

P85

Diploma in Insurance

Unit P85 – Claims practice

October 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. (a) Outline the effect of a policy exclusion. (2)
(b) List **six** common exclusions that might be found in a typical non-life insurance policy. (6)
2. (a) Summarise the main features of a 'Part 36' Offer to Settle. (6)
(b) Identify **two** reasons why 'Part 36' Offers to Settle are particularly useful. (4)
3. List **six** key stages through which a first party claim will progress. (6)
4. Explain briefly, in relation to a future lost earnings claim, the following terms:
(a) Multiplicand. (4)
(b) Multiplier. (4)
5. (a) Identify the **three** bodies that replaced the Financial Services Authority. (3)
(b) The Insurance: Conduct of Business Sourcebook (ICOBS) is the sourcebook that specifically deals with insurance.

Outline the high-level standard that insurers must follow when dealing with policyholder's claims under ICOBS 8.1.1. (6)
6. Following the notification of a large fire at a policyholder's premises, the claims negotiator instructs a loss adjuster.

State **six** different tasks the loss adjuster may be asked to undertake in consideration of the claim. (6)

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7. ABC Insurance Company (ABC) receives a third party claim against one of their policyholders following a road traffic accident. The letter of claim indicates that the claimant has sustained serious injuries and it is clear that the value of the claim for damages will exceed £100,000.
- (a) Identify the 'protocol' under which the claim will be made and the key time limits with which the defendant must comply. (4)
- (b) Explain briefly, with reasons, to which 'track' the claim will be allocated. (4)
- (c) Explain briefly whether ABC could recover their defence costs should they successfully defend the claim at trial. (4)
8. Outline **six** possible indicators of fraud **specifically** relating to a fire claim at a commercial property. (12)
9. Explain, in relation to a business interruption claim, how a 'loss of profit' claim is calculated. (8)
10. Explain, with reference to relevant case law, the factors which would determine whether a claims negotiator should accept notification of a circumstance under a professional indemnity policy. (12)
11. (a) Identify **six** common features of personal lines claims. (6)
- (b) List **two** typical types of personal lines claims. (2)
12. Outline the reasons why a claims negotiator might issue a reservation of rights letter and the potential impact to the insured of such action. (6)

QUESTIONS CONTINUE OVER THE PAGE

- 13.** Aztec plc is a large retailer employing in excess of 100 employees. Aztec plc submit a flood claim for £750,000 but this is subsequently denied by their insurer. Aztec plc decide to challenge the insurer's decision.

Explain the route that Aztec plc may take to pursue the matter further. **(11)**

- 14.** Define the term 'general damages' and list **six** of the main types of general damages. **(8)**

- 15.** Explain briefly why an insurer needs to carefully supervise any claims handling being carried out for them by an outsourcer. **(6)**

