Guide:** provides direct counsel and appropriate advice
  - iii. **Coach:** provides direct instructions to fine-tune individual performance
  - iv. **Leader:** leads by exemplifying the values of the organization and the team.

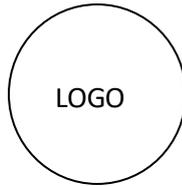
**(2 marks for each correctly stated role. 1 mark for correct explanation of the stated role. Sub-Total: 3 marks per role. Total: 12 marks)**

- b) The five (5) skills that a facilitative leader uses to facilitate a chosen role are:
  - i. recognizing the needs of the team members
  - ii. handling conflict in the team
  - iii. encouraging communication and dialogue
  - iv. encouraging responsibility and accountability
  - v. creating openers and trust among team members
  - vi. fostering a climate of learning and development.

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

- c) Any of the four leadership views suffices:
  - i. Situational Leadership
  - ii. Action Centred Leadership
  - iii. Transactional Leadership
  - iv. Transformational Leadership
  - v. Intrepreneurship
  - vi. Behaviourial Theories
  - vii. Existence of Special Leadership Traits

**(2 marks for each correctly stated view. Maximum of 4 views to be graded. Total: 8 marks)**



**CHARTERED INSURANCE INSTITUTE OF NIGERIA  
DIPLOMA**

**APRIL 2019 EXAMINATION PAPER**

**SUBJECT D18  
PROPERTY CLAIMS HANDLING**

**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 form with care do not write notes on it.
- ✚ 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. Failure to do this may result in your paper not being assessed and marked.
- ✚ Insert your candidates 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 instructions 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.**

## CHARTERED INSURANCE INSTITUTE OF NIGERIA

## D18 - PROPERTY CLAIMS HANDLING

## INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

Part I - 140 marks.

Part II - 60 marks.

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

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

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

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

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

## Summarized Report

Pass Rate:	24.81%	Highest Score:	66%
Lowest Score:	39%	Average Score:	04%

### Breakdown Updates

#### **Question 1**

The candidates did not understand the question at all; thereby scoring very low marks.

#### **Question 2**

Fair understanding of the question was displayed by the candidates. Average score was obtained.

#### **Question 3**

This is a bonus question to all the candidates as they scored very high marks.

#### **Question 4**

There is evidence of shoddy preparation of the candidates. As simple as this question was, it was poorly answered generally.

#### **Question 5**

Being a direct question, candidates were expected to do well on it but this was not so as most of them failed woefully. It juxtaposes the assumption that the students did not adequately prepare for the examination.

#### **Question 6**

This is a fair question with a fair attempt by candidates on the (a) part. However, the (b) part was poorly attempted.

#### **Question 7**

This question (a & b) was well attempted but majority of them went off line by not actually giving the details of the case. On Part (b) however, candidates actually stated the principal cases established. Performance was above average.

#### **Question 8**

This is purely a textbook question but most candidates performed poorly as they may not have familiarised themselves with the course book. Perhaps attending organised tutorial classes may largely remedy any deficiency.

#### **Question 9**

Majority of the candidates did well by listing the Acts but missed the year the act was enacted. Overall performance was average.

#### **Question 10**

There was fair attempt of this question. The attempt by some are however appalling sparking laziness.

**Question 11**

This was a bonus questions but we recorded a surprise low performance as most candidates could not state the ₦5m and ₦10m threshold for individual and organisation respectively.

**Question 12**

This question was haphazardly answered. There is no indication that the students understood what there were asked. They need to know more in the aspect of regulations.

**Question 13**

Large percentage of candidates did not grasp the definition of subrogation. However, the limitations period was well attended and candidates performed well in it.

**Question 14**

We recorded mass failure here as most candidates did not understand the questions. Most used residual or office knowledge. There was a 50% pass rate.

**Question 15**

Fairly attempted question which was popular with candidates. However, poor English understanding affected reasoning of some of them otherwise, it was a questions well attended.

**Question 16**

Performance here was very poor as candidates did not understand the question.

**Question 17**

Part A of the question recorded poor performance while the B part recorded good performance. Overall performance was good.

