

THE CHARTERED INSURANCE INSTITUTE



E85

**Examination element of M85 Claims
practice**

**Based on the 2017/2018 syllabus
examined from 1 May 2017 until 30 April 2018**

E85 – Examination element of M85 Claims practice

Based on the 2017/2018 syllabus examined from 1 May 2017 until 30 April 2018

Contents

Introduction to Examination Guide	3
E85 Syllabus	7
Specimen Examination	11
Specimen Examination Answers and Learning Outcomes Covered	21

Published in February 2017 by:

The Chartered Insurance Institute

42-48 High Road, South Woodford, London E18 2JP

Telephone: 020 8989 8464

Fax: 020 8530 3052

Email: customer.serv@cii.co.uk

Copyright ©2017 The Chartered Insurance Institute. All rights reserved.

E85 – Examination element of M85 Claims practice

Based on the 2017/2018 syllabus examined from 1 May 2017 until 30 April 2018

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 May 2017 until 30 April 2018.

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 or equivalent examinations.

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 consisting of two components, both of which must be passed. One component is a coursework assignment and one is a multiple choice examination. The details are:
 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 May 2017 until 30 April 2018.
- 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.

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

Books (and ebooks)

Bingham & Berryman's personal injury and motor claims cases. 14th revised ed. Ruth Graham et al (eds). London: LexisNexis, 2016.

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. New York: Routledge, 2010.*

'Claims under the policy'. Chapter – Bird's modern insurance law. 10th ed. John Birds. London: Sweet & Maxwell, 2016.

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

Colinvaux's law of insurance. 11th ed. London: Sweet & Maxwell, 2016.

Contracts for difference. iMinds Pty Limited, 2009.*

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

Insurance claims. 4th ed. Alison Padfield. Bloomsbury Professional, 2016.

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

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.

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

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).

- Civil procedure rules. Alan Peck.
- Fraudulent claims. Beverley Lyn.

Contract certainty: an Airmic guide for risk managers and insurance buyers. 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).

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

Subject gateway on insurance claims. Updated regularly. Available online via www.cii.co.uk/claims.

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 via www.cii.co.uk/knowledge (CII/PFS members only).

Post magazine. London: Incisive Financial Publishing. Monthly. Also available online at www.postonline.co.uk.

Further periodical publications are available at www.cii.co.uk/journalmagazines (CII/PFS members only).

Reference materials

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

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

Insurance: Conduct of Business sourcebook (ICOBS). Available via www.handbook.fca.org.uk/handbook/ICOBS.

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

Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the multiple-choice component.

These are available on the CII website under the unit number before purchasing the unit. They are available under the following link www.cii.co.uk/qualifications/diploma-in-insurance-qualification.

These exemplar papers are also available on the RevisionMate website www.revisionmate.com after you have purchased the unit.

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/iilrevision (CII/PFS members only).

1. A claims handler has been allocated two new claims and is determining whether the policies are written on a claims occurring or claims made basis. The claims are for employers' liability (EL) and business interruption (BI) insurances. The claims handler is **most likely** to conclude that
 - A. EL are claims made and BI claims are occurring.
 - B. EL are claims occurring and BI are claims made.
 - C. both EL and BI are claims made.
 - D. both EL and BI are claims occurring.

2. Following investigation of a complaint, the Financial Ombudsman Service recommended a payment by the insurer to the policyholder of £180,000. The policyholder accepted the ruling within the specified time limit. What amount, if any, is therefore binding on the insurer?
 - A. None.
 - B. £100,000
 - C. £150,000
 - D. £180,000

3. Which body has an operational objective of securing an appropriate degree of protection for consumers?
 - A. The Financial Conduct Authority.
 - B. The Financial Policy Committee.
 - C. HM Treasury.
 - D. The Prudential Regulation Authority.

4. Firms X and Y are both dissatisfied with the outcomes of recent insurance claims. Why was only firm X eligible to pursue the matter with the Financial Ombudsman Service?
 - A. Firm X's claim was for £120,000 whereas firm Y's claim was for £160,000.
 - B. Firm X has 19 employees whereas firm Y has 26 employees.
 - C. Firm X's policy was purchased through an appointed representative whereas firm Y's policy was purchased through a UK-based subsidiary of an overseas firm.
 - D. Firm X has an annual turnover of €1,750,000 whereas firm Y has a turnover of €2,250,000.

