

# Insurance claims handling process

**Objective:** To provide knowledge and understanding of the claims handling process including notification, assessment, settlement and associated financial factors.

Summary of learning outcomes	Number of questions in the examination*
1. General procedures for the notification of claims	9
2. Insurance products and associated services	13
3. Claims considerations	14
4. Claims handling procedures	19
5. Claims settlement	11
6. Management of expenses	9

\*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

## Important notes

- **Method of assessment:** 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.
- **This syllabus will be examined from 1 January 2010 until 31 August 2011.**
- **Candidates will be examined on the basis of English law and practice unless otherwise stated.**
- **Candidates should refer to the CII update website [www.cii.co.uk/updates](http://www.cii.co.uk/updates) for the latest information on changes to law and practice and when they will be examined.**

## 1. General procedures for the notification of claims

### Valid claims

On completion, candidates should:

- 1.1 *know* the legal requirements for a valid claim;
- 1.2 *know* in outline the different types of policy conditions relating to claims;
- 1.3 *understand* the insured's duties after a loss;
- 1.4 *know* what documents and supporting evidence are required when notifying a claim.

## 2. Insurance products and associated services

### Insurance products

On completion, candidates should:

- 2.1 *know* the basic features and outline of typical policy cover of the following, and the exclusions and extensions of cover available:
  - motor: private car, motorcycle, commercial vehicles;
  - health: personal accident, sickness, medical expenses;
  - personal: household, travel;
  - property: fire and special perils, all risks, theft, glass, money;
  - pecuniary: legal expenses, business interruption, creditor;
  - liability: employers', public, products, professional indemnity;
  - extended warranties.

### Insurance and related services

On completion, candidates should:

- 2.2 *know* the basic features of additional product services available, specifically:
  - helplines and advice;
  - authorised repairers;
  - risk control/advice;
  - legal costs services;
  - uninsured loss recovery services.

## 3. Claims considerations

On completion, candidates should:

- 3.1 *understand* the role of the claims department;
- 3.2 *understand* the importance of service standards and managing customer expectations;
- 3.3 *understand* how the management of third party claims differs from the management of first party claims;
- 3.4 *understand* the significance of estimating and reserving for claims;
- 3.5 *know* the procedures commonly used to discourage individuals from making fraudulent claims;
- 3.6 *know* the procedures and tools commonly used to detect fraudulent claims;
- 3.7 *understand* the consequences of fraudulent claims for the insurance industry, policyholders in general and insurers, their insureds and the fraudulent claimants;
- 3.8 *know* the key features of:
  - the Insurance: Conduct of Business sourcebook (ICOB5) as it applies to claims handling (ICOB5 8);
  - the treating customers fairly initiative as it applies to claims handling.

- 3.9 *know* the procedures for complaint handling including:
  - dispute resolution;
  - Financial Ombudsman Service.

## 4. Claims handling procedures

### Insurance products

On completion, candidates should:

- 4.1 *understand* the claims handling procedures, including, where applicable, relevant legal and regulatory protocols, for:
  - motor: private car, motorcycle, commercial vehicles;
  - health: personal accident, sickness, medical expenses;
  - personal: household, travel;
  - property: fire and special perils, all risks, theft, glass, money;
  - pecuniary: legal expenses, business interruption, creditor;
  - liability: employers', public, products, professional indemnity;
  - extended warranties.

### Insurance and related services

On completion, candidates should:

- 4.2 *understand* how the following are used as part of claims handling procedures:
  - helplines and advice;
  - authorised repairers;
  - legal costs services;
  - uninsured loss recovery services.

### Claims handling systems

On completion, candidates should:

- 4.3 *know* the key features, structure and objectives of different claims systems;
- 4.4 *know* how the claims function is integrated within the different types of organisational structures;
- 4.5 *understand* the role of:
  - outsourcing companies;
  - loss adjusters;
  - disaster recovery companies;
  - surveyors;
  - solicitors;
  - loss assessors.