**Question 18**

This is not well answered. It appears the students did not understand the questions.

**Chief Examiner's Comments on Overall Performance:**

Overall performance on this paper this diet is very poor and surprising. Perhaps students let down their guard by assuming that the course can be passed without adequate preparation.

**Chief Examiner's Suggestions on Improvement:**

We are suggesting that students should be exposed to course materials and course book and encouraged to read them for maximum impact/success at examinations. They are also encouraged to adequately prepare and ensure that they cover the course book, legislation, regulations, guidelines, market agreements, e.t.c. (refer to covering page 2 above).

## Part I

Answer ALL questions in Part I.

Each question carries 10 marks.

1. As part of NAICOM's role to establish standards for the conduct of insurance business in Nigeria, a circular was issued to Industry Practitioners on "fair trade practice and fair treatment to customers". Mention any two requirements for insurers as it relates to claims.

### Solution

As part of NAICOM's role to establish standards for the conduct of insurance business in Nigeria, a circular was issued to Industry Practitioners on "fair trade practice and fair treatment to customers. The two requirements for insurers as it relates to claims are:

- insurance institutions are required to acknowledge all reported claims not later than 48hours from the date of notification
- insurance institutions are required to regularly update their websites (not later than every three (3) months) with some information as it relates to claims.

**(5 marks for each correctly stated points. Total: 10 marks)**

2. During your induction as a new employee in your current organization, your MD/CEO gave an overview of the organization and the insurance industry. She told all the new employees under training that a simple test will be conducted at the end of the training session. Some unit heads and heads of department delivered the specifics on many technical topics such as Lloyds underwriters, coinsurance, reinsurers, e.t.c. It is now test time and you are required to write short notes on some of the newly learnt terms as follows:

- Lloyd's Underwriter **(2 marks)**
- Co-insurance **(4 marks)**
- Reinsurers **(4 marks)**

### Solution

**Lloyd's Underwriter:** these are not insurance companies, rather, they are members of a society that provide a marketplace for the transaction of insurance businesses. The covers are provided by insurance companies and not the Lloyd's underwriters. Most times, they underwrite very large and complex risks as against the usual type of brokers/underwriters

**(1 mark for each correctly stated point. Maximum of 2 to be graded. Total: 2 marks)**

**Co-insurance:** this is a process where an insurance contract is shared between a number of insurance companies. They also share the premium and the claims. It is usually the responsibility of the leading insurer to issue the policy and deal with the claims in accordance with their share of the business. Each coinsurance arrangement has its guiding rules and the underwriters on each one are bound to honour the rules governing the coinsurance placement mainly as it relates to claims, premium collection/remittance, e.t.c.

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

**Reinsurance:** this is a process where a reinsurance company provides insurance cover to insurance companies. It enables the insurance company to buy protection against major losses or a higher level of claim than anticipated. It also enables them to have increased capacity for businesses.

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

3. Carefully explain the difference between a loss adjuster and a loss assessor.

**Solution**

A loss adjuster is a specialist individual or firm who handles claim. He is hired to investigate claims and are paid by insurers for his services, a loss adjuster is expected at all times to act impartially in the conduct of its assignment. They are not independent in the true sense of the word although they are required to be unbiased. Their role is to identify liability of insurers within the term of the policy and negotiate settlement if the loss is covered. Their actions have to be fair to all parties – insured, insurer and even third parties. They handle very large and complex claims.

On the other hand, loss assessors are experts in handling insurance claims and act for policyholders. Their duties are to prepare and negotiate the claim for the policyholders. They are paid by policyholders. In Nigeria however, loss assessors and loss adjusters are fused as one and are registered by NAICOM to carry out the business of loss adjusting and loss assessing.

**(2 marks for every correctly stated point. Maximum of 5 points to be graded. Minimum of 2 point per term. Total: 10 marks)**

4. Reinstatement is one of the means/method insurers use to indemnify an insured when an insured property is damaged or destroyed by an insured peril, say Fire. However, insurers rarely elect to invoke the reinstatement clause. Discuss briefly.

**Solution**

A fire policy, for example, gives the insurer the option of substituting the contract to pay money with one to provide building or reinstatement that it is usually fraught with difficulties.

