

P85

Diploma in Insurance

Unit P85 – Claims practice

April 2015 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.**

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. Following a period of bad weather, XYZ Insurance receives a number of claims for flood damage sustained by policyholders in a particular town.

Outline **four** tasks that the loss adjuster instructed by XYZ Insurance might carry out as part of their investigation. (8)

2. Gareth Jones makes a claim to his insurers XYZ and is advised that the claim has been declined as there is 'more specific cover' in place.

Explain briefly the general principle involved, giving **two** examples of the type of claim where this situation might arise. (6)

3. Outline the **four** types of insurance fraud that have been identified by the Association of British Insurers. (8)

4. Explain briefly the purpose and provisions of a periodical payments order (PPO) and give **one** example of a claim in which a PPO might be ordered. (8)

5. As a result of a successful subrogation action, Bob's insurers recover a sum from a third party in relation to his claim.

Explain the factors that will determine how the recovery might be shared between Bob and his insurers. (10)

6. Martin & Company, a solicitors' firm, receive a claim against them from a former client alleging negligent legal advice. Their current insurer, XYZ Ltd, respond that the claim should be sent to a previous insurer instead of XYZ Ltd, as the relevant legal work was completed several years ago.

Explain, giving reasons, whether XYZ Ltd is correct in their response. (7)

7. 'Since the demise of the Financial Services Authority, the only regulation applying to claims handling in the UK is the guidance provided by the Financial Ombudsman Service (FOS)'.
- Explain, with reasons, why the above statement is **not** correct. (12)
8. Outline the concept of a reservation of rights and when this might be used. (6)
9. Pete's shop is closed for a lengthy period of time after Jack's car crashes into the shop front.
- Outline the possible heads of claim that Pete could make against Jack's insurers. (6)
10. (a) Outline the **three** types of legal costs for which provision could be made within the reserve for a litigated third party claim. (6)
- (b) Explain briefly qualified one-way costs shifting (QOCS). (5)
11. (a) Explain the factors which will determine the valuation of pain, suffering and loss of amenity, as part of general damages for personal injury claims. (7)
- (b) Identify **four** sources for assessing the level of general damages for personal injury claims. (4)
12. Following a fire, Harrison plc discovers that it has two policies which could cover their claim. The policy with XYZ Insurance has a limit of £1million, and the policy with PQR Insurance has a limit of £3million. The value of the claim is £2million.
- (a) Explain the **two** methods which could be used to calculate, **showing all your workings**, the contribution of **each** insurer and identify the amount payable under **each** method. (10)
- (b) Outline which method is the most likely to be used, giving a reason. (2)

QUESTIONS CONTINUE OVER THE PAGE

13. Explain how the Consumer Insurance (Disclosure and Representations) Act 2012 affects the ability of an insurer to reject a consumer policyholder's claim on the grounds of non-disclosure. (10)
14. (a) Describe briefly the principle of constructive total loss (in marine claims). (4)
- (b) Define salvage. (2)
- (c) State the purpose of a pairs and sets clause. (2)
15. (a) State the period, under Financial Conduct Authority rules, that an insurer has to provide a final response to a complaint. (2)
- (b) Outline the criteria which will determine whether a policyholder is eligible to make a complaint to the Financial Ombudsman Service (FOS). (4)
- (c) State the maximum enforceable award that the FOS is able to make. (1)

