



*Chartered Insurance
Institute of Nigeria*

Chief Examiners' Report

April 2018 Examination

Diploma in Insurance (D01 – D19)

CHARTERED INSURANCE INSTITUTE OF NIGERIA

DIPLOMA

APRIL 2018 EXAMINATION PAPER

**SUBJECT D01
INSURANCE PRACTICE AND REGULATION**

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Do not write on the question paper.
- The answer booklet be handed in 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.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D01 - INSURANCE PRACTICE AND REGULATION

INSTRUCTIONS TO CANDIDATES

Three (3) hours are allowed for this paper which contains 20 compulsory questions and carries a total of 200 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.

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

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

You may find it helpful in some places to make rough notes in the answer booklet, if you do this, you should cross through these notes before you hand in the booklet.

- 1(a) Define the term "Annuity"? (4 marks)
- (b) Mention and briefly explain six (6) types of Annuity. (6 marks)

SOLUTION 1A

Annuity is defined as a method by which a person (Annuitant) receive a yearly sum or monthly sum in return for payment to an insurance company a lump sum of money. Annuity is not a life assurance policy, but it is managed by an insurance company, and it is based on actuarial principle.

B.

- Immediate Annuity.
- Deferred Annuity.
- Guaranteed Annuity.
- Reversionary Annuity.
- Joint and last survivor Annuity.
- Annuity certain.

2. Explain with examples factors/elements underwriter takes into consideration in calculating insurance premium in both Life and Non-Life policy. (10 marks)

SOLUTION 2

Factors taken into consideration in calculating insurance premium:

- Provision for Expected claim (IBNR) INCURED but Not Reported.
- Provision for operational Expenses/Overhead e.g Salary of staff, commission, Reinsurance costs.
- Provision for margin for profit.
- Provision for General Inflation trend.
- Provision for interest and Exchange rate.
- Market competition e.t.c

- 3(a) Explain the main contents of section 143 Road Traffic Act 1988. (6 marks)
- (b) Describe the use, and importance of motor cover note, and certificate of Insurance in motor policy. (4 marks)

SOLUTION 3

The Road traffic Act, 1988, section 143. States that any person who put his vehicle on Road should have a valid third party, or Act only policy to take care of insurance legal liability to third parties property damage or bodily injury or death.

B.

Motor Insurance Cover Note are Issued as a temporary Cover for 15 days or 30days in motor Insurance contract, while certificate of Insurance is Issued for 12months from the inception date after payment of premium.

The Information contained in both Cover Note, and Certificate of Insurance are Similar:

- Name of policyholder.
- Index mark/Reg No of vehicle
- Period of insurance.
- Use to which the vehicle is put.
- Make/mode of vehicle.

4. Describe the two (2) basic types of Reinsurance Treaty? (10 marks)

SOLUTION 4

Two basic types of Reinsurance Treaty:

- Proportional and Non-proportional Treaty.

Proportional Treaty Includes Quota share, and Surplus treaty. Quota share is where the ceding company ceded risk above their retention according to the treaty agreement in ratio 80/20, While Surplus treaty is where the reinsurer accept risk over and above the ceding office retention.

Non-Proportional treaty includes Excess of loss and Excess of loss Ratio (Stop Loss).

5. Explain the important features of a Survey Reports in the underwriting process of large industrial risk. (10 marks)

SOLUTION 5

The Importance features of surveyor's Report in the underwriting process of large risk is that'

- The Report will show a full description of risk which includes the plan of the premises, the types of process being carried out in the building, and the details of insured occupation e.t.c

The report will show the level of risk (i.e) the relevant hazards factors, both moral and physical hazards, and the degree of risk; also the report will show the level of risk, on the surrounding property.

- The report will show the extent of MPL (Maximum Probable Loss) or EML (Estimated Maximum Loss, which is the maximum loss that could occur at a given period.
- The report will show the loss prevention recommendation, and advice to the insured on what steps to be taken to prevent a loss.

6. Enumerate the basic difference between the scope of cover under Group Life Assurance policy and Permanent Health Insurance (PHI). (10 marks)

SOLUTION 6

Group Life Assurance is taken by employer to provide death benefit to his employee in the event of death while in the employment of his employer. The death benefit is in multiple of three or five times the Annual salary of the employee, and cover only death while in service. The Insurance Act 2003 stipulate that All employer having minimum of five employee should provide Group Life Assurance to cover death benefit, while permanent Health Insurance PHI provide benefit for employee or individual against sickness, or temporary disability which prevent the employee from performing his/her occupation.

7. Explain the term Loss of Profit Insurance and mention two types of basis/leadings under which insurers grant cover. (10 marks)

SOLUTION 7

Loss of profit Insurance otherwise known as Business Interruption Insurance cover losses resulting from damage to physical property by fire and allied perils, which affect the continuation of business operations.

The damage caused to the physical property (i.e) Building by Fire and allied perils resulted into disruption of business operation, which leads to loss of profit by the insured organization.

The policy covers costs incurred by the insured for repairs, maintenance of plant, machinery during the period of operation of the company is disrupted.

Also cover is granted under two headings

- Costs of overhead expenses.
 - Increase in cost of running the business (temporary accommodation while the property is under repair)
8. Explain the role of Professional Reinsurance Association of Nigeria (PRAN) in the development of Reinsurance practice in Nigeria. (10 marks)

SOLUTION 8

The professional Reinsurance Association of Nigeria (PRAN) is an Association of registered and licensed Reinsurance companies operating in Nigeria. The major role is to ensure that ethical standard is maintained in the underwritings of reinsurance business in Nigeria.

- They also ensure that reinsurance capacity and retention are fully utilized before primary insurer can cede any business to foreign reinsurers.
 - PRAN provide guides to rating, and clauses acceptable to reinsurer's operators in Nigeria.
9. Enumerate the major differences between the scope of cover under Group Life Assurance and Industrial Life Assurance? (10 marks)

SOLUTION 9

- Group Life is taken by employer for the benefit of employee, while industrial life assurance is taken by individual for the benefit of his dependent/beneficiary.
 - Group Life is limited to employee currently working for the employer, and covers death only while in service, while industrial life is for low income earners, and sum insured is very small.
 - Under Group Life Assurance, premium is paid by the employer, and sum insured is a multiple of employee earnings, while industrial life Assurance premium is paid by the Assured, and payable either monthly, weekly, and the life office incurred high overhead expenses in premium collection from large industrial Assured.
10. Enumerate the main basic difference between Composite Insurance Company and Specialist Insurance Company. (10 marks)

SOLUTION 10

Basic difference between composite insurance company, and Specialist Company.

- Composite Insurance Company underwrites all classes of business both Life, and Non-Life, while Specialist Company underwrite only one line of business either Life, or General.
- The minimum share capital for Composite Insurance Company is ~~N~~5billion, while Specialist Company is N3billion and composite company has a wider business operation, while Specialist Company is limited in operation.

11. Explain the purpose of the minimum capital requirement for both Life and Non-Life Insurance Company. (10 marks)

SOLUTION 11

The purpose of the minimum capital requirement for Life and Non-Life Insurance Company is to enable the companies to have adequate capital base to transact Insurance business, and to maintain a reasonable ration of solvency. Also, to enable the company to increase their underwriting capacity, and retain higher business ports folio particularly in oil and gas, and aviation business.

The minimum capital for life Insurance is ~~N~~2 billion, while Non-Life company is ~~N~~3 billion and composite company is ~~N~~5 billion.

12(a) Differentiate with examples the difference between moral hazards and physical hazards? (6 marks)

(b) Mention four (4) characteristics of physical hazards? (4 marks)

SOLUTION 12

Hazards is a factor that might likely alter the frequency or severity of an Insured peril. The major difference between moral and physical hazards are:

Moral Hazards: This relates to attitude of the Insured or proposer rather than the Subject matter of Insurance. The Insured is the prime source of moral hazard e.g the behavior of the Insured whether the Insured lack duty of care or he is a dishonest, or he is regular claimant.

Physical Hazards: Relates to physical characteristics of the subject – matter of Insurance e.g property Insurance. The Nature of mode of construction of a building, whether there is firefighting or extinguisher in the building.

B. Characteristics of Physical Hazards:

- Mode of Construction.
- Method of lightning, nature of operation.
- Method of cleaning, disposal of waste.

13. List the basic important information contained in placement slip. (10 marks)

SOLUTION 13

The basic Important Information contained in a placement Slip:

- a.** Name of proposer.
- b.** Location/Address of the proposer.
- c.** Occupation/Nature of business.
- d.** Type of Risk covered.
- e.** Limit of Indemnity or sum insured.
- f.** Rate, and Discounts applicable.
- g.** Clauses, warranty, and Exclusions.
- h.** Period of Cover.
- i.** Annual premium payable.
- j.** Any other Special terms/conditions.

14. Explain the main power of control and regulation of Insurance Industry granted to NAICOM under the Insurance Act, 2003. (10 marks)

SOLUTION 14

The Insurance Act, 2003 granted power of control, and regulation to NAICOM in order to sanitizer, and develop the Nigerian Insurance market:

- They process and approved application for registration of new Insurance company, and Issue operating License to new company.
- They ensure that Insurance companies meet the Solvency margin requirement as stipulated in NAICOM Act, 2003.
- They carry out periodic Inspection of Insurance company operation and activity.
- They ensure that, Insurance Company comply with the periodic valuation of Asset requirements to determine any Surplus in their funds or Insolvency.
- Grant renewal approval for the operation of Insurance companies.
- They collect 1% supervisory levy from Insurance companies.

15. Distinguish between the scope of cover under professional indemnity and product Liability Insurance Cover. (10 marks)

SOLUTION 15

Professional Indemnity (P.I), and product Liability policy are both Liability Insurance.

- Professional Indemnity (PI): The policy provide cover for liability arising out of professional Negligence, and this cam arise where lawyers, accountants doctors, Insurance brokers, or any other professionals give advice or action which later result into Financial loss or damages to the Insured.

While product liability provide Cover for loss or injury sustained by the Insured as a result of consumption or malfunctioning, substandard product which result into loss or damage to third party (e.g Donohue v Stephen).

- 16(a) Distinguish between the term Self Insurance and Captive Insurance? (6 marks)
- (b) Explain how subrogation is a corollary of indemnity. (4 marks)

SOLUTION 16

Self-Insurance (Sinking Fund): Is a situation where an organization or large company set aside funds to mitigate or settle any losses that may arise from its operation while captive Insurance is where an organization set up a subsidiary or affiliate company to insure the assets of the parent company.

Indemnity is a corollary of subrogation because under common law, when an Insurer Indemnifies an Insured, the Insurer is permitted to take over the rights of the Insured to cover any amount payable from other parties who might be liable for the loss (Negligent third party). The Insured is said to have subrogated their rights to the Insurer.

17. Explain the following Insurance terms? (10 marks)
- (i) Average Condition
 - (ii) Excess/Deductible
 - (iii) Limit of Indemnity
 - (iv) Franchise
 - (v) Two (2) Conditions of Average

SOLUTION 17

Average: Is where the sum Insured of a property is less than the value at the time of loss. Average is applied when Insurer settle claim either on total or partial loss basis.

Excess: Is applicable to property Insurance where the Insured is expected to bear the first part of a loss (i.e) First ₦1,000, where the amount of loss is ₦10,000. Excess clause usually state that the Insured will bear the first ₦10,000 or 10% of amount of loss whichever is higher, and Deductible is applicable to large Excess, and large risk.

Franchise: Is where the loss suffer by the Insured is less than the amount of NX. The Insurer will pay NIL Claim.

Limit of Indemnity: Is applicable to Liability policy, and it's the Insurer Limit of Liability wherever a claim arises.

Two Condition of Average: This apply where the sum Insured is more than 75% of the value of the property e.g Agricultural crops or produce.

18. Discuss the importance of insurable interest in contract of Insurance

(10 marks)

SOLUTION 18

Insurable Interest is one of the key principles of Insurance contract, and its Importance cannot be over-emphasized.

Insurance Interest must be recognized by law between the Insured and the subject matter of Insurance. E.g ownership of the property.

The right to Insure created by Insurable Interest distinguish Insurance from gambling.

Consequently, any Insurance contract, without Insurable Interest is not enforceable at law.

19. Explain the term 'Solvency Margin and its relevance in the operation of insurance company. (10 marks)

SOLUTION 19

Solvency Margin: Means the residue remaining after the valuation of Assets and Liabilities of an Insurance company. In essence for an Insurance company to have good capital adequacy, the total assets must exceed total liabilities, and as such the Net difference is referred to as Solvency Margin. Therefore, an Insurance company with a strong Solvency Margin is more viable and can meet its liabilities and claim.

20. Mention five (5) types of Liability Insurance and explain the scope of cover. (10 marks)

SOLUTION 20

Five types of liability Insurance:

- Professional Indemnity.
- Product Liability.
- Public Liability.
- Employer's Liability/workmen compensation.
- Director's officer's liability.
- Personal public liability
- Fidelity guarantee Insurance.
- Business public liability (PL).

SUMMARY

Pass Rate:	12.5%
Highest Score:	71%
Lowest Score:	33%
Average Score:	52.0%

**CHARTERED INSURANCE INSTITUTE OF NIGERIA
DIPLOMA**

APRIL 2018 EXAMINATION PAPER

**SUBJECT D04
BUSINESS PRACTICE**

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Do not write on the question paper.
- The answer booklet be handed in 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

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D04 - BUSINESS PRACTICE

INSTRUCTIONS TO CANDIDATES

Three hours are allowed for this paper which contains 20 compulsory questions and carries a total of 200 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.

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

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

You may find it helpful in some places to make rough notes in the answer booklet, if you do this, you should cross through these notes before you hand in the booklet.