- The reinstatement clause states that the reinstatement need only be as near to the original as possible or as is reasonable. Unless, the policy provides, insurers' liability and expenditure is restricted to the sum insured.

Insurers rarely elects to provide reinstatement because of the following:

- Invoking the clause means changing the contract from one of indemnity by payment of money to one of specific performance
- If the works is not satisfactory, the problem rests with insurers rather than the policyholder and rectification can increase insurers' cost beyond what was originally anticipated.
- The insurers must restore the property substantially to the same condition as before the loss.

**(2½ marks for any correctly stated point. Maximum of 4 points to be graded. Total: 10 marks)**

5. When does the duty of disclosure arise? **(8 marks)**  
b) What is the remedy for non-disclosure of material facts? **(2 marks)**

**Solution**

a) The duty of disclosure arise at:

- Proposal Stage/Inception
- Renewal
- Alteration (whenever it is requested to be made)
- Claims Period (when a claim is reported/processed)

**(2 marks each. Total: 8 marks)**

b) The remedy for non-disclosure of material facts is that the policy is voidable at the option of the aggrieved party **(2 marks)**

6. Define Proximate Cause. **(4 marks)**  
b) Explain how proximate cause can be used to establish whether or not the cause of loss is from an insured peril. **(6 marks)**

**Solution**

a) **Proximate Cause has been defined as** the active and efficient cause that sets in motion a train of events which brings about a result, without the intervention of any force started and working actively from a new and independent source. **(4 marks)**

b) As a general rule, in a peril policy, the policyholder must demonstrate the operation of an insured peril and the insurer must demonstrate the operation of an excluded peril on which it seeks to rely (if applicable).

Most losses are very straightforward and the cause is obvious and therefore it will be obvious that the cause is either cover by the policy or not covered. It is necessary to identify the proximate cause before confirming that a loss is covered by the policy. even if the peril causing the loss is clearly covered by the policy, there is still need to conduct further investigation in order to be able to pursue recovery by subrogation. **(2 marks for every correctly stated point. Maximum of three points to be graded. Total: 6 marks)**

7. The judgement in the case of *Carter v. Baehm (1766)* established the principle that underlie what must be disclosed by the proposer engaged in the negotiation of an insurance contract. State these four (4) principles. **(10 marks)**

**Solution**

The four principles established by *Carter v. Baehm (1766)* are:

- i) the proposer must disclose all material facts
- ii) the material facts to be disclosed should be those that would influence an underwriter as to whether they should or should not accept the risk
- iii) the proposer does not need to disclose what the underwriter ought to know
- iv) the proposer is not required to disclose things they do not know

**(2½ marks for each correctly stated point. Total: 8 marks)**

8. Regulations brought in under the Insurance Act, in Section 17(1)e lay down strict rules on the record to be maintained by an insurer on claims processing. Mention any five (5) of these record. **10 marks**

**Solution**

The record to be maintained by an insurer on claims processing are:

- Date of the claim
- Name of the claimant
- Address of claimant
- Date of settlement of the claim or date of repudiation of the claim
- Grounds for rejection/repudiation
- Details of litigation (where applicable)
- Decision of the courts in the matter (where there is litigation)

**(2 marks for each correctly stated record. Maximum of three to be graded. Total: 6 marks)**

9. Subrogation can arise under statute. List any five (5) statutory recoveries when the liability of third party is governed by statute.

**Solution**

Any five of the following will suffice

- 1) Hotel Proprietors Act 1956
- 2) Riot Damage Act 1886
- 3) Public Order Act 1986
- 4) Animal Act 1971
- 5) Civil Aviation Act 1982
- 6) Defective Premises Act 1972
- 7) Compensation Act 1971 (New Ireland)

**(2 marks each. Maximum of 5 to be graded. Total: 10 Marks)**

10. Repudiating a claim is not a matter to be taken lightly. As the claim handler, discuss the salient points around repudiation of a claim.

**Solution**

Repudiation of a claim is a decision only to be taken after considering all aspects of the matter carefully. Reference to procedures put in place by management and even the supervisor before communicating repudiation is very key.