## 5. Claims settlement

On completion, candidates should:

- 5.1 *know* how claims can be settled by:
  - payment of money;
  - paying for repairs direct;
  - replacement;
  - reinstatement;
- 5.2 *be able to apply* the principle of proximate cause;
- 5.3 *understand* how the application of policy conditions can affect the payment of claims;
- 5.4 *understand* how the process of reserving operates;
- 5.5 *understand* why a claim may be invalid or only partially met;
- 5.6 *know* the methods of claims recovery open to insurers;
- 5.7 *understand* how salvage affects claim payments;
- 5.8 *understand* how average can affect claims settlements;
- 5.9 *understand* how market agreements affect claims settlements;

- 5.10 *know* how excesses, franchises and deductibles work;
- 5.11 *know* in outline the provisions of the Motor Insurers' Bureau agreements for untraced and uninsured drivers;
- 5.12 *know* how arbitration clauses operate.

## 6. Management of expenses

On completion, candidates should:

- 6.1 *understand* the role of the claims manager;
- 6.2 *understand* what leakage is and how to identify and reduce it;
- 6.3 *know* in outline the types of internal and external financial monitoring of insurance companies and how this can impact on insurance company results;
- 6.4 *know* the basis and significance of reserving practice, including IBNR.

## Reading list

The following list provides details of various publications which may assist with your studies. Periodicals and publications will be of value in ensuring candidates keep up to date with developments and in providing a wider coverage of syllabus topics. Any reference materials cited are authoritative, detailed works which should be used selectively as and when required.

**Note: The examination will test the syllabus alone.**

The reading list is provided for guidance only and is not in itself the subject of the examination.

CII/Personal Finance Society members can borrow most of the additional study materials below from CII Knowledge Services. For further information on the lending service go to [www.knowledge.cii.co.uk](http://www.knowledge.cii.co.uk).

Insurance claims handling process. London: CII. Coursebook IF4.

The Financial Ombudsman Service and general insurance. Peter Tyldesley, Saira Paruk. London: CII Knowledge Services. Updated as necessary. Available online (CII/PFS members only) at [www.cii.co.uk/knowledge/factfiles](http://www.cii.co.uk/knowledge/factfiles).

Fraudulent claims. Ian Youngman. London: CII Knowledge Services. Updated as necessary. Available online at [www.cii.co.uk/knowledge/factfiles](http://www.cii.co.uk/knowledge/factfiles) (CII/PFS members only).

The regulation of general insurance and protection business. Tony Wiltshire. London: CII Knowledge Services. Updated as necessary. Available online (CII/PFS members only) at [www.cii.co.uk/knowledge/factfiles](http://www.cii.co.uk/knowledge/factfiles).

## Reference materials

Bird's Modern insurance law. John Birds. 7th ed. London: Sweet and Maxwell, 2007.

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004. Also available online (CII/PFS members only) at [www.cii.co.uk/knowledge/dictionaries](http://www.cii.co.uk/knowledge/dictionaries).

The insurance manual. Stourbridge, West Midlands: Insurance Publishing & Printing Co. Looseleaf, updated.

Kluwer's handbook of insurance. Kingston upon Thames, Surrey: Croner.CCH. Looseleaf, updated.

Insurance law handbook. Barlow Lyde & Gilbert. 4th ed. Haywards Heath, West Sussex: Tottel, 2008.

## Periodicals

The Journal. London: CII. Six issues a year. Also available online (CII/PFS members only) at [www.cii.co.uk/knowledge/journal](http://www.cii.co.uk/knowledge/journal).

Ombudsman News. London: Financial Ombudsman Service. Monthly. Includes regular case studies on insurance claims. Also available online at [www.financial-ombudsman.org.uk/publications/ombudsman.htm](http://www.financial-ombudsman.org.uk/publications/ombudsman.htm).

Post Magazine. London: Incisive Financial Publishing. Weekly.

## Examination guides

You are strongly advised to study these before the examination. Please visit [www.cii.co.uk](http://www.cii.co.uk) to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

## Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements. You will also find advice at [www.cii.co.uk/knowledge/careersupport](http://www.cii.co.uk/knowledge/careersupport) (CII/PFS members only).

For a more interactive approach, you should consider: Winning the brain game. London: CII, 2006. CD-ROM.