1. State the four (4) factors that determine the way a business is structured. (6 marks)

(b) Mention the four (4) principal legal structures of business in Nigeria. (4 marks)

SOLUTION 1

a. The factors are:
i. The size of the business
ii. The desired level of liability for its owners in the event of its failure
iii. The relationship between the partners (if there are any) in the business
iv. The ultimate aims of the owners of the business.

b. The four principal legal structures are:
i. Sole Trader
ii. Partnerships
iii. Companies limited by shares
iv. Companies limited by guarantees

2(a) Define the term "business". (2 marks)

(b) Mention two (2) ideas that provide the foundation for a business in most civil societies. (2 marks)

(c) List six (6) areas of the economy where business may be seen to operate. (6 marks)

SOLUTION 2

a. Business is the range of activities undertaken by people which allows goods and services to be traded in the society.

b. The two (2) ideas are:
i. Property
ii. Ownership

c. Area of the economy include:
✚ Manufacturing
✚ Transport
✚ Medicine
✚ Banking and Financial Service
✚ Retailing
✚ Law
✚ The media etc

3. Explain the two (2) main characteristic of flexible firm. (10 marks)

SOLUTION 3

The characteristics of a flexible firm include

- i. **Functional Flexibility**
Employing a core staff of people who have multiple skills, can perform a range of jobs and are able and willing to move between them as the need arises.
- ii. **Numerical Flexibility**
Allowing it to alter the staff headcount quickly by employing part-time and contract staff

4. Identify ten (10) different trend that affect today's businesses. (10 marks)

SOLUTION 4

The trends identified were

- ✚ Increasing customer demands
- ✚ Alternative markets
- ✚ Fierce global competition
- ✚ Over supply
- ✚ Reduced product life cycle
- ✚ Cost pressures
- ✚ Shareholders impatience
- ✚ organisational inertia
- ✚ inadequate quality
- ✚ skills shortages

- 5(a) Explain the concept of Customer Relationship Management (CRM). (4 marks)

- (b) Mention the four (4) relationship factors that CRM entails. (6 marks)

SOLUTION 5

- a. Customer Relationship Management (CRM) is largely about getting closer to the customer and moving into proactive environments. It is about trying to build relationships with customers by understanding their needs and offering products and services that meet these needs.
- b. CRM entails
 - ✚ Offering a relationship focus rather than an enquiry focus
 - ✚ A better understanding of buying patterns of customers to expand business relationship.

- ✚ Moving to a proactive rather than reactive environment.
- ✚ Adopting a total relationship management approach.

6(a) Give the full meaning of the following:

- (i) GATT
- (ii) WTO
- (iii) IMF
- (iv) EU

(4 marks)

(b) State three (3) objectives of a trading group like African Union. (6 marks)

SOLUTION 6

- a.
- i. GATT - General Agreement on Tariffs and Trade
 - ii. WTO - World Trade Organisation
 - iii. IMF - International Monetary Fund
 - iv. EU - European Union

b. Key objects of trading groups includes

- ✚ Maximization of the advantages accruing from the free movements of goods, finance and people.
- ✚ The increase of competition and demand within the group
- ✚ The maintenance of stable prices and high levels of employment.
- ✚ The co-ordination of the policies of individual governments and their central banks.

7. Draft the order of agenda for a board meeting for an Insurance Company stating ten (10) items the agenda should contain. (10 marks)

SOLUTION 7

Order of agenda for a board meeting might contain the following:

- ✚ Opening prayer
- ✚ Apologies for absence
- ✚ Minutes of the previous meeting: taken as read (or read by secretary) and signed by the chairman
- ✚ Matters arising from those minutes.
- ✚ Matters adjourned from previous meeting (if any)
- ✚ Routine matters for consideration
- ✚ New matters for consideration
- ✚ Management accounts
- ✚ Reports of special (sub-committees if any)
- ✚ Any other business
- ✚ Date of next meeting
- ✚ Closing prayer

8(a) Advance two (2) major reasons for classifying some information as confidential.
(4 marks)

(b) State three (3) implications for working at home by a staff of a company.
(6 marks)

SOLUTION 8

- a. Because it is information which, if made generally available might cause harm to?
 - i. The organisation, especially from competitors.
 - ii. An individual, if others knew about a matter that was private and personal.

- b.
 - i. Confidentiality issue as worker is working away from a controlled office environment.
 - ii. Effective control and audit needs to be established.
 - iii. Precaution against unauthorized persons towards company information.
 - iv. Data protection issue has to be addressed.

9. Complete the table below:

COMMUNICATION CHANNELS

CATEGORY	EXAMPLES
Electronic/Interactive	1
	2
	3
Face -to- face	1
	2
	3
One-way	1
	2
	3
	4

(10 marks)

SOLUTION 9

Communication Channels

Category	Example
Electronic/Interactive	- Internet
	- Electronic mail
	- Web sites
Face-to-face	- Informal discussions
	- Staff meetings
	- Formal team briefings

- One – Way
- Notice board
 - Audio/video cassettes
 - Staff handbooks
 - Publications
 - Company news letters
 - Weekly bulletin sheets

10(a) One of the Company Secretary's role is to maintain the statutory registers. List five (5) registers. (5 marks)

(b) State five (5) other roles performed by the Company Secretary. (5 marks)

SOLUTION 10

a. The statutory registers are

- + Register of members
- + Register of directors and secretaries
- + Register of directors' interests
- + Register of charges
- + Register of interests in shares (for public companies)

b. Other roles of company secretary

- + Giving notice of the AGM
- + Sending the registrar copies of extra ordinary or special resolved.
- + Ensuring that statutory forms are filed properly.
- + Keeping minutes of directors and members meeting.
- + Supplying members with copies of annual accounts within the stipulated time.
- + Making accounts available for inspection by interested parties.

11. Briefly define the following:

- (i) Income and Expenditure
- (ii) Current Asset and Fixed Asset
- (iii) Creditor and Debtor
- (iv) Current Liability and Fixed Liability
- (v) Tangible Asset and Intangible Asset

(10 marks)

SOLUTION 11

- i. Income is all of the amount of money earned by the organisation from any source, including sales, rentals, interest payments and investments.
While expenditure is all the amount of money spent to pay for goods or services.
- ii. Current asset is one that can be readily turned into money such as cash in the bank.

Interests fixed asset is an asset that is used to help the business to generate profits e.g its land, premises machinery etc.

- iii. Creditor is any individual or organisation to whom a debt is owed e.g supplier.
On the other hand, debtor is any organisation or person who owes a debt to any other organisation or person.

12. Write short notes:

- | | | |
|-------|---------------------|-----------|
| (i) | Depreciation | (3 marks) |
| (ii) | Accounting Equation | (4 marks) |
| (iii) | Solvency Margin | (3 marks) |

SOLUTION 12

- i. Depreciation is the writing-down of the value of an asset over a period of the time in the organisation balance sheet, to reflect the cost of its use by a recognized method (e.g straight-line method)
- ii. Accounting equation:- The relationship between the things owned by a business (its assets) and the funds which were used to buy them is expressed by the accounting equation
$$\text{Assets} = \text{Capital} + \text{Liabilities}$$

Or

$$\text{Capital} = \text{Assets} - \text{Liabilities}$$
- iii. 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.
13. In a tabular form, differentiate between financial and management accounting under the follows:
- | | | |
|-------|-------------------|-----------|
| (i) | Legal Requirement | (2 marks) |
| (ii) | Audit Requirement | (2 marks) |
| (iii) | Time Periods | (2 marks) |
| (iv) | Regulation | (2 marks) |
| (v) | Format | (2 marks) |

SOLUTION 13

	Financial	Management
i. Legal requirement	Accounting Legally required to produce financial accounts	Accounting not obliged to produce management accounts
ii. Audit requirements	Must be audited by external auditors	Do not have to be audited by external auditors
iii. Time periods	Based on historical fact. They are accurate	Focused on future. Based on for cast, estimates and projections
iv. Regulation	Precise figures are required due to legal requirement/constraints	No external regulatory (rough figure expected)
v. Public Relation	Looks at and records the financial impact of events on the organisation as a whole	Naturally segmented and concentrated on processes.

14(a) State four (4) purposes of market research. (4 marks)

(b) State the six (6) stages of market research process. (6 marks)

SOLUTION 14

a. Purpose of market research are to:

- ✚ Develop marketing plans
- ✚ Identify target markets
- ✚ Formulate marketing strategy
- ✚ Control marketing operations
- ✚ Monitor the success of products or services.

b. Market research process include:

- ✚ Identifying the missing information needed for analysis
- ✚ Determining data needed over which period of time and where it can be obtained.
- ✚ Design research methods e.g questionnaires, interviews
- ✚ Design sample size and characteristics such as age, gender income levels.
- ✚ Data collection how it will be collected and stored
- ✚ Techniques used in analysis and presentation of results.

15. Complete the table below:

	Advantage	Disadvantages
Personal Selling		
Sales promotion		
Advertising		
Direct Marketing		
Public Relation		

SOLUTION 15

	Advantage	Disadvantages
i. Personal Selling	Flexible presentation, or immediate results	Very expensive
ii. Sales Promotion	Gains attention or immediate result	Easily copied
iii. Advertising	Control over the message	Hard to measure result
iv. Direct marketing	Consistent	Lack of control
v. Format	Very believable	Lack of control

16(a) Differentiate between job descriptions and competencies. (4 marks)

(b) State three (3) advantages and disadvantages of the interview as an assessment tool. (6 marks)

SOLUTION 16

a. A job description describes what activities a job holder gets involved in, while competences describe how individuals should behave in order that the job done correctly.

b. Advantages of the interview

- i. Relatively inexpensive
- ii. Can be used for almost any job
- iii. Most popular of all selection devices

Disadvantages of the interview

- i. It relies on the expertise of the interviewers
- ii. Personal views of interviewer may cloud their objectivity.
- iii. If not well planned, structured or professionally handled may lead to undesirable result.

- 17(a) Distinguish between a need and motive. (4 marks)
- (b) Explain what you understand by Human Resources Management (HRM) (3 marks)
- (c) List the characteristics of HRM. (3 marks)

SOLUTION 17

- a. A need is an experienced state of deficiency that pushes one to behave in a particular way e.g hunger, thirst and a sense of belonging.

A motive, on the other hand, puts one's behavior in a particular direction e.g a person who wants to earn extra holiday money may be motivated to work extra hours.

- b. Human Resources Management (HRM) is the management of the people employed by an organisation in order to achieve that organisation's objectives.
- c. Characteristics of HRM are:
- i. Strategic focus
 - ii. Proactive concerns
 - iii. More concerned with enabling than control.

18. Differentiate between
- (i) Ratio forecasting and synthetic forecasting. (5 marks)
- (ii) Manpower planning and succession planning. (5 marks)

SOLUTION 18

- a. Ratio forecasting:- here needs are calculated from a fixed relationship between manpower requirements and other factors (e.g sales volumes, policies issued).

Can the other hand, in synthetic forecasting needs are built up from forecasted output in terms of estimated work load (e.g output expressed in terms of man hours).

- ii. Manpower planning helps to determine the numbers and skills of people the organisation will need in order to achieve its strategic goals whilst succession planning helps to ensure the continuity and growth in the management of the business by ensuring that successors for key positions in the future are identified and developed.

19(a) State the two (2) main reason(s) why insurers are adopting International Accounting Standards. (4 marks)

(b) In order to achieve high degree of compatibility between the accounts of insurance undertakings. List three (3) criteria that must be observed in the accounts. (6 marks)

SOLUTION 19

a. Accounting Standards have been devised for the insurance industry in order to:

- ✚ Set out recommended practice for insurance business to narrow the range of accounting practices and to improve the usefulness of published accounting information.
- ✚ Provide guidance and clarification on information required by legislation and relating to insurance undertakings.

b. To ensure compatibility, the company's accounts must

- ✚ Show acquisition costs
- ✚ Distinguish between underwriting and investment income
- ✚ Present information in such a way that it identifies and clarifies assets and liabilities

20. Discuss the three (3) different levels of Information. (6 marks)

(b) Mention four (4) types of Information that a manager needs (4 marks)

SOLUTION 20

a. Levels of information are:

i. Strategic information: Is used by senior managers to plan the objectives of their organisation and to assess whether the objectives are being met in practice such information includes. Overall profitability, the profitability of different segments of the business, future market prospects total manning levels and capital needs etc.

The information at this level will be used for by the management decision making described as strategic planning.

ii. Tactical information:- is used by middle management to ensure that resources of the business are employed (and the efficiency and effectiveness of their used monitored) to achieve the strategic objectives of the organisation. Examples of such information include productivity control or variance analysis reports and cash flow forecasts, meaning levels and profit results within a particular department of the organisation. A large proportion of this information will be generated from within the organisation. The information is usually prepared regularly – weekly or monthly and it is used for the decision making referred to as management control.

- iii. Operational information is used by front-line managers such as supervisions to ensure that specific tasks are planned and carried put properly.

- b.
 - What resources are available.
 - What level of productivity is being achieved?
 - Are objectives being met?
 - Financial data to decide on recruitment.
 - Sales data to decide on marketing strategy.
 - Information above competition.

SUMMARY

Pass Rate:	54.9%
Highest Score:	77%
Lowest Score:	24%
Average Score:	50.5%

CHARTERED INSURANCE INSTITUTE OF NIGERIA

DIPLOMA

APRIL 2018 EXAMINATION PAPER

**SUBJECT D05
INSURANCE LAW**

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Do not write on the question paper.
- The answer booklet be handed in 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.

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 1 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.

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.

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

PART I

1. Under what circumstances may an insurance contract/policy be illegal? (10 marks)

SOLUTION TO QUESTION 1

- a. With respect to insurance contract, insurance policy may be illegal under the following circumstances.
- ✚ Where there is no insurable interest
 - ✚ Where purpose of contract is illegal
 - ✚ Where insured property is used unlawfully
 - ✚ Where there is a close connection between the loss for which the insured seeks compensation and a criminal act. (10marks)
2. Good faith is a universal principle of insurance law. However, two (2) approaches/variations in the way it is being applied in various countries. Identify and briefly explain these two (2) approaches. (10 marks)

SOLUTION 2 QUESTION 2

These two (2) approaches are

- a. Abolition of the duty of disclosure
b. Proportionality Principle

i. **Abolition of the Duty of Disclosure Approach**

This postulates that the proposer is required to do no more than answer TRUTHFULLY the question asked him in the proposal form.

This approach is France, USA & UK. But critics have said it would be impartial to do so for classes of business where proposal forms are not used e.g. Fire insurance in the UK. Abolition would result in an increase in the questions employed on proposal form resulting in consumer's resistance. Also, insurers would be tempted to use "catch-all questions of general nature to safe-guard their position which those countries also restrict.

ii. **Proportionality Principle Approach**

By this approach, the insurer may not entirely avoid the policy for breach of good faith unless there is fraud.

