

THE CHARTERED INSURANCE INSTITUTE



E85

Examination element of M85 Claims practice

**Based on the 2015/2016 syllabus
examined until 30 April 2016**

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Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute (CII) to assist students in their preparation for the E85 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their E85 studies before attempting the specimen examination. Students should allow themselves one hour to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time. The examination must be successfully passed within 18 months of enrolment on M85.

Although the specimen examination in this guide is typical of an E85 examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry by reading the periodicals listed in the M85 reading list, which is located on the syllabus in this examination guide and on the CII website at **www.cii.co.uk**.

Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

- 1) Visit **www.cii.co.uk/qualifications**
- 2) Select the appropriate qualification
- 3) Select your unit on the right hand side of the page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

Syllabus

The M85 syllabus is published on the CII website at www.cii.co.uk. **Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the CII tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

Skill Specification

The examination syllabus categorises M85 learning outcomes into attainment levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The syllabus requires that candidates have the ability to understand the subject matter. Each learning outcome begins with one of these cognitive skills:

Understanding - Candidates must be able to link pieces of information together in cause and effect relationships. Typically questions may ask 'Why'. Questions set on an understand learning outcome can test either knowledge or understanding or both.

Examination Information

The method of assessment for the E85 examination is 50 multiple choice questions (MCQs). One hour is allowed for this examination.

The M85 syllabus provided in this examination guide will be examined from 1 April 2015 until 30 April 2016.

Candidates will be examined on the basis of English law and practice unless otherwise stated.

The general rule is that legislative and industry changes will not be examined earlier than 3 months after they come into effect.

E85 examinations test the Financial Conduct Authority and Prudential Regulation Authority rules and regulations.

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct response. Each question will contain only one correct or best response to the problem posed.

One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

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.

Candidates are permitted to make rough notes. Candidates are not permitted, in any circumstances, to remove any papers relating to the examination from the examination room.

Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

Claims practice

Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of how claims are handled.

Assumed knowledge

It is assumed that the candidate already has knowledge of the fundamental principles of insurance as covered in IF1, Insurance, legal and regulatory and Po5 Insurance law, or equivalent exams.

Summary of learning outcomes	Number of questions in the examination*
1. Understand key aspects of claims handling.	25
2. Understand key aspects of handling personal lines claims, including motor.	7
3. Understand key aspects of handling property claims, including business interruption.	7
4. Understand key aspects of handling third party liability claims.	11
*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**
Mixed assessment for M85 of which both elements must be individually passed. This consists of:
 1. an online coursework assignment using RevisionMate consisting of 10 questions which sequentially follow the learning outcomes. This must be successfully completed within 6 months of enrolment; and
 2. a multiple-choice question (MCQ) exam at one of the CII's online centres (paper based MCQs are available in April and October for those sitting outside the UK). The MCQ exam consists of 50 MCQs. 1 hour is allowed for this examination. This exam must be successfully passed within 18 months of enrolment.
- This syllabus will be examined from 1 April 2015 until 30 April 2016.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
 1. Visit www.cii.co.uk/updates
 2. Select the appropriate qualification
 3. Select your unit on the right hand side of the page

1. Understand key aspects of claims handling

- 1.1 Explain key requirements of UK regulation affecting claims handling , including complaints handling.
- 1.2 Explain the impact of key UK regulation on claims handling, including complaints handling.
- 1.3 Explain the application of UK regulation on claims handling , including complaints handling.
- 1.4 Describe how the existence of cover is determined under the policy.
- 1.5 Explain the importance of reviewing the underwriting file for the relevant risk.
- 1.6 Identify the importance and uses of claims information.
- 1.7 Explain how to determine the extent of indemnity or liability under the policy.
- 1.8 Explain the uses of and importance of reserving.
- 1.9 Describe the effective negotiation and settlement of claims.
- 1.10 Explain the key differences in handling the claims of consumer and commercial policy holders.
- 1.11 Explain the special requirements for handling international claims.
- 1.12 Describe common indicators of fraudulent claims.
- 1.13 Explain the importance of recoveries, including subrogation and reinsurance recoveries.
- 1.14 Explain the particular requirements in handling reinsurance claims.

