

# P85

## Diploma in Insurance

### Unit P85 – Claims practice

April 2013 examination

#### Instructions

- Two hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and 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 book and this question paper **must both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**



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## Unit P85 – Claims practice

### Instructions to candidates

#### 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.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- 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.
- 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.
- It is important to show each step in any calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

**Answer ALL questions**

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

1. You are a claims handler. Identify **six** tasks which could form part of your instruction to a loss adjuster on a property claim. (6)
  
2. Metropolitan Council receives a pre-action protocol letter of claim from solicitors acting for Mrs Jones, an elderly lady who has sustained injury after tripping on a council-owned pavement. After investigation, Metropolitan Council's insurers decide to deny liability for the claim.
  - (a) Identify any time limits that would apply to the insurers' response. (3)
  - (b) Identify **four** documents that should be included with the letter of denial sent to Mrs Jones's solicitors. (8)
  
3. Identify the situations under the provisions of the Insurance: Conduct of Business Sourcebook (ICOBS) where rejection of a consumer policyholder's claim is deemed to be unreasonable. (12)
  
4. The risk manager at James Ltd reviews their commercial combined insurance policy and notes that there are exclusions for various perils including radioactive contamination, nuclear risks, war risks and terrorism.
 

Identify **six** other typical exclusions which would be found in most insurance policies. (6)
  
5. Identify the legislation that imposes strict liability for defective products and explain **three** possible defences to a claim made under this legislation. (8)
  
6. You are a claims handler for XYZ. Bloggs Ltd's factory is badly damaged in a fire caused by work carried out by Smith Contractors. Bloggs Ltd submit a claim to XYZ who is Smith's insurer.
 

XYZ's loss adjuster advises you that the repairs require installation of an expensive new sprinkler system in order to bring the factory up to building regulation standards.

Explain the legal principle involved and the impact that this will have on Bloggs Ltd's claim. (8)

7. Smith & Partners have an insurance policy with XYZ which contains the following clause:
- 'We will indemnify you for all sums which you become legally liable to pay as compensation for claims made against you for bodily injury or damage to property arising out of incidents occurring during the period of insurance.'
- The XYZ insurance policy runs from 1 January 2010 to 31 December 2010. On 6 April 2013, Smith & Partners receive two claims which they submit to XYZ.
- The first is a claim by Joe Brown for personal injury following an accident in 2010.
  - The second is a separate claim alleging that professional design work carried out by Smith & Partners in 2010 was negligent.
- Explain, with reasons, whether the XYZ insurance policy will respond to each of these claims and outline the further information you will require to make that decision. (10)
8. Explain briefly the key features of a Part 36 offer under the Civil Procedure Rules. (8)
9. Jack's garage is damaged by flooding. He claims £20,000 for the cost of repair. He has two property policies covering the garage, one with XYZ with a sum insured of £60,000 and one with ACME with a sum insured of £20,000. Neither policy is subject to average.
- (a) Explain briefly the method that would be used to calculate how much each insurer will pay towards Jack's claim. (4)
- (b) Calculate, **showing all your workings and including the formula**, the amount each insurer would pay. (8)
10. Explain why a claims handler should advise underwriters about a material non-disclosure found on a current policy. (9)
11. FGH plc organise extreme sports recreational events. John Smith makes a claim against FGH plc after sustaining injury whilst taking part in one of their events.
- (a) Identify **two** possible defences to the claim that could be investigated. (2)
- (b) Explain how these defences might apply in this situation. (6)

Questions continue over the page

12. Identify **three** purposes of including an excess in an insurance policy. (6)
13. A director of an overseas subsidiary of Brown Ltd has a claim brought against him. You are the claims handler at XYZ who provide all of Brown Ltd's insurance covers.
- Identify **four** of the key sections of the policy schedule that you will review in order to establish whether Brown Ltd's cover will respond to this claim and explain why these are relevant. (12)
14. Identify **four** reasons why a claims reserve may need to change during the lifecycle of a claim. (8)
15. Identify **three** key features of an insurer's complaints procedure. (6)

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