What obtains in the event of a breach of the principle of good faith is that the insurer's liability for a loss shall be on pro-rata basis or reduced in line with the reduction in premium which the proposer achieved through his misrepresentation or non-disclosure. For example, if a proposer failed to disclose two (2) previous claims when applying for household insurance and the insurers would have increased the premium by 25% if they had been told this by the proposer, their liability for any subsequent loss would be reduced on 20%

3. Explain the following two (2) cases in the context of contractual intention and Insurance:
- (a) WOODS v COOPERATIVE INSURANCE SOCIETY (5 marks)
- (b) ORION INSURANCE COMPANY PLC v SPHERE DRAKE INS. LTD (5 marks)
- (10 marks)

SOLUTION TO QUESTION 3

- a. An essential element of a valid contract is the intention to create legal relationship on the parties. Parties must show intention to be bound by the promises they exchange. In commercial transactions, this intention is usually presumed. These two cases present two curious exceptions.

WOODS V CO-OPERATIVE INSURANCE SOCIETY

A newspaper offered free insurance against fire, accident and sickness to its registered subscribers but stated that whilst the scheme had financial backing and the support of the newspaper proprietor, it did not involve any contractual liability. The court held that there was no contract of insurance

- b. **ORION INSURANCE CO. PLC V SPHERE DRAKE INS. LTD**
To an agreement between two insurers to run –off the outstanding liabilities under two insurance pools in the London market. The court held that this was a ‘goodwill’ agreement that was not intended by the parties to be legally binding even though a written memorandum of the meeting where the agreement was made had been taken and all the parties had signed it.

- 4(a) Define Insurance Interest. (2 marks)
- (b) List the examples of entities/persons that may have insurable interest in property. (8 marks)

SOLUTION TO QUESTION 4

- a. Insurable interest is the legal right to insure arising out of a financial relationship recognized at law, between the insured and the subject matter of insurance.
- b.
- Outright owners of property
 - Part or joint owners
 - Mortgagees and Mortgagors
 - Executors and Trustees
 - Landlord and Tenant
 - Bailee’s
 - People living together
 - Finders and people in possession

- 5(a) Define 'Warranties in an Insurance contract. (2 marks)
- (b) How are warranties made in an insurance contract? (6 marks)
- (c) What are warranties of opinion? When will they amount to a breach of warranty? (2 marks)

SOLUTION TO QUESTION 5

- a. Warranties in insurance contract are the most important terms in an insurance contract and bring about the most drastic effects if they are broken. It is a promise made by the insured relating to facts or to something which he agrees to do.

It may relate to past or present facts or it may be a continuing warranty, in which the insured promises that state of affairs will continue to exist or he will continue to do something.

- b. Warranties may arise

- + Expressly
- + Impliedly
- + From a basis of the contract clause

6. "A claim under a policy of Indemnity is a claim for Unliquidated damages" see *JABOUR v CUSTODIAN OF ISREALI ABSENCE PROPERTY* (1954)

- (a) What does this dictum mean? (2 marks)
- (b) Explain the general principles for measuring indemnity in property insurance. (8 marks)

SOLUTION TO QUESTION 6

- a. This statement means that the exact amount of the compensation is not known in advance but is to be fixed afterwards on the basis of the loss actually suffered.

- b. General principles are:

- + Measure of indemnity for the loss of any property is determined not by its cost, but by its value at the date of loss and at the place of loss.
- + If the value has increased during the currency of the policy the insured is entitled to an indemnity on the basis of the increased value subject to the adequacy of the sum insured.
- + If the value has decreased at the time of loss the insured will recover only the reduced value not the original value.
- + The insured also cannot claim for loss of prospective profits or other consequential loss unless they are specifically insured.
- + Property policies cover only the actual financial value of the subject matter. Therefore, the insured cannot claim any amount for sentimental value.

7. "In the context of insurance, subrogation is the right of an insurer who has indemnified an insured in respect of a particular loss to recover all or part of the Claim payment by taking over any alternative right to indemnity which the insured possesses". How can the following factors modify or deny an insurer its subrogation right?
- (a) Public Policy (5 marks)
- (b) Market Agreements (5 marks)

SOLUTION TO QUESTION 7

- a. The following factors amongst other can deny or modify the insurer right of subrogation.

Public Policy

Public Policy consists of principles and standards regarded by the court as being of fundamental concern to the state and the society as a whole. Court sometimes use this to grant or deny contractual right. This was at work in the case of MORRIS v FORD MOTOR CO (1973) where the court remarked as follows in denying right of subrogation "Everyone knows that risks such as these are covered by insurance so they should be; when a man is doing his employer's work, with his employer's plant and equipment and happens to make a mistake, to make the servant personally liable would not only lead to a strike, it would be positively unjust." The claimant in that case had sought to sue the defendant's employee on exercise of the subrogation right if had, but was denied on the ground of public policy explained in the quote.

- b. **Market Agreement**

Insurers sometimes agree amongst themselves to waive their rights of subrogation against third parties where third parties are insured. If the third party is covered by his own liability insurance the consequence is that one insurer will end up deceiving from another. This may result in extra administrative costs and wasteful and expensive litigation between two insurers if they cannot agree which of their policyholders is to blame for the damage. To avoid this and other similar issues, insurers do some time agree to waive their rights. Therefore, when a claim falls to be settled, each insurer will take care of its policyholder and refrain from exercising his subrogation right against the other.

8. A breach of the doctrine of "Good Faith may occur on the part of the insured or more rarely on the part of the insurer". List what will constitute breach of the principle on the part of the insured and its effects on the policy. (10 marks)

SOLUTION TO QUESTION 8

The following will constitute breach of the duty of good faith by the insured.

- ✚ Misrepresentation which may be innocent or fraudulent
- ✚ Non-disclosure which may be innocent or fraudulent (concealment) effect – the insurers have the right to treat the contract as void ability and cancel same.

- ✚ If concealment or fraudulent misrepresentation is involved, the insurer may also keep the premium paid.
- ✚ The insurers may waive their right to avoid the contract entirely and affirm it.
- ✚ In the case of misrepresentation, the insurer may have a right to claim damages.

9. With reference to Assignment of Life Policies, explain the following
- (a) Absolute and conditional assignment (3 marks)
 - (b) Equitable and statutory assignment (4 marks)
 - (c) Assignment by operation of law (3 marks)

SOLUTION TO QUESTION 9

a. **Absolute and Conditional Assignment**

Absolute assignment of life policy is also referred to as “a complete and irrevocable” assignment.

Conditional assignment is revocable. An example is a mortgage transaction where the policy is assigned as security for a loan or other debt but the mortgage can be redeemed and the policy recovered once the debt is repaid.

b. **Equitable and Statutory Assignment**

Equitable assignment may simple involve handing the policy to another provided the intention to assign is clear. Statutory assignment is done pursuant to the provision of the policies of Assurance Act 1867.

The Act specifies the method of assigning policy and specifically requires that notice of the assignment must be given to the insure at its principal place of business.

Another method of statutory assignment is as stipulated in s.136 of the Law of property Act 1925 – Assignment to be absolute be in writing and written Notice to be given to the debtor.

c. **Assignment by Operation of Law**

Assignment of life policies occurs where the death or bankruptcy of the insured takes place. When this happens the right order the policy passes to the insured’s personal representative or trustees in Bankruptcy.

- 10(a) Explain the Latin maxim “Qui facit per alium facit per se” as it relates to agency in insurance. (2 marks)
- (b) Give four (4) instances when this maxim will apply to the relationship between a proposer and an insurance agent. (8 marks)

SOLUTION TO QUESTION 10

- a. The maxim means that the knowledge of the agent will be imputed to the principal. This is because what is done by the agent is deemed to have been done by this principal.
- b. This maxim will apply to the relationship between a proposer and an insurance agent in the following circumstances.

The proposer will be the principal of the agent in the following circumstances

- ✚ Giving General advice as to the cover he receives and the market in which the proposer should place his business.
- ✚ Where no authority is given by the insurers and the only recognition the agent receives from the insurer is the payment of commission.
- ✚ When the agent fills in, alters, or adds to the answers in a proposal form and the proposer knew or ought to have known of this
- ✚ When the agent completes a form on the proposer's behalf and the form incorporates a wording to the effect that if the form is completed by someone other than the proposer that person is deemed to be the agent of the proposer.
- ✚ When the agent and proposer are in collusion to defraud the insurers.

When the agent gives the insured advice about how to advise how to formulate his claim.

- 11(a) Briefly explain the doctrine of Privity of contract. (2 marks)
- (b) How does the following serve as exceptions to the doctrine?
- (i) Assignment
 - (ii) Trust
 - (iii) Law of Property Act, 1925
 - (iv) Fires Prevention (metropolis) Act 1774 (8 marks)

SOLUTION TO QUESTION 11

- a. **Privity of Contract**
This principle restricts the rights and duties created by a contract to the persons who originally make it.
- b. i. **Assignment**
This means that rights can be transferred to a third party who is not a party to a contract. Where transfer is done by way of legal assignment, the assignee can legally enforce the contract and claim under it even when he is not an original party to it.
- ii. **Trust**
When a policy is taken, it is presumed that a trust has been created in favor of a third party. This is especially so under life policy where a person insures his own

life for the benefit of another. If the insured dies, the insurance money goes to the beneficiary and does not count as part of the deceased's estate.

iii. **Law of Property Act 1925**

This law in its section 147 provides that the benefit of any insurance effected by the vendor of real property is automatically assigned to the purchaser if, after exchange of contracts, the property is damaged or destroyed. This the insurance money received by the seller of the property for such damage must be given to the buyer on completion.

iv. **Fires Prevention (Metropolis) Act 1774**

In section 83 of this law, the law allows a person with legal or equitable interest in building e.g. lessee, mortgagee or person who has exchanged contracts, to effectively compel the owners or their insurers to reinstate/resulted the property if it is damaged or destroyed by fire. This is clearly against the principle of Privity of contract

12. What are the conditions evicted at common law for the doctrine of contribution to arise in insurance? (10 marks)

SOLUTION TO QUESTION 12

- ✚ Two or more policies of indemnity to exist.
- ✚ Each to insure the subject matter of the loss.
- ✚ Each to insure the peril which brings about the loss.
- ✚ Each to insure the same interest in the subject matter
- ✚ Each policy is liable for the loss.

13. With reference to marine insurance, define the following:

- (a) Notice of Abandonment. (4 marks)
- (b) Constructive total losses. (4 marks)
- (c) Salvage (2 marks)

SOLUTION TO QUESTION 13

a. **Notice of Abandonment**

In marine insurance, where the insured has been paid for a total loss, the insurer is entitled to claim anything that remains of the insured subject matter.

The action of giving up the subject matter to the insurer is referred to as abandonment. Where there is an actual total loss, abandonment is automatic. However, in the liable of constructive total loss, the insured must serve Notice of Abandonment. This is a formal notice indicating the insured's willingness to give up the subject matter to the insurer. It is not the same as the act of abandonment itself. If the Notice is not served, the insured is deemed to have suffered a partial loss and may claim only for this

b. **Constructive Total Losses**

Marine Insurance recognizes not only actual total loss, it recognizes constructive total losses. These occur where the subject matter is not destroyed but the insured is deprived of the possession of their ship or goods and it is unlikely that the ship and goods can be recovered or the cost of recovering goods or ship would exceed their value.

c. **Salvage**

This is the right of the insurer to take over the subject matter of a marine policy.

14. With respect to discharge of contracts, explain.

(a) Anticipatory Breach

(b) Breach by failure to perform

(c) Effects of breach on a contract

(10 marks)

SOLUTION TO QUESTION 14

A breach of contract may discharge a contract.

a. A breach can be Anticipatory. This happens where a party, before the acute of performance, indicates that he will not fulfil his obligation to the other party. He may expressly renounce the contract or disable himself from performance the contract by doing something that will make performance impossible.

At third point, the party likely to be aggrieved must sue for breach immediate and not wait till performance date.

b. **Breach by Failure to Perform**

This is most common form of breach. A party will deliberately fail to carry out what he has agreed to do performance may be inadequate or may tender no performance at all performance may be in form not envisaged by the only party or the contract. It all has the same effect- breach.

c. **The Effects of Breach on a Contract**

✚ It may give rise to a right to claim

✚ Gives right to avoid the contract

✚ The aggrieved may claim some other remedies calculable in the law of contract.

✚ Aggrieved may claim some other remedies exculpable in the law of contract

Part II

15(a) In what ways an ordinary agency relationship be terminated? (18 marks)

(b) State the effect of termination of an agency relationship on:

(i) The principal and Agent

(ii) The third Party

(12 marks)

SOLUTION TO QUESTION 15

- a. By agreement of parties
- ✚ By performance
 - ✚ Lapse of Time
 - ✚ Withdrawal of authority
 - ✚ Renovnciation by the Agent
 - ✚ Death of either principal or agent
 - ✚ Bankruptcy
 - ✚ Insanity
 - ✚ Frustration
- b. Effect of termination of an agency relationship on:
- i. **The Principal and Agent**
The agent's outstanding to be paid provided it was earned by the agent before the termination.
- The principal has the right to sue his agent who has committed a breach of the contract which breach led to the termination.
- ii. **The Third Party**
Termination leaves agent with against or ostensible authority. If the principal has held out his agent as having authority, the principal is liable to third party who has no notice of the termination.
- Where agency relationship ends by operation of law e.g. death or insanity of the principal, the agent authority ends whether or not the third party is aware of it or ought to be aware.
- 16(a) Give a concise definition of Negligence. (4 marks)
- (b) State and explain briefly the three (3) essential factors needed to succeed in an action for negligence. (12 marks)
- (c) When will an action in negligence be statute barred? (4 marks)
- (d) Explain contributory negligence as a Defence to an action in negligence.

SOLUTION TO QUESTION 16

- a. "Negligence is the omission to do something which a reasonable man guided upon those considerations which ordinarily regulate the conduct of human affairs would do or doing something which a prudent and reasonable man would not do"

BLYTH v BIRMINGHAM WATER WORKS COMPANY

- b.
- A duty of care owed by the defendant to the claimant
 - A breach of that duty by the defendant
 - Damage suffered by the claimant as a result of the breach

- c. Three years where negligence results in personal injuries.
Six years where negligence results in property damage

d. **Contributory Negligence**

This means that the claimant also had a hand in the negligence resulting in the damage. He is also partly to be blamed for the injury.