Before repudiating a claim, you should be certain that any statement or circumstances that you intend to rely upon as well as the reason for responding has been verified. It is good practice to speak to the policyholder or his brokers to discuss reasons for repudiating before confirming same in writing.

Every reason for the repudiation must be spelt out. If the reason for example, is due to non-disclosure of material facts or a breach of warranty, both should be mentioned. The warranty breached should be specifically stated out with how it was breached and the effect of the breach.

If it was as a result of an exclusion, the exclusion must be identified, stated along with the effect on the claim.

Before deciding to repudiate the claim, the policy document/wordings/legislature should be checked to see if there are reasons not to repudiate the claim e.g. Insurance Act 2003.

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

11. The Financial Services Sector in Nigeria is expected to report suspicious cash transactions and transitional amount above a certain threshold for individuals and organisations making such transactions.

a) What is the reporting aiming to address? **(4 marks)**

b) State the thresholds for both individual and organizations making such transactions.

**(6 marks)**

### **Solution**

a) The aim of the reporting is to address money laundering. Money laundering is the process whereby money obtained illegally is converted into legitimate "clean" money.

**(2 marks for any correctly stated point. Maximum of 2 points to be graded. Total: 4 marks)**

b) The thresholds are:

a. Individual: NGN5,000,000.00

b. Organizations: NGN10,000,000.00

**(3 marks for each correctly stated threshold. Total: 6 marks)**

12. The Financial Services Authority (FSA) sets out rules since January 2005 to guide insurers and their claims handlers as it relates to their relationship with policyholders. NAICOM also requires this in practice. Carefully enumerate what the rules require insurers and the claims handler to do regarding this.

### **Solution**

The rules that NAICOM/FSA require insurers and the claim handlers to be guided with as it relates to claims are:

i) carry out claims handling promptly and fairly

ii) give customers reasonable guidance to help them lodge their claims

iii) do not unreasonable reject a claim

iv) respond promptly to notified claims

v) advise the clients of the specific steps agreed and the timescales

vi) notify the customer of whether the claim is accepted or rejected; or that the claim will be paid in parts

vii) settle claims promptly within 5 working days form the date of agreement to settle by cash option

**(2 marks for every correctly rule. Maximum of 5 rules to be graded. Total: 10 marks)**

13. The period for insurers to pursue recoveries based on subrogation right is limited by statute.

a) what is meant by "statutory limitation periods"? (2 marks)

b) list the principal limitation periods. (8 marks)

**Solution**

a) Statutory Limitation Periods are periods of time prescribed by parliament within which proceedings must commence. (2 marks)

b) The Principal Limitation Periods are:

i. **Breach of contract:** six (6) years from the date of the breach

ii. **Tort – Property Damage:** six (6) years from the date on which the cause of action accrues

iii. **Tort – Personal Injury:** three (3) years from the date on which the cause of action accrues or from the date of knowledge (if late).

iv. **Defective Premises Act:** six (6) years from the date in which the dwelling was completed.

(2 marks for each correctly stated period. Maximum of 4 periods to be graded. Total: 8 marks)

14. Enumerate the contents/sections of a property insurance policy document.

**Solution**

The contents//sections of a property insurance policy document are:

i. name and address of the insurer

ii. details of the policyholder

iii. premises covered

iv. perils covered

v. sum insured

vi. excess or franchises

vii. period of insurance

viii. premium details

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

**PART II (Answer Two (2) out of Four (4)) Each question carries 30 marks.**

15. Write short notes on the following terms:

i. Storm (8 marks)

ii. Flood (8 marks)

iii. Impact (6 marks)

iv. Subsidence (8 marks)

