

P85

Diploma in Insurance

Unit P85 – Claims practice

April 2016 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** exclusions commonly found in an insurance policy. **(6)**

2. Outline the **three** operational objectives of the Financial Conduct Authority. **(6)**

3. Identify the specific section and explain the circumstances 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. Employers' liability insurance is compulsory in the UK. The law in relation to this is set down in the Employers' Liability (Compulsory Insurance) Regulations 1998.

Outline **three** situations identified within these regulations where insurers are prohibited from denying indemnity to the policyholder for an employers' liability claim. **(6)**

5. **(a)** List **four** key features of mediation. **(4)**

(b) Outline **two** methods of alternative dispute resolution other than mediation. **(4)**

6. Anthony makes a claim against his household policy following a burst pipe which has caused water damage to his home. Upon investigation, the claims negotiator discovers that the 'Statement of Fact' is incorrect as it says that Anthony had not had any previous claims prior to inception of the policy, when in fact he had made two claims prior to inception. When questioned about this, Anthony said that because they were only low value claims he did not think it was necessary to advise his insurer about them.

Explain, with reference to the relevant statute, the factors that the insurer will need to consider in order to reach a decision about how to proceed with this claim. **(12)**

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7. ABC Insurance, a UK Insurer, is considering writing new business in a jurisdiction outside the UK.
- Outline the factors that an insurer might need to take into account when facing the prospect of handling claims from a foreign jurisdiction. (10)
8. A commercial insurance policy contains a clause which states that 'it is a condition precedent to liability under this policy that you must notify any claim to the insurer as soon as practicable'.
- (a) Explain the purpose and effect of this clause. (6)
- (b) Identify **four** reasons why insurers make prompt notification a matter for strict compliance. (4)
9. Outline the typical questions that a claims negotiator will ask in order to assess whether there is coverage under a policy following the submission of a claim. (10)
10. (a) Differentiate between the terms 'expert advice' and 'expert opinion' when sought in the context of a claim, providing **two** examples of **each**. (8)
- (b) Identify where the rules governing the use of expert opinion can be found. (2)
11. Explain briefly **two** similarities and **two** differences for a claims handler in handling first party claims and third party claims. (8)

QUESTIONS CONTINUE OVER THE PAGE

- 12.** Following a storm, Smith plc submits a claim to their commercial insurer, ABC Insurance (ABC), for the damage caused to their building in the storm. The claims negotiator at ABC receives the preliminary report from the loss adjuster which reveals that the value of the building is £200,000. The claims negotiator checks the policy schedule and sees that the sum insured for the building is £150,000. The claim for the damage to the building is for £20,000. Smith plc's policy contains an average clause.
- (a)** Explain briefly the purpose of an average clause. **(2)**
- (b)** Calculate, **showing all your workings**, how much the claims negotiator will offer to settle the claim for the damage to the building. **(6)**
- 13.** Rita submits a claim for a stolen item of jewellery which cost her £1,000 when it was originally purchased. The claim is covered under her household policy, and the claims negotiator is now considering settlement of the claim.
- State the factors that influence how the settlement will be calculated. **(8)**
- 14.** Explain why a claims negotiator should be familiar with the specific terms of any reinsurance applicable to a claim that they are handling. **(10)**
- 15.** State **six** reasons why a claims reserve might change during the life cycle of a claim. **(6)**