This used to be a complete defence - the defendant usually escapes liability until 1945 when the parliament intervene in England and passed the Law Reform (Contributory Negligence) Act 1945. The law reduces the damages awarded to the claimant to the extent that the claimant was himself to blame for the injury.

Treed by section 1 of the Law, contributory negligence now comes a place for mitigation of liability rather than a complete and true defence.

- 17(a) What are the titles of the main documents filed with the Corporate Affairs Commission in the process of registering a Limited Liability Company?

(11 marks)

- (b) What is the main purpose of the object clause in the memorandum of association of company?

(10 marks)

- (c) How may a company be wound up.

(9 marks)

SOLUTION TO QUESTION 17

- a. Memorandum and Articles of Association

- Form CAC 2
- Form CAC 7
- Form CAC 2.1
- Form CAC 2.

- b. The main purpose of the object clause in the memorandum of association is to set out the purpose(s) of the company and the extent of its operations to prevent ultra vires operations.

- c. A company only registered may only be wound up

- ✚ Compulsorily
- ✚ Voluntarily or
- ✚ By order of the court

18. Local custom has been established as a source of law in that a long established local custom which applies to a particular area and group of people may give the people rights which the law will supports.

List the conditions precedent for the law or court to confer such support on local customs.

SOLUTION TO QUESTION 18

- + Immemorial existence
- + Continuity
- + Reasonableness
- + Certainty
- + Peaceful user
- + Compulsion
- + Not contrary to statute

SUMMARY

Pass Rate:	23.5%
Highest Score:	64%
Lowest Score:	12%
Average Score:	37.3%

CHARTERED INSURANCE INSTITUTE OF NIGERIA

DIPLOMA

APRIL 2018 EXAMINATION PAPER

**SUBJECT D10
COMMERCIAL INSURANCE PRACTICE**

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Do not write on the question paper.
- The answer booklet be handed in 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.

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 1 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 hours on Part I. You are strongly advised to attempt ALL the required questions to score maximum possible marks.

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.

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

PART I

1. What document in the absence of insurance policy must insurer issue and be possessed by the insured, for the motor cover to be effective.

SOLUTION 1

A certificate of motor insurance

2. Mention four (4) specific exclusions in contractor All Risk Insurance.

SOLUTION 2

Three from:

Defective property; errors or omission in design; loss or damage after completion; fines and penalties for late completion; damage to external structures not part of the contract

3. What are the various advantages of establishing a captive insurance? List three (3) advantage.

SOLUTION 3

Three from;

- ❖ No disputes with external insurers
 - ❖ Any profits remain within the organisations
 - ❖ It helps to reduce or stabilize insurance cost
 - ❖ Financial benefits from captive to the parent company through
 - ❖ Offshore tax haven
 - ❖ There is access to the reinsurance market
4. When underwriting a commercial goods-carrying vehicle insurance; some information will be useful to the insurance underwriter. List two (2) of these.

SOLUTION 4

Two from;

- ❖ Type and sizes of vehicles
- ❖ Use of vehicle
- ❖ Claims experience
- ❖ The cover required
- ❖ The details of driver

5. Personal accident policy has some exclusions. State three (3) of such exclusions

SOLUTION 5

Three from;

Suicide; pregnancy; childbirth; terrorism; war and radioactive contamination

6. Three (3) parties are involved in a Fidelity Guarantee policy. Who are they?

SOLUTION 6

- ✚ The insurer
- ✚ The insured (the employer)
- ✚ The employee

7. Reinsurance has many advantages to the ceding company. What are the advantage?

SOLUTION 7

Two from;

It helps the insurer to protect and manage its capacity; helps the insurer in smoothing out the cost of claims; it gives the insurer confidence

8. Reinsurance has two (2) main types; list them out.

SOLUTION 8

- ✚ Facultative
- ✚ Treaty

9. There are various types of insurance with an engineering flavor where a statutory inspection is not usually required. Mention two (2) of these

SOLUTION 9

Two from;

Computers; hire in plant; machinery movement; deterioration of frozen food

10. Basic Engineering cover has some extensions that insured usually requested for. List two (2) of such.

SOLUTION 10

Two from;

Damage to surrounding property; supplementary expenses temporary removal

11. What limits of indemnity generally apply to the motor third party cover in **NIGERIA** for:

- (a) Bodily Injury
- (b) Damage to Property Claims?

SOLUTION 11

- a. Unlimited
- b. Ranges from N1m to 5m depending on company

12. What does Professional Indemnity insurance cover?

SOLUTION 12

Indemnity for professional persons or companies for their legal liabilities to third parties arising from their professional negligence or that of their employees occurring during the period of insurance

13. What does the material warranty/proviso stipulate under business interruption insurance cover?

SOLUTION 13

- ✚ There must be a material damage policy in place;
- ✚ Liability must be admitted for the property damage claim

14. State what is classified as theft by Insurers

SOLUTION 14

Theft involving entry into or exit from the premises by forcible and violent means

- ❖ Damage to the premises
- ❖ Hold up

Part II

Answer Two (2) out of the following Three (3) questions.

- 15(a) As classified by the Road Traffic Act 1988, state the three (3) types of goods-carrying vehicles (10 marks)
- (b) What type of special terms and Insurers may consider to make a risk acceptable, when presented with high risk proposal? (10 marks)
- (c) What do you understand by fleet in the motor insurance cover? How many vehicles are needed for a fleet quotation?

SOLUTION 15

Small goods (up to 3.5 tones)

- ❖ Medium good (3.5 to 7.5 tones)
- ❖ Large goods (over 7.5 tones)

B Three from;

- ❖ An increased excess
- ❖ Increased premium
- ❖ Higher excess
- ❖ Combination of increased premium and excess
- ❖ Restriction of cover to statutory cover only

C Feet is the description given to a number of vehicles owned

- ❖ By the same company and insured on a single policy. An individual can own a feet if he or she has more than certain number of vehicles
- ❖ Generally ten (10) vehicles are the minimum, but some insurers will allow five (5) vehicles as a feet

16(a) When underwriting a business travel insurance policy; the underwriter will consider some main risks that will influence his/her decision to charge adequate premium. List four (4) of such. (10 marks)

(b) As soon as an insurer accepts a risk that is more than her capacity two transfer options are available to such insurer. Mention and explain the two (2) available options. (10 marks)

(c) What is the basis of calculating sum insured for **Key man** cover? (10 marks)

SOLUTION 16

Four (4) from

The destination; period of time away; age of the proposer; pre-existing medical conditions; the type of work to be undertaken

B Co-insurance

Reinsurance

C The sum insured or limit of key man cover is typically based on a multiple of profit; salary and turnover

- 17(a) Under Commercial Insurance Practice, differentiate between **Policy Definitions** and **Section Definition** (10 marks)
- (b) Exclusions in a policy has a purpose, you are required to state this. (10 marks)
- (c) As an insurance professional, you have been asked to develop five (5) types of policy to meet the insurance needs of in average business man. (10 marks)

SOLUTION 17

17. Policy Definition: Cover those words an phase considered to have the same meaning whenever they appear in the policy and are usually defined at the beginning of the policy

Section Definition: Cover those words and phase which relate only to that class of business and are usually defined within the relevant section of the policy.

B Exclusions state the risk that

- ❖ The insurer does not wish to insure
- ❖ Are more traditionally insured more specific cover
- ❖ The insurer may be prepared to insure following further investigation and at an additional premium

C Package policies that will have sections like

- ❖ Motor insurance cover
- ❖ Fire and special peril
- ❖ Money insurance
- ❖ Burglary
- ❖ Third party liability
- ❖ Product liability

18(a) Explain or define what you understand by the term 'Risk Management' (7 marks)

(b) List the three (3) processes involve in risk management. (3 marks)

(c) The surveyor plays important role in risk management by their report. List five (5) key factors the surveyor will report on. (5 marks)

(d) Mention two (2) ways by which insurer encourages practical risk control. (5 marks)

SOLUTION 18

Risk management is the identification, analysis and economic control of those risks that threaten the assets or earning capacity of a business

B The three (3) processes involve in risk management are

- ❖ Risk identification
- ❖ Risk analysis
- ❖ Risk control

C Five (5) key factors the surveyor will report on are;

- ❖ Management
- ❖ House keeping
- ❖ Trade processes
- ❖ Services
- ❖ Construction

D Insurers encourages practical risk control by;

- ❖ Refusing to insure a risk without the suggested improvement
- ❖ By offering premium discounts.

SUMMARY

Pass Rate:	0%
Highest Score:	0%
Lowest Score:	0%
Average Score:	0%

**CHARTERED INSURANCE INSTITUTE OF NIGERIA
DIPLOMA**

APRIL 2018 EXAMINATION PAPER

**SUBJECT D11
PERSONAL INSURANCE PRACTICE**

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Do not write on the question paper.
- The answer booklet be handed in 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.

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 1 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 hours on Part I. You are strongly advised to attempt ALL the required questions to score maximum possible marks. 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.

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

PART I

1. David an insurance agent went out for marketing and met Peter the owner of a bicycle who requested that his bicycle should be covered on comprehensive basis. Please advise Peter.

SOLUTION 1

Peter should be informed that the motor vehicles (Third party insurance) Act 1945 in Nigeria and Road Traffic Act 1988 in UK stipulate that no person to use a motor vehicle unless there is insurance policy or a security that will provide compensation for third party in case of accident. A Bicycle is not mechanically propelled hence does not fall into the description of the Act.

A bicycle can be covered on an "all risk" basis this can be a section in a household policy. This will be in geographical area of cover for the all-risk section. There may be a separate sum insured per cycle or a limit per cycle for all the cycles owned by the insured or member of their family. There could be a limit on the age of the cycle.

Exclusions can include loss or damage to accessories unless the cycle is damaged at the same time. Use for racing and theft whilst the cycle is unattended, unless in a locked building or secured place

2. What are the four (4) main categories of personal general insurance?

SOLUTION 2

- ❖ Household insurance
 - ❖ Travel insurance
 - ❖ Private motor insurance
 - ❖ Miscellaneous personal insurances (including) personal accident, creditor and extended warranty
3. Where can insurance feature in the following risks and what are the desirable insurance cover:
 - (i) Fallen out of bed and broken an arm of leg.
 - (ii) Accidentally knocked over the most valuable ornament in your haste to get out bed.
 - (iii) Your car is damaged by another motorist coming out of a side road without looking.
 - (iv) Knocked down the postman in your pursuit of a bus.
 - (v) Emergency dental treatment when travelled abroad.

SOLUTION 3

It is possible to effect personal accident policy which will provide cover in event of personal injury.

- ❖ Content insurance that will provide accidental damage to valuable item such as ornament

- ❖ Comprehensive motor insurance policy will make the insured to claim under his own policy for damage to his vehicle. His insurer could also assist to recover uninsured loss like excess.
- ❖ Household policy or content policy can provide cover for personal liability. It is also possible for a standalone personal liability policy to be purchased

Travel insurance will provide compensation

- 4 State the fact of the case in Becker v Marshall (1922) and the principle established by this case.

SOLUTION 4

1. Becker V Marshall (1922)

If goods are insured against theft, any fact suggesting that they are exposed to an unusual risk of loss by theft is material. Any previous losses are relevant to the risk of further losses, because a prudent underwriter would wish to investigate them in order to evaluate the extent to which the insured "carelessness may have contributed to them. It is under the principle of utmost good faith where material fact is expected to be disclosed.

5. List and explain the four (4) forms that product innovation in insurance can take.

SOLUTION 5

Product innovation in insurance can take these forms:

- ❖ **Contract**: The policy format and cover may be altered e.g. introduction of accidental damage cover in household building and content policies or addition of critical illness to life cover.
- ❖ **Policy Provision**: Changes in specific policy provisions including underwriting and rating e.g. development of content policies issued on number of bedrooms. Discounts for people who work from home and discount for intruder alarm.
- ❖ **Services**: Introduction of customer benefits to contractual provisions. Examples help lines for legal advice or breakdown cover.
- ❖ **Marketing Methods**: Variations in the channels of distribution

6. What are the factors limiting the payment of indemnity?

SOLUTION 6

- ❖ **Sum Insured**: The sum insured is always the maximum recoverable under the policy even if a true indemnity will be much greater.
- ❖ **Limit of Indemnity**: This is commonly found under the liability sections. it is the maximum payable by insurer
- ❖ **Average**: When there is an under insurance an insured can only receive amount in proportion to the sum insured in relation to the actual value at risk.

- ❖ **Excess:** It is an amount of each and every claim that is not covered by the policy. The excess could be compulsory or voluntary excess. When there is claim; the insured will bear this proportion or amount of excess.
- ❖ **Franchise:** It is also a fixed amount which is payable by the insured in the event of claim however once the loss has exceeded the amount of the franchise; the insurer pays the whole of the loss.
- ❖ **Limits:** Many policies limit the amount to be paid in respect of certain item. There could be a limit of 5% of the contents sum insured on picture, work of art etc. There could be single article limit.
- ❖ **Deductibles:** It is a very large excess and it is commonly found in commercial insurance. The intention is to make insurer to allow a discount on the premium.

7. Who are the people that have the right to insure property if they so wish?

SOLUTION 7

- ❖ **Absolute Owners:** Ownership confers right to insure at common law
- ❖ **Joint Owners and Partners:** They have right to insure to the full value of the property rather than up to the extent of their actual interest only.
- ❖ **Mortgages and Mortgagors:** Both the mortgagee (the bank or building society) and the mortgagor (the purchaser) have insurable interest in the property.
- ❖ **Executor and Trustees:** The property of a deceased is legally owned by their legal representative known as executor (if they have been appointed by a will) or administrator (if appointed by the court in the absence of a will) they both have insurable interest in the property.
- ❖ **Bailees:** A bailee is a person to whom property is entrusted. Bailees have responsibility to take care of customer's goods, thus creating insurable interest.
- ❖ **Agents:** Where a principal has an insurable interest, his agent can affect insurance on his behalf.
- ❖ **Husband and Wife:** Each spouse has insurable interest in the property of the other
- ❖ Trustees and the equitable owners of property held in trust both trustee and the owner of the property have right to insure.

8. What are the varieties of household packages?

SOLUTION 8

- ❖ **Building only Insurance:** It covers the structure of the building together with its fixtures and fittings it is available to owners to either they live in it or let it out.
- ❖ **Contents only Insurance:** It covers the content of the house with some cover for fixtures and fittings where the occupant is the tenant and the owner of the property.
- ❖ Buildings and Contents insurance combined

- ❖ **A combined Policy:** Which not only includes building and contents but has available certain optional items like "all risk" caravans, bicycle, sports equipment's and freezer contents.