**Solution**

i. **Storm:** storm is regarded as violent wind and not persistent bad weather or persistent rain by itself as defined by *Oddy v. Phoenix (1966)* where the weight of a snow caused a roof to collapse and this was regarded as storm. Storm can be considered even if there have not been fierce winds. Many insurers will deal with damages to the interior of a building caused by ingress of rain water even though there was no storm damage to the roof through which water

penetrated. No storm insurance cover loss or damage to gates, hedges or fences or loss or damage by frost or alteration or extended under construction. It is special peril covered under a standard fire policy.  
**(2 marks for each correctly stated point. Maximum of 4 points to be graded. Total: 8 marks)**

ii. **Flood:** flood is inundation from sea or river or other water course. It is regarded as a temporary movement of water, an unusual phenomenon of some violence and not gradual seeping of water. Flood insurance would not cover loss or damage to gates, hedges and fences, loss or damage by frost, loss or damage from alteration or extension under construction. In commercial policies, there are often warranties requiring stock stored in basements to be stored off the ground. This is a special peril covered under a standard fire policy.  
**(2 marks for each correctly stated point. Maximum of 4 points to be graded. Total: 8 marks)**

iii. **Impact:** impact perils are impact damages by any vehicle, train or animal. It does not cover damage caused by insects, bird or domestic animals. The impact peril must be physical i.e. it must be by collusion. It excludes damage caused by imposed load of a vehicle rolling over or loads falling from vehicles. It is covered as an extension in commercial motor insurance for example.  
**(2 marks for each correctly stated point. Maximum of 3 points to be graded. Total: 6 marks)**

iv. **Subsidence:** subsidence is defined as sinking, i.e. movement in vertical direction as opposed to settlement which means movement in lateral direction (*Allen & Sons v. Drysdale (1939)*). It does not cover coastal or river erosion, inadequate foundation which did not meet building regulations in force at the time the foundations were constructed, damage to or resulting from the movement of solid floor to slabs unless the foundations the outside walls of the house are damaged at the same time by the same cause.  
**(2 marks for each correctly stated point. Maximum of 4 points to be graded. Total: 8 marks)**

16. Suppose your client has two property insurance policies with your company. The policies have reinstatement memorandum as the method of compensating the insured in the event of a loss. There were losses on the policies and below are the details:

	Property A (NGN)	Property B (NGN)
Sum Insured	5,750,000.00	5,000,000.00
Value at Risk on the Date of Loss	5,000,000.00	4,995,000.00
Assumed Value at Risk on Completion of Reinstatement	6,600,000.00	6,000,000.00

Agreed Loss	500,000.00	450,000.00
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You are required, as the claim handler, to calculate:

- i) the final amount your company will pay under Property A **(10 marks)**
- ii) the final amount that your company will pay under property B **(20 marks)**

### Solution

#### For Property A

Sum Insured:		NGN5,750,000.00	<b>(½ mark)</b>
Value at Risk as at Date of Loss:		NGN5,000,000.00	<b>(½ mark)</b>
Assumed Value at Risk on Completion of Reinstatement:		NGN6,600,000.00	<b>(½ mark)</b>
Agreed Loss:		NGN500,000.00	<b>(½ mark)</b>
85% of Assumed Loss Value	= 85%*NGN6,600,000.00		<b>(2 marks)</b>
	= NGN5,610,000.00		<b>(1 mark)</b>

Since 85% of the value at risk on completion of reinstatement is NGN5,610,000.00 which is less than the sum insured of N5,750,000.00, average WILL NOT apply. **(3 marks)**

The insured therefore will get N500,000.00 as final loss amount. **(2 marks)**

#### For Property B

Sum Insured:		NGN5,000,000.00	<b>(½ mark)</b>
Value at Risk as at Date of Loss:		NGN4,995,000.00	<b>(½ mark)</b>
Assumed Value at Risk on Completion of Reinstatement:		NGN5,920,000.00	<b>(½ mark)</b>
Agreed Loss:		NGN450,000.00	<b>(½ mark)</b>
85% of Assumed Loss Value	= 85%*NGN5,500,000.00		<b>(2 marks)</b>
	= NGN5,032,000.00		<b>(1 mark)</b>

Since 85% of the value at risk on completion of reinstatement is NGN5,032,000.00 which is greater than the sum insured of N5,000,000.00, average WILL apply to be able to determine the final amount payable. **(3 marks)**

Average =	<u>Sum Insured at date of loss</u>	*Agreed Loss	<b>(6 marks)</b>
	Value at risk as at date of reinstatement		
=	NGN5,000,000.00	* NGN450,000.00	<b>(2 marks)</b>
	NGN5,920,000.00		
=	NGN380,068.00		<b>(2 marks)</b>

The insured therefore will get N380,068.00 as final loss amount. **(2 marks)**

17. State how "Marine Insurance Act 1906" addressed the subject of contribution.

**(10 marks)**

b) State five (5) conditions, at common law, that must be met, for contribution to apply.

