14. An insurer sells a property insurance policy, within an inception date of 1 October 2016, to a US company, for its UK based operations, with an annual gross premium of £100,000. How much UK Insurance Premium Tax will the insured be obliged to pay, if any?
   A. Nil.
   B. £5,000
   C. £10,000
   D. £20,000

   Key option: C
   Learning outcome: 5.5

35. A non-consumer insurance contract incepting for 12 months from 1 January 2017 has an annual premium of £10,000. On 1 April 2017 the insurer discovers that the policyholder deliberately breached their duty of fair presentation to the insurer and the insurer avoids the policy from inception. How much premium, if any, is the insurer legally required to return to the policyholder?
   A. Nil.
   B. £2,500
   C. £7,500
   D. £10,000

   Key option: A
   Learning outcome: 8.3

37. A non-consumer insurance contract incepts on 1 February 2017 and has a warranty that the fire alarm must be kept in full working order and operational during the entire period of insurance. If this warranty is breached for the entire period of insurance which type of claim, if any, would the insurer legally be able to decline?
   A. None.
   B. All types of claim arising from an insured peril.
   C. All fire losses irrespective of whether the fire alarms would have prevented or mitigated the resulting damage.
   D. Fire losses that would have been prevented or mitigated had the warranty not been breached.

   Key option: D
   Learning outcome: 8.2
38. When completing a proposal for a non-consumer insurance policy, the requirement to make a full disclosure of all facts material to a risk, regardless of whether or NOT they are specifically requested by the underwriter, is known as the principle of

A. buyer beware.
B. contract certainty.
C. insurable interest.
D. good faith.

**Key option: D**

**Learning outcome: 8.2**
Andrew places business for his clients at Lloyd’s.

David, an underwriter of a Lloyd’s syndicate, asks Andrew to place a type of reinsurance to protect his account from catastrophe losses.

Andrew obtains terms from Paul, an underwriter at a Lloyd’s syndicate, who decides he will write a line of 20%. Another underwriter, Caroline, writes 10%. By the end of the week, Andrew advises David he has fully placed the risk at Lloyd’s and that it is over subscribed. He signs down to 80%. Caroline has a treaty that reinsures 25% of all her business.

A few weeks later David’s syndicate, who has insured a fleet of aircraft with a maximum agreed value of $20,000,000 each, is advised that the airline is buying a new aircraft at $80,000,000 and is asked to add it to the policy. David does NOT want to reduce his line and Andrew is asked to obtain a quote so that his exposure on the aircraft is reduced to the $20,000,000; the quoted premium for this is $50,000.

During the first year an aircraft in the fleet is damaged and the cost to repair, net of deductibles, is $2,000,000. The loss adjuster reports that the damage was caused by a ground-handling company which is also insured by David’s syndicate.

73. What would be the amount of Insurance Premium Tax on the $50,000 premium, if any?

   A. Nil.
   B. $3,000
   C. $5,000
   D. $10,000

Key option: A
Learning outcome: 5.5