9. What re the general questions that are mostly found in a proposal form for household insurance?

SOLUTION 9

- ❖ Name of proposer
- ❖ Address
- ❖ Occupation
- ❖ Date of birth
- ❖ Convictions
- ❖ Claim or loss history
- ❖ Previous insurance history

10. What are the most commonly used indexes for index-lined household polices and what are the advantages to insured and insurer.

SOLUTION 10

- ❖ House rebuilding cost index
- ❖ Retail prices index (consumer durable section)

Index linking ensures that sum insured are kept reasonably up to date and that the insurer receives a premium which reflects at least some of the changes in risk

Advantages to the Insurer

- ❖ Reduces under insurance
- ❖ Standardizes administration of increase for all the policies

Advantages to the Insured

- ❖ Ensures adequate cover
- ❖ Savings in regular reviews, although the sum insured must still be adequate

11. What are the specific regulatory requirements regarding information to be provided at renewal of personal insurance policies which insurers and intermediaries must comply with as contained in the FSA insurance conduct of business sourcebook.

SOLUTION 11

- ❖ A statement of any changes to the term of the policy and an explanation of these where necessary
- ❖ Any changes to the policy summary
- ❖ A statement of price
- ❖ Information about cancellation
- ❖ A prominent statement of the customers rights to request a new policy document.

12. In examining the standard cover provided for contents, we have identified that some covers for accidental damage are automatically provided. What are the exclusions that are usually applied to these extensions

SOLUTION 12

- ❖ Damage to clothing, money, contact lenses, stamps, food in freezers and pedal cycles
- ❖ Damage caused by wear or tear, settlement or shrinkage, atmospheric or climatic conditions or any gradual operating cause
- ❖ Damage caused by domestic pets
- ❖ Damage caused by cleaning, washing repairing or restoring any item or electrical and mechanical breakdown
- ❖ Damage which occurs during any household removal
- ❖ Damage when the house is unoccupied for more than 30 days, or let or rent
- ❖ Damage which is excluded anywhere else in the contents section

13. Explain extended warranty insurance. State its exclusions.

SOLUTION 13

1. The term extended warranty refers to the fact that when the manufacturer's warranty expires the insurance that normally provides cover for a period of twelve months and the insurance is effectively an extension of this.

The cover is normally underwritten by authorized insurance companies and Lloyd's syndicate. There are also policies available which cover all of the electrical products in the insured's house rather than single item purchased. It is a condition of the policy that repairs must be carried out by the supplier of the equipment.

Exclusions

- ❖ Failure to comply with the manufacturer's instructions or negligent handling
- ❖ Risk normally covered by a household contents policy
- ❖ War and radioactive contamination or sonic bangs
- ❖ Cost of repairs to bulbs, aerials, external wires, knobs, handles, driving belts etc.

14. What are the information contained in a private motor certificate?

SOLUTION 14

- ❖ Certificate that the policy satisfies the requirement of law
- ❖ Certificate number
- ❖ Registration mark
- ❖ Name of the policy holder
- ❖ Effective date of the commencement of cover
- ❖ Date of expiry of insurance
- ❖ Persons or classes of persons entitled to drive
- ❖ Limitation as to use
- ❖ Signature of the official of the insurer

Part II

- 15(a) Explain why an insurance company writing personal insurance business would need to effect reinsurance.
- (b) Explain non-proportional reinsurance.
- (c) What is a solvency margin?

SOLUTION 15

- ❖ **Security**: They wish to be relieved of the uncertainty of loss. The purchase of reinsurance will provide peace of mind.
- ❖ **Stability**: Reinsurance allows insurers to avoid fluctuations in claims cost
- ❖ **Capacity**: Most insurers have financial limit on the size of risk they can accept, by the purchase of reinsurance, the insurers capacity is increased
- ❖ **Catastrophe Protection**: Insurers are not immune from the possibility of one major incident causing a catastrophe. Reinsurance helps insurers to manage the effect of incident like this.
- ❖ **Macro Benefits**: The cost of reinsurance is spread around the insurance market around the world. The impact and cost of catastrophe therefore does not fall solely on one economy.
- ❖ **Non proportional Reinsurance**: The non-proportional reinsurance is based on the losses rather than sum insured. There are two types of non-proportional reinsurance;

Excess of loss: Under this arrangement the cedant pays losses that falls below the first layer and reinsurance company pays the excess; Example if a cedant bought an excess of loss cover where it pays ₦1,000,000 in respect of any claim and the reinsurers pay ₦40,000,000 in excess of ₦1,000,000.

If there is a claim of ₦ 20,000,000. The cedant will pay ₦1, 000,000 and the reinsurers will pay ₦19, 000,000.

Stop loss: This type of reinsurance is arranged on the entire portfolio it is not on per loss basis. The intention is to stop a particular class from making loss at the end of an underwriting year.

The loss ratio is expressed as a percentage of the premium. A cedant could intend to ensure that its loss ratio in a year is not more than 50%on motor account. It means that if the claim in the year should be 70% the reinsurers will pay the difference, which is 20%. However to encourage careful underwriting, by the ceding office, reinsurers will make the cedant to function like a co-reinsurer, meaning that the cedant will pay. Part of the claim that ordinarily should have been paid by the reinsurers.

- ❖ **Solvency Margin:** Is the amount by which assets of an insurance company exceed liabilities. Each insurer is required to maintain a minimum balance between its assets and how much it has to pay or would be likely to pay in liabilities.

16. Explain the basic covers that a travel insurance policy provides and list out the exclusions.

SOLUTION 16

- ❖ **Personal Accident Benefits:** Cover is usually provided for capital sum for death, loss of eyes or permanent total disability. Children under 16 can be excluded. Certain activities (e.g. skiing, mountain climbing etc.) can be excluded or covered with the payment of additional premium.
- ❖ **Medical and Associated Expense:** This section covers expenses reasonably incurred in respect of the following;
 - Medical treatment; This include surgical fees, hospital charges and emergency dental treatment
 - Any additional hotel and travelling expenses of the patient or of friend or member of the family travelling with them. This could be on the recommendation of a doctor
 - The additional cost of bringing the patient home including the use of an air ambulance. The policy cover also includes the cost of bringing back the body in the event of the insured's death while abroad.
 - Additional expenses of those in the traveler's party who are delayed as a result of the injury or illness. There is a maximum amount. Majority of the policies now include a medical emergency service.
- ❖ **Cancellation or Curtailment:** Cancellation cover provides for reimbursement of irrecoverable deposit and payment made for transport and accommodation booked but not used by the insured person. This must be directly due to the necessary and unavoidable cancellation of holiday or journey prior to the date of departure. Possible causes usually include death, illness or accident of the insured person, business associate or any person with whom they intend to travel with. It could be a case of the insured person being called for jury service or as witness. Unemployment through redundancy can also be a reason.
- ❖ **Baggage, Personal Effects and Money:** There is a cover for loss or damage to personal baggage including clothing and personal effect taken with the insured person, purchased during the trip or sent in advance. Sum insured and limits vary among underwriters. Excess is always imposed so that insurers will not be bothered with small claims.

Money cover provides for loss or damage to money as defined in the policy. This includes cash, bank or currency notes, cheques, postal or money orders, traveler's cheque, travel

ticket and petrol or credit vouchers. The sum insured is always small and there is always a limit for cash.

❖ **Personal Liability:** This section covers the insured person for his liabilities to third parties for damages or claimants' cost and expenses in respect of;

- Accidental bodily injury to or disease contracted by a person
- Accidental loss of or damage to material property

The limit of indemnity is always high exclusions

❖ Death, bodily injury or sickness;

- Caused by drugs (unless medically prescribed)
- Caused by intoxicants
- Contributed to by insanity, venereal disease, childbirth or natural occurring condition or any gradually operating cause
- Consequent upon any physical or mental defect
- Whilst taking part in hazardous pursuits e.g. hockey, climbing etc.
- Suicide or self – inflicted injury

❖ **Loss of;**

- Luggage caused by confiscation
- Baggage or personal belongings whilst unattended
- Micro lenses, stamps, manuscripts or documents
- Camping equipment
- Cash/cheque, unless reported to the police within 24hours
- Damage to fragile articles.

17. Write short note on the following

- Marketing Mix
- Rehabilitation of Offenders Act 1974
- Joint Polices
- Courtesy Car
- No Claims Discount
- Adjuster's Note

SOLUTION 17

❖ **Marketing mix:** It the variable that will affect the marketing of the product in the market place such as;

Price: Insurance buyers are rational people price affect the purchase or insurance

Promotion: Promotion is necessary to inform the public of availability and benefits of the insurance product. Major tools are advertising, sales promotion, publicity and personal selling.

Place (Distribution): This is concerned with the distribution and logistics involved in making the product available.

Distribution: Is very important direct channel involves the employees marketing while indirect channel involves the intermediaries like brokers marketing insurance product.

Product: It is the first stage in marketing mix which is the development of the insurance product or cover. Organisation gains competitive advantages over one another by product innovations, today insurance products are well packaged.

People: Since people are essential element in production and delivery of services, the quality of the service is largely determined by the quality and behavior of the organization's staff. This is particularly true for the jobs involving high level of customer contact.

Process: Procedure, routines and policies which are used to deliver a service to customers determine how customer friendly the organisation is perceived to be.

- ❖ **Rehabilitation of offenders Act 1974:** The objective of this Act is the rehabilitation of offenders who have not been reconvicted of any serious offence after a certain period of years. It also has the effect of modifying the duty of disclosure, since the Act states that certain criminal convictions are deemed to be "spent" after a period of time hence the person is entitled to speak and act as if he had never been convicted of it.
- ❖ **Joint policies:** Insurers are occasionally asked to issue policies in joint names and where they do so the following limitations in cover are applied, unless additional premium is paid.
 - Personal business use will be confined to one of the joint insured
 - Drive other cars extension will be deleted except the policy covers the same numbers of vehicles as there are joint insured.
 - Personal accident benefit will be confined to one of the joint insured or benefit will be divided between them.
- ❖ **Courtesy Car:** Large number of people rely on the use of a motor car in both their private and professional lives and to these people the loss of the vehicle, however temporary for accident damage repairs can represent a severe blow. To simplify matters, some insurers commit themselves in the policy to make available a courtesy car of similar nature available to the insured for a given period (say seven days) when his vehicle is undergoing repairs. Courtesy cars are not available if the insured vehicle is stolen or is a total loss.
- ❖ **No Claims Discount:** All private motor insurers offer their insured's no claims discount (NCD) depending on the number of years of claim free driving.

The NCD is normally on the following scale

1	year	30%
2	year	40%
3	year	50%
4	year	60%

In event of accident which is not the policy holder's or their driver's fault, the NCD is reduced by two years' worth at the following renewal.

If an insured changed on car for another the NCD could be transferred.

There is protected NCD for policyholders with maximum NCD (i.e. 60%) with the payment of between 10-15% as additional premium will have his NCD protected for 5 years when he makes up to two claims.

Some insurers also introduced guaranteed NCD, where once granted insurers cannot take it away irrespective of the numbers of claims made.

- ❖ Adjuster's note: The loss adjuster's role involves;
 - Ascertaining the cause of the damage if the loss involves fire damage the loss adjuster will try to ascertain the cause of the fire
 - Protecting property which was not damaged by the loss
 - Liaising with tradesmen to obtain estimates for repairs and monitor repairs work
 - Making checks on the insurer's behalf to ensure that damaged property is covered by the policy and that all conditions and warranties have been complied with and that the amount being claimed are in lines with the values of the property damaged.
 - Advising insurers of the monetary amount which should be reversed for the loss.

18(a) What are the things that a claim handler should check when the claim form has been received?

SOLUTION 18

- (b) State at least five (5) rights a data subject has under schedule three (3) of the Data Protection Act 1998.
- ❖ That the property which has been lost or damaged is covered by the description of property within the policy
 - ❖ That the property was under the control or in the possession of insured person at the time of loss
 - ❖ That the use and place of loss are within the terms of the policy
 - ❖ That the policy is in force by way of payment of premium and the peril which caused the loss is covered by the terms of the policy.
 - ❖ That all policy conditions have been complied with
 - ❖ Whether any excess is applicable to the loss

- ❖ The answer given on the claim form match those supplied on the original proposal form completed by the insured

B Rights a data subject has under schedule 3 three of the Data protection Act 1998;

- ❖ Have a copy of personal data held on them
- ❖ Be informed of any logic in automated decision making processes relating to them
- ❖ Prevent processing likely to cause unwarranted damage or distress
- ❖ Prevent processing for purposes of direct marketing
- ❖ Be given compensation for damage or distress caused by breach of the Act
- ❖ Require rectification erasure or destruction of inaccurate data.

SUMMARY

Pass Rate:	36.7%
Highest Score:	67%
Lowest Score:	17%
Average Score:	42.3%

CHARTERED INSURANCE INSTITUTE OF NIGERIA

DIPLOMA

APRIL 2018 EXAMINATION PAPER

**SUBJECT D12
LONG TERM BUSINESS**

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Do not write on the question paper.
- The answer booklet be handed in 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.

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	14 compulsory questions	140 marks.
Part II	2 questions selected from 4	60 marks.

You are advised to spend not more than two 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.

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

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

You may find it helpful in some places to make rough notes in the answer booklet, if you do this, you should cross through these notes before you hand in the booklet.

PART I

1. Enumerate any five (5) additional benefits that can be attached to a policy.

SOLUTION TO QUESTION 1

- ✚ Disability benefit
- ✚ Double Accident benefit
- ✚ Health care benefit
- ✚ Waiver of premium
- ✚ Increasing cover option
- ✚ Critical illness

2. What is money?

SOLUTION TO QUESTION 2

Money laundering has been defined as the process by which criminals and terrorist convert money obtained illegally into legitimate fund.

The stages involved in money laundering are:

- ✚ Placement
- ✚ Layering
- ✚ Integration

3. State any five (5) methods of dealing with under average life.

SOLUTION TO QUESTION 3

- i. Charging of extra premium
- ii. Excluding covering of some risks
- iii. Granting of limited cover
- iv. Impositions of debt or lien on the policy
- v. Postponing acceptance
- vi. Rating up premium
- vii. Declinature

4. Mention four (4) underwriting factors to be considered while assessing a risk/life assurance proposal.

SOLUTION TO QUESTION 4

- i. Occupational factors
- ii. Residential factor
- iii. Financial factors
- iv. Medical factor

5(a) State any four (4) subjects regarded as the contents of a trust deed.