2. Understand key aspects of handling personal lines claims, including motor

- 2.1 Explain the impact of regulatory obligations on handling personal lines claims.
- 2.2 Explain the typical personal lines policy coverage issues.
- 2.3 Explain how to investigate a personal lines claim.
- 2.4 Describe how the indemnity will be valued for a personal lines claim.
- 2.5 Describe how a personal lines claim will be negotiated and settled.
- 2.6 Describe the process that would be followed if a personal lines claim were declined and then disputed by the policy holder.

3. Understand key aspects of handling property claims, including business interruption

- 3.1 Explain the impact of regulatory obligations on handling property and business interruption claims.
- 3.2 Explain the typical property and business interruption policy coverage issues.
- 3.3 Explain how to investigate a property and business interruption claim.
- 3.4 Describe how the indemnity for a property and business interruption claim will be valued.
- 3.5 Describe how the property and business interruption claim will be negotiated and settled.
- 3.6 Discuss the process that would be followed if a property and business interruption claim were declined and then disputed by the policy holder, including alternative dispute resolution.

4. Understand key aspects of handling third party liability claims

- 4.1 Explain the impact of regulatory obligations on handling third party liability claims.
- 4.2 Explain the typical third party liability policy coverage issues.
- 4.3 Explain how to investigate a third party liability claim.
- 4.4 Describe the use of lawyers and experts in third party liability claims.
- 4.5 Describe how the indemnity for a third party liability claim will be valued.
- 4.6 Describe how the third party liability claim will be negotiated and settled.
- 4.7 Explain the provisions of the Civil Procedure Rules in dealing with third party liability claims.
- 4.8 Explain the particular considerations in handling Professional Indemnity claims.

Reading list

The following list provides details of various publications which may assist you with your studies.

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.

The publications will help you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

CII study texts

Claims practice. London: CII. Study text M85/P85

Insurance law. London: CII. Study text M05/P05

Insurance, legal and regulatory. London: CII. Study text IF1

Books (and ebooks)

Insurance claims. 3rd ed. Alison Padfield. Bloomsbury Professional, 2012.

MacGillivray on insurance law: relating to all risks other than marine. 12th ed. London: Sweet & Maxwell, 2012.

Claims handling law and practice. Richard West et al. London: Witherby, 2008.

Claims and public liability policies. J P P Shaw. London: Witherby, 1994.

Claims and standard fire policies, special extensions and special perils. RM Walmsley. London: Witherby, 1994.

'Claims handling'. Chapter – Insurance theory and practice. Rob Thoyts. Routledge, 2010. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

'Claims under the policy'. Chapter – Bird's modern insurance law. 9th ed. John Birds. London: Sweet & Maxwell, 2013.

'Claims procedure'. Chapter – The law of insurance contracts. 6th ed. Malcolm A Clarke et al. London: Informa, 2009.

Insurance theory and practice. Rob Thoyts. Routledge, 2010.*

Subrogation: law and practice. Charles Mitchel et al. Oxford: Oxford University Press, 2007.

'Subrogation'. Chapter – Law of insurance contracts. 6th ed. Malcolm A Clarke. London: Informa, 2009.

Insurance disputes. Jonathan Mance, Iain Goldrein, Robert Merkin. 3rd ed. London: Informa, 2011.

Fraudulent claims: deceit, insurance and practice. Matthew Chapman. St Albans, UK: XPL, 2007.

Tackling insurance fraud: law and practice. Dexter Morse, Lynne Skajaa. London: Informa Professional, 2004.

Drafting insurance contracts: certainty, clarity, law and practice. Christopher Henley. London: Leadenhall press, 2010.

Factfiles and other online resources

CII factfiles are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Covering general insurance, life and pensions and financial services sectors, the factfile collection includes key industry topics as well as less familiar or specialist areas with information drawn together in a way not readily available elsewhere. Available online via www.cii.co.uk/ciifactfiles (CII/PFS members only).

- The regulation of general insurance business. Ian Youngman.
- Civil procedure rules. Alan Peck.
- Fraudulent claims. Ian Youngman.
- The business of insurance broking. Ian Youngman

Contracts for Difference. iMinds. Mosman.

Reservation of rights. AIRMIC. 2009. Available via www.airmic.com (register your details to access).

Delivering excellence in insurance claims handling: claims best practice guide. AIRMIC. 2010. Available via www.airmic.com (register your details to access).

Contract certainty: an Airmic guide for risk managers and insurance buyers. AIRMIC. 2009. Available via www.airmic.com (register your details to access).

Further articles and technical bulletins are available at www.cii.co.uk/knowledge (CII/PFS members only).

Journals and magazines

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

Post magazine. London: Incisive Financial Publishing. Weekly.

Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.*

Insurance: Conduct of Business sourcebook (ICOB). Available via www.fshandbook.info/FS/.

*Also available as an ebook through Discovery via www.cii.co.uk/discovery (CII/PFS members only).

Examination guides

An examination guide, which includes a specimen paper, is available to purchase via www.cii.co.uk.

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (www.revisionmate.com). Details of how to access Revisionmate are on the first page of your study text.

It is recommended that you only study from the most recent versions of the examination guides.

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at www.cii.co.uk/knowledge/iilrevision (CII/PFS members only).

1. An insurer makes a payment of £9,000 to settle a first party claim after deduction of a £1,000 policy excess. The insurer recovers £6,500 from a negligent third party. What amount is the insurer entitled to retain?
 - A. £5,500
 - B. £5,850
 - C. £6,000
 - D. £6,500

2. When the aggregate limit on a commercial property insurance policy is exhausted, it can
 - A. always be reinstated without additional premium and usually for a limited number of reinstatements.
 - B. never be reinstated and a new policy must always be taken out.
 - C. only be reinstated for compulsory classes of business.
 - D. sometimes be reinstated for an additional premium but usually for only a limited number of reinstatements.

3. One of the Financial Conduct Authority's principles for businesses which particularly has an impact on an insurer's claims staff is that the firm **must**
 - A. arrange adequate protection for clients' assets when it is responsible for them.
 - B. conduct its business with due skill, care and diligence.
 - C. only deal with the regulator when required.
 - D. organise and control its affairs in line with data protection legislation.

4. When the Financial Conduct Authority discovers a breach of training and competence requirements in a regulated firm which handles claims, what approach will it take?
 - A. Impose a fine because this will be regarded as a serious breach.
 - B. View the breach as a minor issue and ask the firm's management to review it.
 - C. View the breach as evidence of a wider and more serious problem of inadequate management.
 - D. Undertake a review of other firms which transact the same category of business.

5. A claimant referred a case to the Financial Ombudsman Service (FOS) and accepted the **maximum** award the FOS is permitted to make. The claimant's total loss was £230,000. What amount, if any, is the claimant now entitled to seek as redress via the courts?
 - A. Nil.
 - B. £30,000
 - C. £40,000
 - D. £80,000

6. An insurer would **NOT** typically reduce the claims reserve on a specific claim to take into account
 - A. interim payments made to the insured.
 - B. a policy deductible.
 - C. a policy excess.
 - D. possible subrogation from a negligent third party.