**(20 marks)**

### **Solution**

- a) According to Marine Insurance Act 1906, the assured, unless the policy otherwise provides, may claim payment from the insurers in such order as he may think fit, provided that he is not entitled to recover any sum in excess of the indemnity allowed by this Act.

Therefore, contribution arises when there is more than one policy. It does not matter that the policies do not cover precisely the same perils or property. There do not have to be identical but there must be an overlap.

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

- b) For contribution to apply at common law, the following conditions must be met:
- i. There must be two or more effective policies of indemnity at the date of loss
  - ii. These policies must cover a common insurable interest
  - iii. These policies must cover a common peril which gave rise to the loss
  - iv. These policies must cover a common subject matter
  - v. Each policy must be liable for the loss.

**(4marks for each correctly stated condition. Maximum of 5 conditions to be graded. Total: 20 marks)**

18. An accusation of fraud by the insurer against a policyholder is a very serious matter which the insurer must be entirely certain that there has been fraud before alleging.
- i. what then is fraud? **(7 marks)**
  - ii. explain fraud in the context of claims. **(14 marks)**
  - iii. state the consequences of fraud on a claim in particular and the policy in general

**(9 marks)**

### **Solution**

- a) Fraud has been defined as the intentional deception of one party by another for the purpose of gaining advantage of a benefit that, were the true facts known, the benefit would not have been gained.

**(3½ marks for each correctly stated point. Maximum of 2 points to be graded. Total: 7 marks)**

- b) In the context of claims, the deception may relate to the whole or part of the claim presented. It could be that the event did not occur or the claim was not caused by an insured peril or the insured peril did not result in damage or loss. The deception could even relate to the quantum of the claim presented.

It should be noted that mistakes, innocent misrepresentation or lack of care are not fraudulent acts PROVIDED there was no intention to deceive. Also, a claim that is not fully accurate does not necessarily amount to fraud unless there is intention to defraud.

The degree of proof required is usually regarded as being somewhat higher than that applicable to civil matters but not as high as that relating to criminal matters.

**(3½ marks for each correctly stated point. Maximum of 4 points to be graded. Total: 14 marks)**

- c) The consequence of fraud on a claim in particular is that if any part of the claim is fraudulent, the entire claim is tainted and the insurers are entitled to repudiating the claim in its totality and not just the part that the fraud relates to.

**(2½ marks for each correctly stated consequence. Maximum of 2 consequences to be graded.**

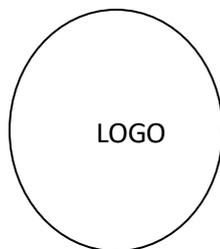
**Sub-Total: 5 marks)**

The consequence of fraud on a policy in general is that the insurers is entitled to coming off risk immediately and cancelling the policy without bias.

**(2 marks for each correctly stated consequence. Maximum of 2 consequences to be graded. Sub-**

**Total: 4 marks)**

**(Grand Total – 9 marks)**



**CHARTERED INSURANCE INSTITUTE OF NIGERIA  
DIPLOMA**

**APRIL 2019 EXAMINATION PAPER**

**SUBJECT D19  
SUBSIDENCE CLAIMS HANDLING**

**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 form with care do not write notes on it.
- ✚ 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. Failure to do this may result in your paper not being assessed and marked.
- ✚ Insert your candidates 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.**

# CHARTERED INSURANCE INSTITUTE OF NIGERIA

## D19 - SUBSIDENCE CLAIMS HANDLING

### INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper.

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

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

Part I - 140 marks.

Part II - 60 marks.

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

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

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

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

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

## **Summarized Report**

Pass Rate: Not Applicable

Highest Score: Not Applicable

Lowest Score: Not Applicable

Average Score: Not Applicable

## **Breakdown Updates**

Not Applicable since the course was NOT examined as no candidate undertook the course during this diet.