(b) When is insurable interest proved in life assurance?

SOLUTION TO QUESTION 5

- a.
 - i. Accounting and auditing rules
 - ii. Remuneration of the managers
 - iii. The price and pricing structure
 - iv. Registration of unit holders
 - v. The managers' investment power

- b. Insurable interest is proved at the time of effecting the policy or during the commencement of the contract of life assurance

6. What are the benefits of having a reinsurance cover in place?

SOLUTION TO QUESTION 6

- ✚ Provision of financial stability
- ✚ Death strain
- ✚ New business strain
- ✚ Low retention of risk

7. State what a market counterparty is

SOLUTION TO QUESTION 7

A market counter-party refers to a customer who is

- ✚ A government of a country
- ✚ A state in a country
- ✚ A central bank in a country
- ✚ An authorized firm acting in that capacity

8. What do you think is the reason why parents are not allowed to insure their children?

SOLUTION TO QUESTION 8

Parents generally do not have insurable interest on their child. Parents do not suffer financial loss on the death of a child. If it is allowed or possible, parents will be tempted to infanticide – kill their child to obtain insurance money.

9. An aggrieved insurance consumer has multiple channels whereby he/she can seek redress against an insurance company failing to meet the desired need. Enumerate these channels.

SOLUTION TO QUESTION 9

- National Insurance Commission complain desk
- Nigeria Insurers Association

- Consumer Protection Control
- The Presidency - Bureau of Public Complaint Commission
- Insurance Consumer Association of Nigeria.
- Office of the Public Defender (Lagos State)

10. What influences the amount to be paid when a life assurance policy is surrendered?

SOLUTION TO QUESTION 10

- The duration of the policy before it is surrendered
- Is it a with-profit policy? If no, there is no surrender
- Endowment Policies
- Alternately Secured Pension

11. What are the elements that constitute an Office Premium?

SOLUTION TO QUESTION 11

- Pure premium
- Net premium
- Interest
- Expenses

12. Enumerate at least two (2) conditions and polices of life assurance that are subject to the application of proximate cause.

SOLUTION TO QUESTION 12

- Exclusion Conditions
- Critical illness
- Double Accident Cover

13. Life assurance practice are based on some legal principles. What are these principles that must be present for a life assurance contract to be said to be valid?

SOLUTION TO QUESTION 13

- Utmost good faith
- Capacity to contract
- Insurable interest
- Consideration
- Contract not against public policy

14. Where do insurance companies acquire their business from?

SOLUTION TO QUESTION 14

Insurance companies acquires their businesses from the following channels

- Staff

17. State and discuss the contents of a life assurance schedule?

SOLUTION TO QUESTION 17

- + Life Assured
- + Policy Number
- + Date of birth
- + Policy date
- + Type of policy
- + Maturity or expiring date
- + Premium amount
- + Premium frequency
- + Sum assured
- + Date for the payment of benefit
- + Named beneficiary

18(a) What are the various types of assignment in a life assurance contract?

(b) What are the ways ownership of a life policy can change hands?

SOLUTION TO QUESTION 18

- a. i. By gift
- ii. By way of mortgage
- iii. By way of trust
- iv. By way of sale

- b i. By mortgage
- ii. By Trust
- iii. By bankruptcy
- iv. By absolute assignment

SUMMARY

Pass Rate:	0%
Highest Score:	43%
Lowest Score:	43%
Average Score:	43%

CHARTERED INSURANCE INSTITUTE OF NIGERIA

DIPLOMA

APRIL 2018 EXAMINATION PAPER

SUBJECT D13

MARINE AND AVIATION INSURANCE

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Do not write on the question paper.
- The answer booklet be handed in 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

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D13 - MARINE AND AVIATION INSURANCE

INSTRUCTIONS TO CANDIDATES

Three (3) hours are allowed for this paper which contains 20 compulsory questions and carries a total of 200 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.

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

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

You may find it helpful in some places to make rough notes in the answer booklet, if you do this, you should cross through these notes before you hand in the booklet.

Each question carries 10 marks.

Note form is acceptable where this conveys all the necessary information.

1(a) How many days will it take the earth to complete its revolution this year?

(b) What is the Arctic Circle?

SOLUTION 1A

365 days.

B.

- It is the parallel about 66.5 degrees north of the equator.
- On the June 21 every year, the sun does not set on the latitude and on December 22, it does not rise.

2. Name three (3) important canals and two (2) rivers.

SOLUTION 2

Any three of the following:

Welland canal, panama Canal, Suez Canal, Kiel Canal, North Sea Canal, Manchester Ship Canal, Houston Canal, and

Any two of these rivers:

River Nile, St Lawrence, Mississippi, River Orinoco, Rive Uruguay, River Rhine, River Seine, River Thomas, River Yangtze and River Parana.

3(a) What are the two (2) main divisions of Dry Cargo vessels?

(b) What are the major uses of Tanker Vessels?

SOLUTION 3A

Liners: Operating regular liner itineraries, and

Tramps: Engaged on non-scheduled routes.

B.

- Tanker vessels are used mainly in transportation of crude oil, petrol, aviation oil and bitumen.

- The small tankers are used in carrying refined petroleum products while the larger ones, including super tankers, carry mainly crude oil.
- Tankers are very significant in world trade.
- They also carry molasses, wine, chemicals, liquefied gas and vegetables oils.

4(a) What two (2) main interests do Seaports and Airports serve?

(b) What five (5) main factors are considered in locating a seaport?

SOLUTION 4A

They serve:

- A community: that is, the demands of the community for import and export.
- A commodity: that is, the demand for the commodity by international traders.

B.

- The dept. of water available and tidal range.
- Protection from weather and other hazards.
- A good inland distribution network of road and rail.
- Availability of space for docks, storage etc.

Availability of a good work force.

5(a) How does the wing of an Aircraft generate lift and what devices are used with the wing to increase the lift?

(b) What determines the limit of weight an Aircraft can carry?

SOLUTION 5A

- The wing of an aircraft is slightly curved at the top surface while it is flat in the underside.
- As the wing passes through the air, the curvature at the wing top causes the pressure to drop and this generates lift.
- To increase the lift the flaps are lowered to create a greater curvature to the wing through the rear of the wing and also the slats in the front are lowered to produce a similar effect, thus increasing the lift tremendously.

B.

- The maximum lift that the aircraft is designed to generate.
- If it carries weight in excess of the designed weight, a major structural failure could occur or the aircraft might not become airborne at all.

6. Mention five (5) grain products and five (5) minerals transported by sea.

SOLUTION 6

Any five of the following grains:

Wheat, Barley, Maize, Oats, Rye, Oilseeds and Rice.

Any five of the following minerals:

Iron ore, Bauxite, Copper, Tin, Salt, Coal, Concentrates, Pet coke, Gypsum and potash.

7(a) How is a Bill of Lading a document of title?

(b) What is a clean Bill of Lading?

SOLUTION 7A

- It is a document of title because it is only the holder of the first bill of lading that the ship-owner is obliged to deliver the goods to, provided he has no knowledge or notice to the contrary.
- In practice, goods are often obtained from the ship owner without the production of the bill of lading but by the claimant giving a letter of indemnity to the ship owner.

B.

- It is one which has no superimposed clause or statement declaring some defect in the condition of the exported goods or the packaging or some other aspect of the consignment.

8. What is Contract of Affreightment?

SOLUTION 8

- The word affreightment is derived from a French word affretement which means the leasing of a vessel and is applied to all contracts of carriage by sea.
- The contract may be between the shipper and the carrier to carry goods between one port and the other or arranged between the ship owner and the shipper called charterer for the hire of the whole or part of the vessel for a voyage or voyages or a period of time in terms of a charter party.
- The consideration for the carriage or charter is called freight.

9(a) What are the advantages of warm currents to ship navigation?

(b) What are Jet Streams and their relevance?

SOLUTION 9A

- They keep the coast ice free all the year round removing the ice hazards.
- They increase the ships speed when sailing in the direction of the current reducing travelling time and saving fuel.

B.

- A jet stream is a narrow band of fast flowing air at attitudes generally flowing from west to east over the mid-latitudes.
- They are found at or just below the troposphere and mark the boundary between cold polar air in the north and warmer air to the south.
- Passenger jets are - regularly routed into the jet streams to save time and fuel.

10. Who has sovereignty over the airspace and the outer space?

SOLUTION 10

- The state has complete sovereignty over the airspace above it, as well as over its territorial waters.
- Under International Treaty. It is illegal for any state to impose sovereignty or territorial jurisdiction in the outer space, it being regarded as the "province of all mankind".

11. Which was the first convention held in Aviation International Law and what did it deal with?

SOLUTION 11

- This first convention was the Paris convention of 1925.
- A draft convention was prepared to deal with the legal liability of airlines and the standardization of documents of carriage.

12(a) How does insurable interest arise in Aviation Insurance?

(b) Why is aircraft hull insurance not strictly a contract of indemnity?

SOLUTION 12A

Insurable Interest can arise through:

- Ownership.
- Possession (e.g bailees, e.g hangar keepers, aircraft repairers) and
- Contract.

B.

- An accident to an Aircraft reduces its resale value and this is not taken into consideration in the claim settlement and so the insured is not fully indemnified.
- To protect the insured's interest, the aircraft is insured at an agreed value at the outset of the insurance which means that indemnity is agreed at inception rather than at the time of loss.

13. What is International Air Transport Association (IATA)?

SOLUTION 13

- The International Air Transport Association (IATA) was founded in 1945. Its objects are:
- To promote safe, regular and economical air transport and faster commerce, and
- To provide means of collaboration among air transport enterprises.
- It is an association of air transport operators.
- It represents operators in discussion with ICAO and other agencies.
- It owes its origin to the International Air Traffic Association Formed in 1919 and established its headquarters in Montreal.
- It has a number of committees such as Finance, Medicine, Technical and Traffic.
- It operates a clearing house for settlement of inter-line accounts of its members.
- It draws up recommendations for fare and rate tariffs and inter-line agreements on luggage and cargo handling; and assists in the co-ordination of time-tables.

- 14i. Why are Shipowners' permitted to limit their liability?
- ii. What is the calculation of the liability based upon?
- iii. What is Passenger liability based upon?
- iv. What is the effect of 'fire on board the ship' to Shipowners?
- v. How may the Shipowners lose the right to limit?

SOLUTION 14

- i. To encourage investment in shipping in order to increase the size of merchant fleets.
- ii. It is based on the Tonnage of the vessel.
- iii. 46,666 SDRs multiplied by the authorized number of passengers the vessel should carry.

- iv. It allows the ship owner to exclude liability completely.
- v. Where the claimant proves that the loss resulted from the person's person act or omission, committed with the intent to cause such loss, or recklessly and with the knowledge that such a loss would probably result.

15. How does a Lloyd's broker place a moderate aviation risk in the 'Room'?

SOLUTION 15

- The broker proceeds to "the Room" with an LMP Slip with the details of the Aircraft.
- He approaches an Aviation underwriter whose judgment is known and respected as a specialist in the market to take the lead.
- He then takes his slip to other Aviation specialists who will each indicate their percentage.
- If he is unable to complete the risk 100% with the specialists Aviation underwriters, he may approach the Marine Underwriters who also write Aviation risks until the risk is fully placed.

16. Why do Marine and Aviation insurers reinsure?

SOLUTION 16

They reinsure for:

- Protection or cover against exceptionally large individual losses.
- Avoiding undue fluctuations in underwriting results.
- Obtaining an international spread of risk especially where the insurer is heavily committed in a country vulnerable to natural disasters.
- Increasing the capacity of the direct insurer.
- Obtaining technical advice for insurers.

17. How is Facultative reinsurance different from Quota Share reinsurance?

SOLUTION 17

- Facultative reinsurance is the method where the ceding insurer offers a proportion of an individual risk as he deems fit. He is not under any obligation to offer the risk and the Reinsurer is free to accept or decline the risk.
- The ceding company is also free to offer his risk to any reinsurer.

- With the Quota share, the insurer and the Reinsurer have a treaty where the insurer agrees to pass to the Reinsurer a fixed proportion of every risk accepted by him, of business within the scope of the treaty.
- Premiums and losses are shared in the proportions of acceptances.

18(a) What and how are Aircraft Hulls rated?

(b) Of what importance are the Loss Adjusters and the Surveyors to insurers in Aircraft Hull claims?

SOLUTION 18A

- To produce premium commensurate with the risk.
- For contribution to the common fund in direct proportion of the exposure being brought into the common fund.
- Aircraft are rated for hull damage at an amount percent of the insured value of the machine, varying with the type of flying, past experience, etc.

B.

- Loss adjusters advise insurers on liability claims.
- Surveyors provide insurers with their expertise on hull claims.
- When a claim is notified, the insurer instructs a firm of surveyor or loss adjusters to represent their interests, investigate the loss and report back.
- Insurers instructs solicitors specializing in Aviation Law in claim involving substantial liabilities, in addition.

19(a)i Which are the main cargo clauses used in the Marine Market?

ii. Which of the clauses cover General Average sacrifice?

iii. Which of the clauses does not cover Total Loss of any package lost overboard?

(b) Name any five (5) items contained in the schedule of Lloyd's marine policy.

SOLUTION 19A

- i. Institute Cargo Clauses (A) (B) and (C) 1/1/82
- ii. All the three sets of Clauses.
- iii. Institute Cargo Clause "C".

B.

Any 5 of the following: Policy Number, Name of the Assured, Vessel, Voyage or Period of Insurance, Subject-Matter Insured, Agreed Value (if any) Amount Insured Here under, Premium, Clauses Endorsements Special conditions and Warranties.

20(a) What coverage is provided for Aircraft Hull by London Aircraft insurance policy?

(b) What is 'actual total loss' under Marine Insurance Act 1906?

SOLUTION 20

The insurers will at their own option pay for, replace or repair accidental damage to the aircraft described in the schedule arising from the risk covered.

- If the aircraft disappears in flight and remains unreported for 60 days it will be covered as a total loss.
- Expenses necessarily incurred by the insured for the immediate safety of the aircraft in the event of damage to the aircraft or force landing is covered.