5. A complaint has been referred to the Financial Ombudsman Service (FOS). In determining what is fair and reasonable, what will the FOS take into account?
 - A. Any relevant law and codes of practice.
 - B. Any relevant regulations and legal precedent.
 - C. Any relevant regulations and the size of the insurer.
 - D. Good industry practice and legal precedent.

6. Molly and Lisa each notified their insurer of a claim six months after the deadline noted in the policy. However, the insurer was only entitled to decline indemnity in respect of Molly's claim. Why was this justified?
- A. Molly's policy covered commercial property and Lisa's policy covered personal property.
 - B. Only Lisa was insured with a mutual insurer.
 - C. Only Molly's policy contained a condition precedent to liability.
 - D. Only Molly was insured with a captive insurer.
7. A claims handler in a personal lines claims department receives a phone call from a household policyholder with a query regarding a private legal matter. How will the claims handler **typically** respond?
- A. Advise that no assistance exists for private legal matters.
 - B. Open a claims file and record the conversation.
 - C. Provide contact details for local solicitors.
 - D. Provide the legal helpline telephone number for the policy.
8. A statement in a household insurance policy that expresses that a certain event is **NOT** covered is **most likely** to be expressed as a policy
- A. condition.
 - B. endorsement.
 - C. exclusion.
 - D. warranty.
9. By comparing the underwriting file with the claim notification information, it is possible for a claims handler to specifically verify
- A. the cause of loss and the sums insured.
 - B. the identity of the policyholder and the policy period.
 - C. the policy period and past claims.
 - D. whether policy conditions are being complied with and broker commission.
10. A **key** benefit of an insurance company adopting a reserving philosophy is that it will ensure that
- A. a consistent approach is taken by claims handlers.
 - B. it can reduce its reserves if an early settlement is anticipated.
 - C. litigation defence costs are always allowed for in its initial reserve.
 - D. step reserving is considered.
11. Within an employers' liability policy, under which section would a claims handler first look to determine whether cover is provided for mental anguish of a policyholder's employee?
- A. The policy conditions.
 - B. The policy definitions.
 - C. The policy exclusions.
 - D. The policy extensions.

12. During the course of the handling of a personal injury claim, it has been necessary to increase the level of reserve on several occasions. What is this **most likely** to indicate?
- A. The claimant's court case has been postponed on a number of occasions.
 - B. The claimant's medical condition has shown an ongoing deterioration.
 - C. Incurred but not reported (IBNR) provisions were not correct.
 - D. The reserve has been reviewed by an actuary.
13. A claims handler is reserving £30,000 for a third party injury claim received from the policyholder for £120,000 in damages. This reserve is **most likely** to reflect the
- A. average settlement in respect of similar cases over a defined period.
 - B. belief that the claim will take four years to settle.
 - C. expectation of the third party's level of success.
 - D. period to run to the end of the policy year.
14. An insurer instructs a solicitor to provide a legal opinion on policy coverage where there is a dispute with the policyholder as to whether policy cover applies. What is the position regarding the solicitor's invoice and VAT?
- A. The invoice will not include VAT.
 - B. The invoice will include VAT and the VAT element is payable by the insurer.
 - C. The invoice will include VAT and the VAT element is payable by the policyholder.
 - D. The invoice will include VAT and the VAT element is payable equally between the insurer and policyholder.
15. When adopting a pragmatic approach to the handling of a third party liability claim, a claims handler will
- A. always ensure that an expert is appointed to investigate liability.
 - B. always make a Part 36 offer to the claimant before expert evidence is obtained.
 - C. deal with the claim in the most cost-efficient manner.
 - D. ensure that a reserve is recorded to the claim within 24 hours of receipt.
16. A multi-national commercial policyholder, when compared to a consumer policyholder, is **more likely** to have
- A. access to insurer panel service providers.
 - B. a limit of indemnity.
 - C. a subrogation clause.
 - D. a voluntary financial acceptance of risk.
17. Under the California Fair Claims Settlement Practice Regulations, within what **maximum** period **must** an insurer begin an investigation, following notification of a claim?
- A. 5 calendar days.
 - B. 10 calendar days.
 - C. 15 calendar days.
 - D. 20 calendar days.

