

P85

Diploma in Insurance

Unit P85 – Claims practice

October 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. List **six** items of information that can be found on a policy schedule. (6)

2. Explain who may bring a claim under the Fatal Accidents Act 1976, outlining the likely heads of damage under the Act. (8)

3. Jane insures her shop premises under two separate policies of insurance. Both policies contain a rateable proportion clause. The sum insured with insurer A is £20,000 whilst the sum insured with insurer B is £40,000. Jane suffers a fire at the premises which causes £30,000 worth of damage and she subsequently makes a claim against both insurers.
 - (a) Identify the **two** methods available to calculate each insurer's contribution to the loss. (2)
 - (b) Calculate, **showing all your workings**, the ratio of contribution to establish the amount payable by each insurer, using one of the methods identified in **part (a)** above. (10)

4.
 - (a) Identify who is eligible to refer a complaint to the Financial Ombudsman Service (FOS). (4)
 - (b) Outline the factors the FOS takes into account to determine a fair and reasonable approach to resolving a complaint. (5)

5.
 - (a) Explain briefly the doctrine of subrogation. (6)
 - (b) Give **two** examples of a claim situation in which subrogation may arise, using **two** different policy types. (2)

6. Outline the criteria that would usually lead to a court allocating a claim to the 'fast track'. (6)

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7. (a) Explain briefly the concept of 'provisional damages', using **one** example where it may be claimed. (5)
- (b) Outline **two** of the actions the court may follow after deciding that an award for provisional damages is appropriate. (4)
8. ABC Insurance receive a third party personal injury claim following a motor accident. The letter of claim states that the claimant has suffered a moderately severe knee injury and is currently unable to work.
- (a) Describe the elements that will make up the claim reserve for the above claim. (8)
- (b) Identify the Pre-Action Protocol that will apply to this claim. (2)
9. A builder notifies their insurer, XYZ Insurance (XYZ), of a potential third party claim against their policy. The potential claim arises as a result of a fire which occurred at a third party's premises where the builder had been contracted to carry out building work.
- Six months after the notification of the claim, XYZ advise the builder that they have breached policy conditions and coverage is denied. The builder expresses surprise that this decision has only just been made and had assumed that any claim would be covered given it has been six months since the initial notification.
- Explain, with reference to case law, the factors that will be relevant when XYZ insurance respond to the builder. (8)
10. Greg contacts his home insurer immediately after discovering that he has been burgled and that a number of items have been stolen.
- State the information required by the claims handler in order to verify the claim at first notification. (8)

QUESTIONS CONTINUE OVER THE PAGE

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- 11.** The premises of King Ltd are damaged following a severe storm. Their insurer, XYZ Insurance, appoint a loss adjuster to investigate the cause of the damage. As a result of the investigation, it is discovered that the damage is caused by the combination of storm and flood, and that neither would have caused the damage on their own. King Ltd's insurance policy covers damage caused by storm but excludes damage caused by flood.
- Explain, using case law to support your answer, whether XYZ Insurance will be required to indemnify King Ltd for the loss. **(12)**
- 12.** Explain briefly how an agreed value policy operates and give **two** examples of items that are likely to be covered under such a policy. **(6)**
- 13. (a)** Define:
- (i)** claims made policies; and **(4)**
 - (ii)** losses occurring policies. **(4)**
- (b)** Give an example of a class of business for **each** type of wording referred to in **part (a)** above. **(4)**
- 14. (a)** List **six** potential indicators of a fraudulent motor claim. **(6)**
- (b)** Identify **two** databases that might be used by a claims handler to assist the investigation of a motor claim. **(4)**
- 15.** Identify **three** key features of arbitration. **(6)**