7. How is a claim considered under a proportional reinsurance treaty?
- A. The claim is valid if liability attaches under the original policy and the settlement was arrived at in a professional manner.
 - B. The claim must be transferred to the reinsurer to handle as per the claims control clause.
 - C. The claim must fall within the terms of the original policy and the reinsurance policy to be valid.
 - D. The claim can be handled under the original policy but only settled with the reinsurer's agreement.
8. Under the Consumer Insurance (Disclosure and Misrepresentations) Act 2012, what is the remedy when an otherwise valid claim is made but there has been reasonable misrepresentation by a policyholder?
- A. The insurer can void the policy from inception.
 - B. The insurer may refuse to pay any of the claim.
 - C. The insurer must pay the claim in full.
 - D. A proportionate redress applies based on what the insurer would have done had it known the facts.
9. A claim is presented for the replacement of a fence, which has been damaged in recent storm conditions. The claims handler needs to establish whether the damaged fence will be covered. What course of action should next be pursued?
- A. Offer to pay 50% of the claim.
 - B. Offer to pay the claim in full.
 - C. Refer to the Financial Ombudsman Service.
 - D. Refer to the policy definitions.
10. A policyholder, who is a landlord, has notified his insurer of a claim for a break-in and theft. During discussions, the claims handler is advised by the landlord that the premises were vacant at the time of the loss. What **must** the claims handler now establish?
- A. The crime reference number for the break-in and theft.
 - B. The length of time the property was unoccupied.
 - C. The name and forwarding address for the previous tenant.
 - D. When the next tenant will be moving into the premises.
11. A claims handler is investigating claims for employers' liability (EL) and public liability (PL) insurances. On what basis are the policies **normally** written?
- A. Claims made for EL and claims occurring for PL.
 - B. Claims occurring for EL and claims made for PL.
 - C. Claims made for both EL and PL.
 - D. Claims occurring for both EL and PL.

12. Eagle Star Insurance Co Ltd v Cresswell (2004) is regarded as being a leading case on
- A. policy conditions.
 - B. policy exclusions.
 - C. policy warranties.
 - D. proximate cause.
13. The Financial Conduct Authority has a stated intention to differ from the Financial Services Authority by
- A. demonstrating greater insurance industry knowledge.
 - B. taking action early before consumer detriment occurs.
 - C. utilising a risk-based approach.
 - D. working independently from the Financial Ombudsman Service.
14. A claims handler believes that a commercial customer's fire claim may be fraudulent because of arson. What facts would support the claims handler's belief?
- A. The business was in financial difficulty and all the stock was out of season.
 - B. CCTV was in operation and no forcible entry was in evidence.
 - C. Computer records had not been backed up and the business was losing money.
 - D. The fire alarm was in operation and the business had recently lost a major customer.
15. A claims handler receives notification of a claim from a commercial policyholder and immediately reviews the underwriting file. What is the purpose of this review?
- A. To confirm the existence of any warranties and the outcomes of all historic claims.
 - B. To confirm the policy period and the broker commission.
 - C. To confirm the business activities disclosed and the risk presentation.
 - D. To establish the insured's identity and whether any contribution is required from other existing policies.
16. What information is **NOT** needed by a claims handler to validate policy cover under a household contents claim upon first notification?
- A. Date of loss.
 - B. Invoices for replacement items.
 - C. Policy reference number.
 - D. Premium payment details.
17. A claims handler is reserving an employer's liability claim. When considering the number of years on which future loss of earnings is **normally** reserved, the multiplier takes into account the number of years from the date of
- A. injury to anticipated retirement age based on the claimant's normal occupation.
 - B. injury to State Pension age and ongoing ability to work in any job.
 - C. trial to anticipated retirement age based on the claimant's normal occupation.
 - D. trial to State Pension age and ongoing ability to work in any job.

18. An insurance broker has presented a claim to the third party administrator (TPA) on behalf of its client, XYZ Ltd. The TPA has a delegated authority to handle claims on behalf of XYZ Ltd's insurer. During the negotiation of the claim, on whose behalf, if any, will the insurance broker act?
- A. For the policyholder only.
 - B. For the TPA only.
 - C. For the TPA and the insurer only.
 - D. Impartially for all parties.
19. What is the **main** difference between handling property damage claims for large commercial policyholders, when compared with those of consumers?
- A. Commercial claims should be settled within 30 days.
 - B. Greater levels of bespoke service are required in respect of consumers.
 - C. Greater practical assistance may be required in respect of consumers.
 - D. More frequent ongoing communication is required in respect of commercial claims.
20. Soon after a claim for a stolen vehicle is made to an insurer, the vehicle is recovered locally by the police. What two **main** factors would **most likely** indicate that the insurance claim was potentially fraudulent?
- A. The claim was made in the month the MOT expired and only one window was broken.
 - B. The claimant did not collect the vehicle and there were no signs of forcible entry.
 - C. The only document readily available was the insurance certificate and no petrol remained in the vehicle.
 - D. The vehicle was collected by a nominated third party and they were the spare keyholders.
21. An insured has cover for the same property under two policies. Policy X has a sum insured of £10,000 and policy Y a sum insured of £30,000. If a loss of £20,000 is suffered, what will be the contribution required from policy Y, assuming no excess and using the independent liability method?
- A. £3,333
 - B. £10,000
 - C. £13,333
 - D. £20,000
22. In applying the Insurance: Conduct of Business sourcebook (ICOBS) rules in relation to a particular insurance claim, the insurer is unsure whether the policyholder should be treated as a consumer or as a commercial customer. In accordance with the regulations, the insurer should therefore
- A. assume the policyholder is a commercial customer.
 - B. assume the policyholder is a consumer.
 - C. refer the matter to the Financial Conduct Authority for adjudication.
 - D. refer the matter to the Financial Ombudsman Service for adjudication.