18. What is the central database of motor, home and personal injury incidents reported to insurance companies which may or may **NOT** give rise to a claim?
- A. The Claims and Underwriting Exchange.
 - B. The Insurance Fraud Bureau.
 - C. The Insurance Fraud Register.
 - D. MyLicence.
19. The **most likely** fraud indicator when considering a fire at a commercial property is where the fire
- A. involved the use of an accelerant and had multiple ignition points.
 - B. occurred at night and the loss was reported promptly.
 - C. originated from an electrical source and the CCTV was not in operation at the time of the incident.
 - D. was at the premises of a successful business and there was a delay in reporting the loss.
20. A policyholder has cover for the same property under two policies. Policy X has a sum insured of £40,000 and policy Y a sum insured of £20,000. If a loss of £25,000 occurs, what will be the contribution from policy Y, using the independent liability method and assuming no excess?
- A. £8,333
 - B. £10,417
 - C. £11,111
 - D. £15,625
21. An insurer makes a payment of £6,000 to settle a first party claim after deduction of a £600 policy excess. The insurer subsequently recovers £5,000 from a negligent third party. What amount is the insurer entitled to retain?
- A. £4,400
 - B. £4,700
 - C. £4,900
 - D. £5,000
22. An insurer pays £6,000 to settle a first party claim after deduction of the £250 policy excess. The insurer recovers £6,100 from the negligent third party, which includes reimbursement of the claim plus £100 due to currency rate fluctuations. How much of the £6,100 should the insurer pay to the policyholder?
- A. Nil.
 - B. £250
 - C. £300
 - D. £350

23. In the event of a valid claim, a claims control provision in a reinsurance contract is used so that the reinsurer can always
- A. deal with the claimant directly in place of the insurer.
 - B. dictate only what experts the insurer can use.
 - C. take over the handling of the claim if it becomes litigated.
 - D. take over the decision making on the claim.
24. A policyholder referred a case to the Financial Ombudsman Service (FOS) and accepted the maximum award the FOS is permitted to make. If this award is less than the total loss, what further action, if any, can the policyholder now take?
- A. None.
 - B. Negotiate directly with the firm.
 - C. Seek the firm's agreement to enter into arbitration.
 - D. Seek the full balance via the courts.
25. A requirement on the policyholder to comply with a certain provision, such as payment of the insurance premium, is **most likely** to be expressed as a policy
- A. condition.
 - B. endorsement.
 - C. exclusion.
 - D. warranty.
26. Under the Insurance: Conduct of Business sourcebook (ICOBS), once claim settlement terms are agreed, an insurer is obliged to pay the settlement amount
- A. promptly.
 - B. within 14 days.
 - C. within 21 days.
 - D. within 28 days.
27. What remedy, if any, does an insurer have in respect of a non-qualifying misrepresentation by a consumer policyholder?
- A. Avoid the claim but keep the policy in force.
 - B. Avoid the policy ab initio.
 - C. No remedy is available.
 - D. Terminate the policy from the date of discovery of the misrepresentation.
28. An expert witness in a personal injury claim has a statutory overriding duty to the
- A. court deciding the claim.
 - B. injured claimant.
 - C. insured policyholder.
 - D. insurer who instructed him.

