



**THE CHARTERED INSURANCE INSTITUTE**

**DIPLOMA**

**APRIL 2010 EXAMINATION PAPER**

**UNIT P85  
CLAIMS PRACTICE**

**INSTRUCTIONS**

- Two 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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**P85 – Claims practice**

**CANDIDATE INSTRUCTIONS**

**READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS.**

Two hours are allowed for this paper, which contains 15 short answer questions and carries a total of 130 marks.

The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.

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.

**Answer ALL questions.**

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

- 1.** You are a claims handler working for Zebedee Insurance in the UK. Your manager tells you that you will be taking on a new account which includes claims emanating from outside the UK.

List three questions that you will ask about the regulatory regime in the new jurisdiction. **(6)**

- 2.** Verysafe Ltd have a public liability insurance policy with Zebedee Insurance. During a pre-renewal meeting with their broker Safehands, Verysafe Ltd mention an accident involving a visitor to their premises several weeks before. Verysafe Ltd do not renew their policy with Zebedee Insurance. Months later a liability claim is made against Verysafe Ltd by the injured visitor. You are a claims handler at Zebedee Insurance.

**(a)** State the most likely notification trigger for the public liability insurance policy. **(2)**

**(b)** Outline the steps that you will take to check whether the claim was validly notified. **(6)**

- 3. (a)** State three basic requirements for a contract to be validly formed. **(3)**

**(b)** Describe two examples in insurance where there may be doubt as to whether there is a valid contract. **(6)**

- 4. (a)** Summarise the characteristics of a 'circumstance' which would make it validly notified under a claims-made wording. **(8)**

**(b)** Identify a recent case which dealt with this subject. **(2)**

- 5.** (a) Describe two situations in which a conflict of interest could arise in claims handling. (4)
- (b) State the Financial Services Authority high level principle for business which relates to conflicts of interest. (3)
- (c) Identify the part of ICOBS 8 (Insurance: New Conduct of Business Sourcebook) which relates to conflicts of interest. (5)
- 6.** (a) List three insurance industry registers which may be used by a claims handler. (3)
- (b) Explain the general purpose of these registers. (3)
- 7.** (a) Explain why it is important for a claims handler to be aware of the provisions of any reinsurance applying to claims that they are handling. (4)
- (b) Compare the effects of a claims control clause and a claims co-operation clause in a reinsurance contract. (4)
- 8.** List six questions which would be found on a typical claim form. (6)
- 9.** Summarise the Financial Services Authority requirements that must be followed when a denial of coverage is being issued. (8)
- 10.** (a) Outline the four factors which may limit the amount of indemnity provided to a policyholder in a first party claim. (8)
- (b) Give an example of a first party claim which can be settled almost immediately upon notification. (2)

- 11.** Joe has a policy with Zebedee Insurance which covers his fine art collection against accidental damage. During a house move, one of the removal men puts his foot through Joe's Picasso painting causing damage of £150,000. Zebedee Insurance pay Joe £125,000 (net of the £25,000 policy excess). Zebedee Insurance then pursue the removal firm, who turn out to be uninsured and can only contribute £100,000 towards the loss.

Explain whether Joe is entitled to any of the monies recovered by Zebedee Insurance. **(10)**

- 12. (a)** Explain the legal principle established in *Overseas Tankship (UK) Ltd v Morts Dock and Engineering Co. Ltd* (The Wagon Mound No.1) (1961). **(4)**
- (b)** Outline five exceptions that modify that basic rule. **(5)**

- 13.** ZXY Ltd have a combined liability policy with Zebedee Insurance. State, giving reasons, whether the following situations will be covered under the policy.

- (a)** A claim made against ZXY Ltd's subsidiary company RPQ Ltd. **(3)**
- (b)** ZXY Ltd's lorry driver, Joe Bloggs, who has dropped a box on a supplier's foot. **(3)**
- (c)** Warehouseman Bob, who works for ZXY Ltd through an employment agency and has been injured at work. **(3)**
- (d)** A claim made against John Smith, an ZXY Ltd employee, who has made defamatory comments on his blog. **(3)**

- 14.** Explain when a claims handler may instruct a lawyer in relation to a first party claim. **(8)**

- 15. (a)** Summarise three aims of the Civil Procedure Rules (CPR) pre-action protocols. **(6)**
- (b)** Explain how the protocols support the overall objectives of the CPR. **(2)**