23. When dealing with a first party commercial claim, the **main** reason for referring back to the proposal form is to
- A. ensure material facts were disclosed.
 - B. establish the inception date.
 - C. help set the reserve figure.
 - D. identify the proximate cause.
24. To comply with industry guidelines, the claims handler dealing with a particular case was obliged to provide the policyholder with a progress update at least every 20 business days. What does this confirm?
- A. The claims file was referred to the Financial Ombudsman Service.
 - B. The policy was effected in Australia.
 - C. The policy was effected in the UK.
 - D. The policy was effected in the US.
25. An insurer pays £4,500 to settle a first party claim after deduction of the £500 policy excess. The insurer recovers £5,200 from the negligent third party which includes reimbursement of the claim plus £200 due to currency rate fluctuations. How much of the £5,200 should the insurer pay to the insured?
- A. Nil.
 - B. £500
 - C. £600
 - D. £700
26. The Financial Conduct Authority's principle of Treating Customers Fairly applies to claims that are
- A. either valid or invalid, submitted by consumers only.
 - B. either valid or invalid, submitted by consumers or commercial customers.
 - C. only valid, submitted by consumers or commercial customers.
 - D. only valid, submitted by consumers.
27. Meg made a claim for the theft of her watch valued at £5,000. She received a settlement amount which was significantly lower than the replacement value of the watch. What is the settlement **most likely** to reflect?
- A. The application of a pairs and sets clause.
 - B. The existence of a franchise.
 - C. The level of voluntary excess.
 - D. The policy limit on items not specifically insured.

28. To deal with a complex claim, an insurer has appointed a loss adjuster and a coverage lawyer. One of the **key** differences between them is that the
- A. coverage lawyer must make her findings available to the policyholder.
 - B. coverage lawyer will be bound by the Financial Conduct Authority's regulations.
 - C. loss adjuster has a duty to act impartially between the insurer and the policyholder.
 - D. loss adjuster is allowed to be paid up front for his services.
29. Under a policy covering fine art, how is a claim for irreparably damaged art work **usually** settled?
- A. The agreed value listed on the policy schedule.
 - B. An independent valuation by an expert.
 - C. A negotiated settlement with the policyholder.
 - D. Settlement on a first loss basis.
30. Bill's new expensive camera was dropped and damaged whilst on a family outing. When reporting the claim to his household insurer, the claims handler will firstly establish
- A. any contributory negligence by Bill.
 - B. if the camera was specified in the policy schedule.
 - C. the terms of any guarantee under which the camera was purchased.
 - D. that a receipt is available as evidence of purchase.
31. A personal lines policyholder has his expensive tablet computer stolen and presents a claim to his insurer under his household insurance policy. In the absence of the purchase receipt, the insurer is **likely** to request
- A. the actual tablet computer box and the charging cable.
 - B. a signed claim form evidencing value.
 - C. a statement of truth regarding the loss.
 - D. witness statements as to the circumstances of the loss.
32. When considering a claim for an unoccupied property under a personal lines insurance policy, the claims handler **must** be aware that
- A. contents will not be covered.
 - B. a franchise will apply.
 - C. full cover will apply.
 - D. insured perils may be restricted.