29. A loss adjuster appointed by an insurer to investigate a claim made by a policyholder will be acting
- A. for the insurer only.
 - B. for the insurer and the reinsurer.
 - C. for the policyholder only.
 - D. impartially between the insurer and the policyholder.
30. A private motor policyholder has a comprehensive policy which was arranged through a broker. Following an accident covered by the policy, in what circumstances, if any, is the policyholder **normally** permitted to use a garage to carry out the repairs, which is **NOT** on the insurer's approved list?
- A. In all circumstances.
 - B. Only with the broker's permission.
 - C. Only with the insurer's permission.
 - D. In no circumstances.
31. A personal lines policyholder has his expensive bicycle stolen from his garage and presents a claim to his insurer under his household insurance policy. If the policyholder wishes to replace the stolen bicycle with a more expensive model, how is the insurer **most likely** to respond?
- A. Allow the policyholder to replace the bicycle with the more expensive model, but not pay for the difference in cost.
 - B. Insist that the policyholder replaces the bicycle with the same model.
 - C. Pay for the more expensive model.
 - D. Refuse to deal with the claim.
32. A household insurance policyholder is advised by the insurer that his claim is **NOT** covered. The policyholder does **NOT** accept the decision and makes a complaint to the insurer. Two weeks have elapsed since the complaint was received. Within what **maximum** period **must** the insurer issue a final response to the policyholder?
- A. Two weeks.
 - B. Four weeks.
 - C. Six weeks.
 - D. Eight weeks.
33. An insurer has received a business interruption claim from a commercial customer and has indicated that it is reserving its rights. What does this mean?
- A. A forensic accountant will be appointed.
 - B. Further information is required before policy cover can be determined.
 - C. The provisions of the Insurance: Conduct of Business sourcebook (ICOBS) will not apply to the claim.
 - D. A warranty applies to the policy.

34. Upon submission of a claim under a property policy, what is the **main** reason that a claims handler would check to see if the policy contained an average clause?
- A. To establish whether another insurance policy will cover the same loss.
 - B. To establish whether the policyholder has already submitted a previous claim within the same policy period.
 - C. To establish whether the value of the loss appears to be within the policy deductible.
 - D. To establish whether the value of the loss is more than the sum insured.
35. 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 discharged bankrupt. Business records in respect of the new business appear to be in order. What is the next logical step that the claims handler is **most likely** to take?
- A. Investigate the business records more thoroughly.
 - 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.
36. A commercial property policyholder has a deductible of £40,000 and an aggregate deductible limit of £200,000. The policyholder has six losses in the policy year as follows

Claim 1	£52,000
Claim 2	£16,000
Claim 3	£70,000
Claim 4	£74,000
Claim 5	£10,000
Claim 6	£26,000

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

- A. £48,000 and £200,000.
 - B. £76,000 and £172,000.
 - C. £172,000 and £76,000.
 - D. £200,000 and £48,000.
37. On what basis will a total loss claim for routine machinery **normally** be indemnified under a commercial property policy?
- A. The cost of replacement.
 - B. The cost of replacement, less wear and tear.
 - C. The original purchase price.
 - D. The original purchase price, less wear and tear.

38. A building company has a commercial property policy and has experienced a major loss of profits following an insured event. The **most appropriate** expert for the insurer to appoint enabling it to consider the ensuing loss of profits claim will be a
- A. forensic accountant.
 - B. loss adjuster.
 - C. solicitor.
 - D. surveyor.
39. Following a disagreement between the policyholder and insurer in relation to a commercial insurance claim, an alternative dispute resolution approach was adopted in the form of early neutral evaluation. On which party(ies), if either, is this resolution approach binding?
- A. Neither the insurer nor the policyholder.
 - B. The insurer only.
 - C. The policyholder only.
 - D. Both the insurer and the policyholder.
40. A claims handler is processing a third party liability claim. A previous similar claim in respect of this policyholder was subject to the Pre-Action Protocol, but this claim falls outside the Protocol because the
- A. claim amount is above £250,000.
 - B. claim occurred in Scotland.
 - C. policyholder has admitted liability but has disagreed with this decision.
 - D. policyholder has relocated from Wales to England.
41. What evidence would **most commonly** be required where a third party is claiming, under negligence, for loss of profits whilst repairs are being carried out to its premises?
- A. Acceptance that closure was necessary and confirmation that the period of time was reasonable only.
 - B. A record of accounts and acceptance that closure was necessary only.
 - C. A record of accounts and confirmation that the period of time was reasonable only.
 - D. A record of accounts, acceptance that closure was necessary and confirmation that the period of time was reasonable.
42. