



THE CHARTERED INSURANCE INSTITUTE

DIPLOMA

OCTOBER 2009 EXAMINATION PAPER

**UNIT P18
PROPERTY CLAIMS HANDLING**

INSTRUCTIONS

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- You are allowed to write on the inside pages of this question paper but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- **The answer booklet and this question paper must be handed in personally by you to the invigilator before you leave the examination. Failure to do this may result in your paper not being marked and you may be prevented from entering this examination in future.**

READ THE INSTRUCTIONS OVERLEAF CAREFULLY BEFORE ANSWERING ANY QUESTIONS.

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P18 – Property claims handling

CANDIDATE INSTRUCTIONS

READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS.

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

Answer each question on a new page. If the 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 is worth 10 marks.

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

1.
 - (a) Explain the responsibilities of the leading insurer to their co-insurers. (2)
 - (b) In the event of a claim, detail what procedures would apply to reporting and settlement of the loss. (4)
 - (c) Explain briefly the role of a reinsurer. (2)
 - (d) Identify the key difference between Lloyd's and the rest of the insurance market. (2)

2.
 - (a) Explain briefly the role of an independent intermediary. (2)
 - (b) In the event of a claim covered by a policy issued at Lloyd's, explain briefly who is entitled to see a copy of the loss adjuster's report and how this would differ if the policy was issued outside of Lloyd's. (4)
 - (c) If as a claims handler you are unsure as to who is entitled to see the report, state what you should do. (2)
 - (d) Identify which party to the policy is definitely not entitled to see the report. (2)

3.
 - (a) State what the operative clause is. (2)
 - (b) Identify the usual wording you would expect to find in an operative clause in a commercial property insurance policy. (4)
 - (c) On handling a property claim, state the conditions that must be met in relation to the application of the operative clause. (4)

4.
 - (a) State the principle of 'utmost good faith' and identify the leading case including the year. (4)
 - (b) Explain briefly the principles that apply to a proposer in relation to material facts. (6)

5. (a) Outline implied and express conditions on a standard commercial property insurance policy. (8)
- (b) Provide one example of each. (2)
6. (a) Provide four examples of material non-disclosure. (8)
- (b) State when the duty to disclose all relevant information occurs. (2)
7. (a) Identify an insurer's rights to handle salvage as set out in the claims conditions. (3)
- (b) List seven examples of how salvaged goods may be disposed of or otherwise reclaimed when they are no longer regarded as acceptable to the insured. (7)
8. (a) Define 'indemnity'. (2)
- (b) Identify the various problems which could occur if an insurer elects to reinstate. Outline the effect this has on an insurance policy. (8)
9. Calculate, **showing all your workings**, the settlement of the following loss by applying:
- (a) pro rata average; (5)
- (b) reinstatement average. (5)

Agreed loss	£40,000
Sum insured	£500,000
Value at risk at date of loss	£550,000
Value at risk on completion of reinstatement	£600,000

- 10.** (a) Explain how a Day One policy will ensure that a policyholder is not underinsured. (3)
- (b) Comment on how a Day One policy differs from a reinstatement average wording. (7)
- 11.** (a) You are presented with a claim for damage to the main roof of an insured risk. The policyholder maintains the damage was discovered after storm conditions were prevalent in the area. Describe what enquiries you would undertake and why. (8)
- (b) Explain briefly what policy cover is typically available for frost damage. (2)
- 12.** (a) Explain what must be done before repudiating a claim in respect of a loss under a consumer insurance policy. (2)
- (b) Explain why rule 8.1.2 in the Financial Services Authority's Insurance: New Conduct of Business Rules (ICOBS) may prevent you from repudiating a claim. (8)
- 13.** (a) Explain in detail how a delegated authority operates. (8)
- (b) Give an example of the circumstances in which a claim would fall outside of the delegated authority scheme. (2)
- 14.** (a) Define 'fraud'. (3)
- (b) Explain how fraud may arise in the context of insurance claims. (4)
- (c) Mistake is not considered fraud in the context of insurance claims. Give three further examples. (3)

- 15.** (a) In the case of *Rylands v Fletcher* (1868), give a description of the ruling. (6)
- (b) State the statutory limitation periods for the following:
- (i) Breach of contract. (1)
 - (ii) Tort – property damage. (1)
 - (iii) Tort – personal injury. (1)
 - (iv) Defective Premises Act 1972. (1)
- 16.** (a) Explain the four requirements for insurable interest. (8)
- (b) List two examples of how insurable interest can arise. (2)
- 17.** (a) Describe the contents of a typical minimum protections clause found in many insurance policies which contain minimum security requirements. (4)
- (b) Describe the following and explain their operation:
- (i) Deadlock. (2)
 - (ii) Closed shackle padlock. (2)
 - (iii) Barrel bolt. (2)
- 18.** (a) List the Financial Ombudsman Service (FOS) terms of reference. (9)
- (b) In the event of the FOS making an award, state the maximum amount that is binding on the insurer. (1)

- 19.** For each of the three cases below, outline briefly the circumstances and the judgment:
- (a) *Rohan Investments Ltd v Cunningham* (1998). (6)
 - (b) *S and M Hotels v Legal and General* (1972). (2)
 - (c) *Glasgow Training Group (Motor Trade) Ltd v Lombard Continental PLC* (1989). (2)
- 20.** As a claims handler, you are conducting a fraud investigation. State the guidelines you should follow. (10)

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