B.

- Where the subject-matter insured is destroyed, or so damaged as to cease to be a thing of the kind insured, or where the assured is irretrievably deprived thereof, there is an actual total loss.
- In the case of an actual total loss no notice of abandonment need be given.

SUMMARY

Pass Rate:	100%
Highest Score:	51%
Lowest Score:	51%
Average Score:	51.0%

CHARTERED INSURANCE INSTITUTE OF NIGERIA

DIPLOMA

APRIL 2018 EXAMINATION PAPER

**SUBJECT D17
OPERATIONAL MANAGEMENT**

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Do not write on the question paper.
- The answer booklet be handed in 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.

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 1 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 hours on Part I. You are strongly advised to attempt ALL the required questions to score maximum possible marks.

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.

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

PART I

1. State three (3) things a training delivered is set to achieve.

SOLUTION 1

A training delivered is set to achieve the following 3 things:

- Improved efficiency – same thing at lower cost
- Improved effectiveness – improved results at same cost
- Improved productivity – achieving increased result at a lower cost.

2. Performance rewards fall into two (2) categories, intrinsic rewards and extrinsic rewards. Explain the two (2) concepts.

SOLUTION 2

Intrinsic rewards are derived from the pleasure which the individual associates with doing the job itself; skills, dealing with problems, taking responsibility for decisions etc.

Extrinsic rewards are given to the employee by the organization: salary, wages, bonuses, car, overtime, holiday pay, pensions etc.

3. Mention four (4) reasons why internal promotion is cheaper and safer than external recruitment.

SOLUTION 3

Internal promotion is cheaper and safer because:

- There is less need for orientation and training
- There is a pre-existing familiarity between the promoted staff and their colleagues
- There is an internally verifiable track record of achievements
- The high cost of external recruitment agencies are avoided

4. Mention five (5) competency requirements of a manager.

SOLUTION 4

Competency requirement of a manager:

- Customer focus
- Leadership
- Planning and organization
- Developing others
- Achieving quality results

- Problem solving
- Change management
- Focus on achievement
- Working together

5. A new recruit to call centre should have a least four (4) skills to start on the phone. Mention the four (4)

SOLUTION 5

Four basic skills of a new recruit to start on the phone:

- Customer service/ sales handling
- Call handling
- Product Knowledge
- System knowledge

6. Define "The Sponsor" and the "Project Manager" in a project by showing the differences in their roles.

SOLUTION 6

The sponsor is the person who wants the project to take place, and has the most gain from its success. He is the ultimate authority within the project organization.

The project manager is responsible for the project meeting its objectives. He is responsible to managing the project on a day – to – day basis on behalf of the sponsor.

7. There are three (3) common types of benchmarking, internal, external and functional. Explain them.

SOLUTION 7

3 common types of Benchmarking:

- **Internal:** these compare the performance of divisions and departments within the same organization.
- **External:** these compare the overall performance with competing firms e.g. profitability, Resources employed, growth, market share.
- **Functional:** these cover assessment of company's main functions and processes and compares them with the same functions and process in other organizations but not necessarily competitors.

8. Control cycle in an undertaking, has five (5) stages. Name them.

SOLUTION 8

5 stages of control cycle

- Making a plan
- Recording the plan formally or informally
- Carrying out the plan
- Comparing actual results against plans
- Evaluating the comparison and deciding on further action as appropriate.

9. Mention the five (5) common styles of conflict resolution.

Solution 9

5 styles of conflict resolution:

- **Accommodation:** Neglecting your concerns for others
- **Power:** Trying to overpower the needs of others
- **Avoidance:** characterized by hopelessness is being able to achieve resolution
- **Negotiation:** settling for half a loaf rather than risking an all – out struggle.
- **Integration:** Mutual accepting the other's goals and seeking ways to achieve the best for both.

10. Dr. Selye identified three stages of stress: **alarm, resistance, exhaustion**. Explain them.

SOLUTION 10

Dr. Selye's 3 stages of stress:

- **Alarm:** it is the first stage of stream – increase in heart rate, sweating, shallow breathing, tightening of muscles
- **Resistance:** The body prepares to resist potential threats.
- **Exhaustion:** prolonged or excursive threat. It is a danger stage calling for the body to return to a normal state.

11. We are all subject to time stealers! Mention five examples of time stealers generated by others.

SOLUTION 11

Time stealers generated by others:

- Visitors: people's interruptions
- Waiting to see people

- Meetings
- Crises
- Equipment failure

12. For delegation to be effective, it must follow five (5) stages. Mention them.

SOLUTION 12

Stages for effective delegation

- Observation: The manager demonstrates how the job is done while the subordinate watch and criticize.
- Coaching: Asking the subordinate to do it and be watched by the superior.
- 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
- Delegation: Now, the work is given directly to the delegate. The manager has now handed over the responsibility and authority for the job.

13(a) What is face-to-face communication?

(b) Mention three (3) each of the pros and cons of face-to-face communication.

SOLUTION 13A

Face- to – face communication is where the parties are physically present and can exchange ideas, objections and clarifications.

13B

PROS: RAPID	CONS: LESS PERMANENT
Easier to gauge instant reaction	More time consuming
Other points of view can be heard	Needs to be planned
More personal	More effort
	More personal skills required

14. Facilitative leaders use some skills in managing their team. Mention five (5) of them.

SOLUTION 14

Skills used by facilitative Leaders:

- Recognizing the need of team members
- Handling conflict in the team
- Encouraging communication and dialogue
- Encouraging responsibility and accountability
- Creating openness and trust among team members
- Fostering a climate of learning and development

Part II

15(a) What is key performance indicator? (5 marks)

KPIs can be results oriented or effort oriented:

(b) Give five examples of result-oriented performance measures (10 marks)

(c) Give five (5) examples of effort-oriented performance measures. (10 marks)

(d) Is KPI different from Critical Success Factors (CSF)? (5 marks)

SOLUTION 15A

KPIs are those quantifiable points in the development of a company's strategy that shows whether or not the company is reaching its targets and objectives.

15B

Result oriented performance measures:

- Sales volume/ revenue
- Rates of return on investment
- Market share
- Assets growth
- Profitability

15C

Effort oriented performance measures:

- Number of potential customers contacted
- Number of complaints handled
- Extent of relationships with customers
- Effort applied to improve staff relations
- Staff turnover and absence rates
- Active pursuing of debtor

15D

Both concepts measure performance. CSF are most commonly associated with strategic plans based on surviving competition from rival organizations. The alleviation of an organization's weaknesses and threats in the face of competition can be identified as CSF.

16. The Automatic Call Distributor (ACD) is a key piece of technology.
- (a) Name five (5) benefits of the ACD to the customer
 - (b) Name five benefits of the ACD to the business.
 - (c) Discuss any other two growing telephony applications

SOLUTION 16

Automatic call distribution (ACD)

- A. Benefit to customers
 - It automatically route calls to the person best placed to handle them.
 - Service to customers is quicker
 - Customers get a more professional service
 - Customers are more likely to get calls answered
 - Helps companies to meet customer needs.
 - Can be linked to computers and automated services.
- B. Benefits to the Business
 - What is good for the customer is good for the business
 - It helps with customer satisfaction
 - It gives businesses control of the telephone traffic
 - It enables more effective use of resources
 - It helps in managing calls and resources
 - It provides real time and historic call information
 - It gives agents wrap time for handling after call work
 - It helps management to make informed decisions.
- C. Other Growing Telephony Applications:
 - Interactive Voice Response (IVR)
 - Can be used as a substitute for "live" agent
 - Can be used to book airline ticket
 - Can route calls to the most appropriate depts.
 - Can provide bank balance.
- Call Recording:
 - Calls and conversations recorded can be kept for further reference
 - It has tracking system for this purpose

- Image
 - A support system which save the agents having to move away from their desks.
 - An image system helps the agents identify the paper records, which have been previously scanned into the computer.
- Workflow
 - Another agent – enabler that can deal with non-phone work without having to use paper files.
The paper works records are scanned into the computer and the workflow system then provides a queue of work ready to be done in non-phone time.

17. Many organisations are moving away from the traditional 8-5 type of contract to flexible contracts.
- (a) State two (2) reasons for this.
 - (b) Mention the four types of contract.
 - (c) Discuss the advantages and disadvantages of “full-time fixed hours” type of contract.
 - (d) Discuss the advantages and disadvantages of “part-time fixed hours” type of contract.

SOLUTION 17A

Reason for flexible contract:

- Companies need specialized skills for particular periods
- Consumers are now demanding service outside traditional working windows.

17B

- Full time fixed hours
- Part time fixed hours
- Flexible shift contracts
- Annualized contract hours

17C

Full time fixed hours:

Advantages:

- easy to administer
- Staff have fixed working hours and can thereby plan for others

Disadvantages

- Inflexible for extended hours working
- Overtime normally payable for additional hours.

17D

Part time Fixed Hours:

Advantages:

- Easy to administer
- Hours can normally be extended without overtime rates

Disadvantages:

- Can be inflexible for changing workflow needs.

18(a) State five (5) reasons for conducting performance appraisal.

(b) 360 degree appraisal gives a wider opinion about the person being appraised. Give five (5) advantages of the technique.

(c) State five (5) disadvantages of performance-related rewards.

SOLUTION 18A

Reasons for performance Appraisal:

- ✚ Establish whether a job – holder is achieving the results expected
- ✚ Examine why there may be a short – fall in performance
- ✚ Provide information in connection with career development and manpower planning
- ✚ Input to a salary system geared to the reward of achievement
- ✚ Improve individual motivation
- ✚ Encourage constructive dialogue about performance and training
- ✚ Input to a promotion system based on objective achievement

18B

Advantages of 360 degree appraisal

- ✚ Multi – source feedback provides a more balanced view
- ✚ It provides information that is not captured through single feedbacks approaches
- ✚ It helps to identify issues with strong evidence
- ✚ It helps to increase the understanding of how people need to perform
- ✚ It supports self – directed learning and development
- ✚ It supports competency frameworks
- ✚ It helps managers to understand the skills of their subordinates.

18C

Disadvantages of performance – related Rewards

- Rewards bring short-term compliance
- Incentives are blunt instrument for motivating employees
- Performance related rewards do not necessarily improve company results
- Financial ones, can be divisive, destroying cooperation between employees
- The scheme focuses on short term objectives rather than long – term
- Staff may not look for innovation or take risks, for fear of losing their rewards.

➤ **SUMMARY**

- Pass Rate: 50%
- Highest Score: 61%
- Lowest Score: 45%
- Average Score: 55.0%

CHARTERED INSURANCE INSTITUTE OF NIGERIA

DIPLOMA

APRIL 2018 EXAMINATION PAPER

**SUBJECT D18
PROPERTY CLAIMS HANDLING**

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Do not write on the question paper.
- The answer booklet be handed in 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.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

**D18 -PROPERTY CLAIMS HANDLING
INSTRUCTIONS TO CANDIDATES**

Three (3) hours are allowed for this paper which contains 20 compulsory questions and carries a total of 200 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.

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

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

You may find it helpful in some places to make rough notes in the answer booklet, if you do this, you should cross through these notes before you hand in the booklet.

1. Highlight the views of Insurance Ombudsman on Non-Disclosure and Misrepresentation.

SOLUTION 1

- If the Insurer asked clear question. It is entitled to correct answers. If not it has waived its rights to avoid the policy.
- If the representation induced the insurer to enter into the contract and would not have done otherwise, it is entitled to avoid the contract. However it paid no attention to it. There will be no right to avoid the policy.
- If the mis-presentation is deliberate or reckless the insurer has right to avoid the policy. However if careless or inadvertent the ombudsman may favour the policyholder.
- If the Insurer has waived the requirement for Disclosure, there is no right to avoid the policy.

2. State the steps the claims handler must take before a claim is repudiated.

SOLUTION 2

- Repudiation of a claim is not a matter to be taken lightly.
- Verify any statement or circumstances you intend to rely upon.
- Refer to your superior before communicating the decision to the policyholder.
- Check if not withstanding the terms of the policy there are reasons why you should not do so.
- Discuss reason(s) for repudiation with the policyholder/Brokers before confirming it in writing.

3. Outline the duty of Utmost Good Faith.

SOLUTION 3

It is confined to a duty not to make a fraudulent claim.

- All information relevant to the propose risk must be disclose to the underwriter.
- The reciprocal of this duty is also expected from the underwriter.
- Disclosure should be limited the knowledge of the proposal.

4. It has always be claimed and said that property claims handling should start with a consideration of operative clause. What is your opinion?

SOLUTION 4

Yes there is need to confirm the following:

- Whether the premium has been paid.
- Whether the property damaged or destroyed is described in the schedule.
- Whether the damage has arisen from a peril insured in the policy.
- Whether the loss occurred within the policy is period.

5. The property insurance market is a vast market consisting of many players. List the different of players in the market.

SOLUTION 5

- Policyholder.
- Brokers or Intermediaries.
- Insurers.
- Third party claims Administration.
- Assessors/Loss Adjusters/ surveyors.
- Trade and market Association.

6. Give five (5) examples of how contribution can arise involving common insurable interest.

SOLUTION 6

- Under a worldwide all risks policy where there is a contents policy and loss occurs at home.
- Under a household policy with an all risks extension and a motor policy with a personal effects from the car.
- Under a contents policy and travel policy.
- Where the mortgagor and mortgagee effect insurance covering their interest in a mortgagee effect insurance covering their in a mortgaged property.
- Where partners effects insurance on the same property without realizing it.
- Where holding and subsidiary companies effect insurance on the same property without realizing it.

- 7(a) What is Sonic Bang?

- (b) Why is it an exclusion under property policies?

SOLUTION 7

- a. It refer to waves from aircrafts traveling at supersonic speeds.
- b. Insurers exclude it because the pressure waves can cause damage to property and it is difficult to prove that it is the cause of the damage.

8. Define Reinstatement as contained in the reinstatement memo.

SOLUTION 8

Reinstatement shall mean:

Where the property is destroyed:

- In case a building, the rebuilding of the property.
- Where the property is damaged, the repair of the damage.

9. The judgment in the case of Austin v Drew 1816 made an important contribution to practice.

- (a) What is contribution?

- (b) Give a summary of the case?

SOLUTION 9A

Contributions arises where there are two or more insurers in a risk and lead underwriter will call upon the other insurers who are equally liable to contribute to the cost of indemnity.