33. A claims handler investigating a business interruption claim has informed the claimant that a reservation of rights has been withdrawn. What does this indicate?
- A. Additional investigations as to the validity of the claim have satisfied the handler's initial doubts.
 - B. The full validity of the claim has been investigated and a settlement will now be offered in respect of part of the claim only.
 - C. An identified misrepresentation is no longer considered sufficiently serious as to lead to litigation.
 - D. Initial suspicions of underinsurance have been satisfied so the application of average is no longer necessary.
34. A building has a sum assured of £100,000 under a commercial insurance policy. Following a fire, a loss adjuster assesses the rebuild of the damaged property to be £150,000. A reinstatement clause operates within the policy. When considering the settlement of the claim, the insurer is **most likely** to settle on what basis?
- A. Reinstatement with average applied.
 - B. Reinstatement with a franchise applied.
 - C. Full reinstatement value.
 - D. Reinstatement with deduction for wear and tear.
35. A manufacturer suffers damage to stock under a standard fire policy. In support of the claim, a series of figures are submitted to the insurer as follows

Damaged raw materials	£1,500,000
Damaged work in progress	£1,000,000
Undamaged work in progress	£500,000
Cost to complete work in progress	£200,000
Finished goods, wholesale price	£1,500,000
Finished goods, retail price	£2,500,000

The claims handler for the insurer has verified the individual amounts. What total amount would be paid to the manufacturer as indemnity for the loss?

- A. £4,000,000
- B. £4,200,000
- C. £5,000,000
- D. £5,200,000

36. As a result of investigating a fire damage claim submitted by the owner of a new business, the loss adjuster discovers that the owner is a recently discharged bankrupt. However, business records appear to be in order. Following this discovery, what is the next logical step the claims handler is **most likely** to take?
- A. Investigate the business records more deeply.
 - B. Refer the claim to the insurer's fraud department.
 - C. Review the details supplied at policy proposal stage.
 - D. Search industry databases for evidence of historic claims.
37. Following a dispute over a commercial insurance claim, both parties have agreed to alternative dispute resolution in the form of early neutral evaluation. From the insured's perspective, it is important to recognise that
- A. both parties must agree in advance to be bound by the decision, but significant court costs can be saved.
 - B. the case cannot now be heard in court.
 - C. the result is not binding on either party but would give an indication as to the likely outcome if the claim continues to court.
 - D. should the evaluation result be disputed, the insurer's costs may have to be paid.
38. A commercial policyholder has a deductible of £20,000 and an aggregate deductible limit of £100,000. The policyholder suffers six losses in the policy year as follows

Claim 1	£33,000
Claim 2	£2,000
Claim 3	£18,000
Claim 4	£26,000
Claim 5	£22,000
Claim 6	£17,000

What is the insurer's total outlay and the erosion of the aggregate respectively?

- A. £18,000 and £100,000.
- B. £21,000 and £97,000.
- C. £97,000 and £21,000.
- D. £100,000 and £18,000.

39. A claims handler has been presented with a claim for fire damage to a commercial property and is reviewing the policy schedule to consider the adequacy of the buildings sum insured compared with the known reinstatement cost. When deciding if the sum insured is adequate, what will the handler **normally** do?
- A. Ignore the impact of inflation and wear and tear during the policy year.
 - B. Ignore the impact of inflation during the policy year but take into account wear and tear.
 - C. Take inflation and wear and tear during the policy year into account.
 - D. Take inflation during the policy year into account but ignore the impact of wear and tear.
40. A claims handler wishing to read the Civil Procedure Rules surrounding expert evidence will need to refer to the provisions of which part?
- A. Part 18.
 - B. Part 31.
 - C. Part 35.
 - D. Part 36.
41. Since the Legal Aid Sentencing and Punishment of Offenders Act 2012, claimants are entitled to
- A. a 10% uplift in non-pecuniary general damages.
 - B. full reimbursement of legal costs.
 - C. recovery of After The Event insurance premiums.
 - D. recovery of Conditional Fee Agreement success fees.
42. Mary works voluntarily at her local stables every Sunday under the guidance of the stable owner. Recently Mary slipped and fell in the stable grounds due to ice, suffering a broken arm and damaging her glasses. Mary instructs a solicitor to pursue a claim in negligence against the stable owner. Which policy will Mary's claim be against?
- A. Commercial property.
 - B. Employers' liability.
 - C. Personal accident.
 - D. Public liability.
43. The claims procedure condition in a commercial liability policy allows the
- A. insured only to conduct defence or settlement of a claim.
 - B. insurer only to conduct defence or settlement of a claim.
 - C. insurer and insured to agree defence or settlement of a claim.
 - D. insurer and insured to conduct defence or settlement of a claim.
44. The **maximum** financial award allowable, if any, under the Law Reform Act 1934 for pain suffering and loss of amenity following an instant fatality is always
- A. nil.
 - B. £12,980.
 - C. determined by a judge.
 - D. determined by a jury.