For a claim to subsist under fire policy it must involve the actual burning of property which ought not to be on fire.

The claimants were sugar refiners who had a fire policy. Whilst refining sugar in a stove, an employee forget to open a register. The sugar overheated and was spoil but did not ignite. The claimant made a claim that the excessive heat in the stove was fire as insured by the policy.

The claim was defeated on the ground that the excessive heat and smoke that damaged the sugar was not fire.

10. Highlight the essential/elements of insurable interest.

SOLUTION 10

Essentials of Insurable Interest are:

- There must be physical object which is capable of being lost, destroyed and damaged.
- The physical object must constitute the subject matter of insurance.
- The policyholder must have legal relationship with the subject matter of insurance.
- The value of insurable interest must be monetarily measured.

11. Write note on Debris Removal.

SOLUTION 11

The fire policy does not cover the cost of stock debris removal. This can only be provided with by extremities lover. The cost of debris removal can be substantial particularly if the debris is contaminated.

12(a) What are Representations and Warranties?

(b) Why do insurers impose warranties?

SOLUTION 12

Representations are oral or written statements made during the negotiations for a contract.

In commercial contract a warranty is a promise a breach of which would leave the aggrieved party with the right to sue for damages only. Warranties in insurance contracts and fundamental conditions which go to the root of the contract.

They allow the aggrieved party to repudiate the contract.

Warranties could be implied or Express and must be strictly complied with. The written into the policy except for implied warranties.

Reasons for imposition of warranties:

- To ensure that some aspects of good management is observed e.g in theft insurance, that an intruder is kept and maintained i.e good housekeeping must be the culture.
- To ensure that certain features of higher risk are not introduced without the knowledge of the insurer. Example the storage of Inflammable oils.

13(a) What is Proximate Cause?

(b) Why is it necessary to determine the proximate cause of a loss when processing reported claims?

SOLUTION 13

Proximate cause is the principle whereby insurers ascertain whether or not they are liable under insurance policies. The principle is concerned with the dominant, the efficient or operative cause.

The definition of proximate cause is found in the law of Pawsaw v. Scottish union and National (1908) it was defined as follows: proximate cause means the active, efficient cause that set 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.

The law demands that remote causes are to be ignored.

Insurer will therefore only be liable under their policies if the proximate cause of loss is an insured perils. The perils relevant to an insurance claims can be discussed under three broad headings.

- Insured perils.
- Accepted or Excluded perils.
- Uninsured or other perils

14. What functions do Proposal Form serve in the arrangement of insurance contracts?

SOLUTION 14

An insurance proposal forms serve the following functions.

- To Elicit Information
- To make a legal offer.
- To describe the cover available.
- As a form of advertisement.
- To Establish warranty.
- To elicit a quotation.

15. Identify the items normally found in the schedule of a private motor policy. Brief explain the importance of four (4) of them.

SOLUTION 15

The following details are contained in the scheduled of a private motor policy.

- Policy number.
- Agency.
- Policyholder's name and address.
- Details of the vehicle.
- Period of insurance.
- Premium.
- Renewal date.
- Cover granted.
- Persons entitled to drive.
- Endorsement
- Limitation as to use.
- Certificate type.

Students should be able to list all and explain at least (5) for full mark.

16. Briefly explain four (4) of the following terminologies

- (i) Ex-gratia
- (ii) Collective Policy
- (iii) Condition Precedent to Liability
- (iv) Days of Grace
- (v) Deductible
- (vi) Contra-Proferentem

SOLUTION 16

a. i. **Ex-Gratia Payment**

Insurers at times makes payment under the policies in respect of losses for which they are not legally liable. An example is where household goods have been damaged by fire have been removed to another place without notification to the insurers. Such a payment or accommodation is known as ex, gratial payment i.e not fraudulent but compassionate!

ii. **Collective Policy**

When the total sum insured on a certain property is too large to be accepted by one insurer and several insurers and involved a collective policy is issued. Instead of each insure issuing its own policy one insurer is nominated and responsible for the administration of the underwriting and claiming arising from such a policy on behalf of other underwriters i.e lead underwriter head the panel of co-insurer.

iii. **Condition Precedent to Liability**

These are conditions precedent to liability. Insurance may avoid liability for a particular loss. They may not repudiate the contract as a whole.

- iv. **Days of Grace**
Although renewal notices are sent two or three weeks before the expiry date of the policy. It is customary to allow the insured fifteen or thirty days in the case of some life policies after the renewal date in which to pay the premium. This concessionary period is known as the day of grace. Students should mention that days of grace are not available in motor insurance.
- v. **Deductibles**
Large Excess: An industrial insured may consider that it has the resources to meet fire claims up to a certain amount of each and every claim in any period of insurance. It may approach an insurer and receive a discount from the premium.
- vi. **Contra-Proferentem**
When a provision in a contract is ambiguous. It is construed against the party responsible for drafting the clauses in question. The other party is given the benefit of the doubt.

17. Give three (3) definitions of storm?

SOLUTION 17

- It is a violent wind and not persistent rain
- It is a violent disturbance of the atmosphere manifested by high winds
- The weight of snow which caused a roof to collapse has also been held to be storm

18. Identify five (5) examples of material non-disclosures?

SOLUTION 18

Examples of Material Non-Disclosure are

- The non-disclosure of a criminal record not spent
- The non-disclosure of previous claims
- The non-disclosure of an insurer's refusal to accept an insurance or imposition of special terms
- Misrepresentation of security device
- Misrepresentation of constructional technology of a premise

19. Write briefly on the Chartered Institute of Loss Adjusters?

SOLUTION 19

Loss adjuster is an expert in processing claims from start to the ending of producing report. Not only is he used for large claims, many retain the services of a loss adjuster to deal with the majority of their property losses.

- They are involved in a large claims
- They act as a cooperative intermediary between insurer and
- They assist towards the settlement of valid claims
- Loss Adjusters produce reports and defend their reports

20. What are four (4) main method of providing indemnity?

SOLUTION 20

Provision of indemnity by the following way

- Cash
- Repair
- Replacement
- Reinstatement

Student should be able to explain and give example(s) of each. Each question varies 2 ½ marks

SUMMARY

Pass Rate:	72.0%
Highest Score:	81%
Lowest Score:	31%
Average Score:	54.1%

CHARTERED INSURANCE INSTITUTE OF NIGERIA

DIPLOMA

APRIL 2018 EXAMINATION PAPER

**SUBJECT D19
SUBSIDENCE CLAIMS HANDLING**

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- Do not write on the question paper.
- The answer booklet be handed in 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.

CHARTERED INSURANCE INSTITUTE OF NIGERIA

D19 - SUBSIDENCE CLAIMS HANDLING

INSTRUCTIONS TO CANDIDATES

Three (3) hours are allowed for this paper which contains 20 compulsory questions and carries a total of 200 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.

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

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

You may find it helpful in some places to make rough notes in the answer booklet, if you do this, you should cross through these notes before you hand in the booklet.

1. Complaints on a claim, leaving aside declaration mainly arise in respect of four (4) elements of the claims handling process. What are they?

SOLUTION TO QUESTION 1

The complaints commonly relate to delays in progress, lack of communication from the insuree or appointed agent or the scope of the works or the quality of the completed works, where a network contractor has been used.

2. List the parties on a claim involving a potential recovery who may become involved on behalf of the insurer or adjuster.

SOLUTION TO QUESTION 2

The insurer, the policy holder, adjuster/engineer drain and site investigators, arbor culturists/tree surgeons, network contractors and solicitors.

3. Explain what delegated authority is with regards to the appointment of loss adjusters.

SOLUTION TO QUESTION 3

The adjuster under a delegated authority scheme takes on the mantle of and becomes the insurer with regard to decisions taken on the claim. No instructions are sought from the insurer but updates on the current position are given as are instructions for payments. There is a financial limit to this authority.

4. What is a reportable complaint and if not resolved what follows?

SOLUTION TO QUESTION 4

A complaint is defined as an expression of dissatisfaction, oral or written, justified or not, for or on behalf of the policyholder and where this alleges financial loss, material distress or inconvenience and not possible to resolve within 24hours is deemed a reportable complaint. If the complaint is not resolved by the insurers then the matter is referred to the financial ombudsman service for adjudication to which the insurer becomes bond.

5. What requirements attach to insurers with regard to the recording of complaints?

SOLUTION TO QUESTION 5

A file must be kept with details of the complaints, when made and actions taken and all communications on the complaint must be logged. The file must be kept for three years.

6. It is found with regard to a subsidence-damaged property that the decorations are 30years old and the wiring is 20years old. With reasons, would this constitute a property not in good repair in the context of the claims settlement clause?

SOLUTION TO QUESTION 6

Decoration of this antiquity would not constitute a property not in good repair in the context of the basis of the claims/settlement clause. The decorations do not prejudice the risk. If the electrical installation is dangerous given its age, then the clause would apply as the risk is increased, particularly with regard to the peril of fire.

7. On what basis should an insurer deal with settlement where no repairs are to be undertaken?

SOLUTION TO QUESTION 7

Subject to the precise policy wording and the reason for not carrying out the works then settlement reverts to one of indemnity with deductions, if appropriate from the repair costs for betterment, wear and tear. Alternatively dependent upon the nature of cover the insurer may opt to consider diminution in market value if more economic.

8. Cosmetic repairs to internal plaster cracks and associated decorations are required and the policyholder seeks temporary accommodation of the period of the work. What criteria would you adopt in determining whether the policy should cover the costs of the alternative accommodation?

SOLUTION TO QUESTION 8

For insurers to pay for alternative accommodation the damage or the appropriate repair works must render the property uninhabitable. This requires an absence of drainage and/or cooking facilities. Insurers may, however consider payment if a medical condition such as asthma makes it impossible for the policyholder to remain in residence during the works.

9. A two (2) year old house suffers subsidence damage and it is found through investigation that the foundations contain insufficient cement in the concrete. With reasons, would the policy cover the loss?

SOLUTION TO QUESTION 9

The exclusion relating to defective workmanship would debar the claim.

10. A builder is installing new drains through the foundation wall of a house and disturbs the bearing resulting in subsidence to the property. With reasons, would the policy cover such damage?

SOLUTION TO QUESTION 10

The exclusion relating to the building undergoing structural alteration would debar the claim.

11. Detail the two (2) torts that can place a liability for subsidence damage on a third party and provide example cases of each.

SOLUTION TO QUESTION 11

The two torts are negligence and nuisance. A surveyor who fails to spot subsidence or symptoms of subsidence in a building in a pre-purchase survey may be considered negligent and have a liability to the purchase.

Tree root trespass where damage is occasional to a property constitute nuisance for which a liability in tort arises.

12. With reasons for their selection, explain three (3) potential parties for a recovery action in a subsidence claim.

SOLUTION TO QUESTION 12

The builder of a property, if defectively constructed and where such defects caused or contributed to the subsidence is a party for potential recovery.

The vendor of a subsidence affected property may have a liability if it can be proved they knew of the problem and failed to notify the purchasers of the defect. A surveyor carrying out a pre-purchase survey or a mortgage valuation inspection failing to identify subsidence is also a potential party for a recovery action.

13. Identify two (2) potential sources of contribution, the parties can approach and the reasons.

SOLUTION TO QUESTION 13

The contents insurers also cover the peril of subsidence and the costs of alternative accommodation expenses. Contribution can be sought from these insurers by the building insurers in respect of their outlay on alternative accommodation expenses. If the policyholder also has another building policy covering the same property and for the same perils then this insurer can be brought into contribution by the other building insurer meeting the loss.

14. Following the first visit explain the types of investigation that you would commission, their reasons and the answers you are looking for.

SOLUTION TO QUESTION 14

A trial hole to determine the nature and depth of the foundation. A trial bore to extract soil samples for analysis to determine the susceptibility of the soil to shrinkage. The extraction of any tree roots found for analysis to see whether the tree may be contributing to the movement. A test and survey on the drainage system to establish any leakage that might be causing movement. The trial hole and bore are relevant if sub structural movement is later found as necessary as they indicate the type of underpinning and the depth to which such should go. Tree management can flow from the establishment of tree causation and may remove the cause and the same applies to repair of any leaking drainage.

15. What is the guiding principles in the decision whether a property requires underpinnings?

SOLUTION TO QUESTION 15

For underpinning to be considered under a policy unacceptable instability must first need to be established. Where it is considered that super structural repairs would need to be repeated on a regular basis and it is more cost efficient to underpin; then underpinning can be adopted.

16. Define the two (2) types of sub-soil that can cause subsidence and the major differences between the two (2) in the context of instability.

SOLUTION TO QUESTION 16

The two types of soil are cohesive and non-cohesive. Cohesive soils such as clay can expand and contract dependent on the water content and can hold water. They are susceptible to seasonable variation in their volume. Subsidence and heave can occur. Non-cohesive soils such as sand do not

expand or contract. They are not susceptible to seasonal variation. Water running through such a soil can wash out fine particles and cause consolidation and subsidence in any building bearing on the soil. Non-cohesive soils that consolidate cannot recover in volume.

17. Explain the characteristic differences between cracks from subsidence, heave and internal causes.

SOLUTION TO QUESTION 17

Cracks from subsidence tend to taper down being wider at the head. Heave cracks taper upward being wider at their base. Thermal cracking tends to be of constant width.

18. What is a surge plan under the ABI/CILA protocol?

SOLUTION TO QUESTION 18

A surge plan is a written contingency plan reviewed annually detailing the extent to which service provision can be escalated. In the event of local emergencies adjusters must keep insurers and policy holders advised of arrangements in place during the emergency.

19. Why is it necessary to introduce regulation to the general insurance industry to protect the customer?

SOLUTION TO QUESTION 19

The introduction of regulations in the UK followed the Directive as issued by the European Union. The mis-selling of endowment and pension policies had created adverse publicity for the insurance market and it was considered appropriate to extend the regulations to cover the entire insurance market. To date this extension has been to general insurance, including claims since this is the sharp end of insurance and upon which insurance is judged by the policyholders.

20. Detail your understating of what constitutes customer care?

SOLUTION TO QUESTION 20

A part from technical knowledge the claims handler must possess and demonstrate first class inter-personal skills whereby the policy holder feels someone cares for their claim situation and is dealing with them fairly and expeditiously.

SUMMARY

Pass Rate:	0%
Highest Score:	0%
Lowest Score:	0%
Average Score:	0%