45. An expert witness in a litigated personal injury case has an overriding duty to the
- A. claimant.
 - B. Court.
 - C. insurer.
 - D. Judge.
46. A complex claim is estimated to be £20,000 but the trial is expected to take more than two days. In accordance with the Civil Procedure Rules, to which track is the court **most likely** to allocate this claim?
- A. Fast track.
 - B. Multi-track.
 - C. Small claims track.
 - D. Standard track.
47. A claims handler investigating a third party personal injury claim has obtained an up-to-date Compensation Recovery Unit certificate in respect of the third party. Why was this necessary?
- A. To confirm the total cost of NHS treatment and the loss of earnings.
 - B. To establish the ongoing costs of treatment and the level of any compensation due from other sources.
 - C. To review the reserve and identify the potential need for a periodical payment order.
 - D. To set the reserve and establish any payment due to the Department for Works and Pensions in respect of State benefit payments.
48. A claimant in a third party liability case nominated an expert in the original letter of claim. Within what **maximum** total number of days from the date of posting the original letter **must** the defendant register any objection to the named expert?
- A. 14 days.
 - B. 21 days.
 - C. 28 days.
 - D. 35 days.
49. An employee claims to have developed an industrial disease. He was first exposed to the risk in May 1997, first noticed symptoms in April 2010, was formally diagnosed in March 2012 and submitted a claim in June 2014. If the employers' liability insurer for his company frequently changed, market practice dictates that the claim will **normally** be co-ordinated by whoever was the insurer in
- A. May 1997.
 - B. April 2010.
 - C. March 2012.
 - D. June 2014.

50. A claim proceeded to litigation without going through a mediation process and an adverse costs order was awarded against one party. What is this **most likely** to indicate?
- A. The judge awarded a lower settlement than could have been achieved through mediation.
 - B. The judge considered this party's case to be weak.
 - C. This party suggested entering into mediation part way through the litigation process.
 - D. This party was considered to have been unreasonable in refusing to enter into mediation.

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			Learning Outcome 2			Learning Outcomes 4		
1	D	1.13	26	B	2.5	40	C	4.7
2	D	1.4	27	D	2.4	41	A	4.6
3	B	1.1	28	C	2.3	42	B	4.3
4	C	1.2	29	A	2.5	43	B	4.6
5	A	1.2	30	B	2.3	44	A	4.5
6	D	1.8	31	A	2.5	45	B	4.4
7	A	1.14	32	D	2.2	46	B	4.7
8	C	1.4	7 Questions			47	D	4.3
9	D	1.4				48	D	4.7
10	B	1.4	Learning Outcome 3			49	D	4.3
11	D	1.4	33	A	3.3	50	D	4.6
12	A	1.4	34	A	3.2	11 Questions		
13	B	1.2	35	A	3.4			
14	A	1.12	36	C	3.3			
15	C	1.5	37	C	3.6			
16	B	1.6	38	B	3.5			
17	C	1.7	39	D	3.5			
18	A	1.9	7 Questions					
19	C	1.10						
20	B	1.12						
21	C	1.13						
22	B	1.3						
23	A	1.9						
24	B	1.11						
25	D	1.13						
25 Questions								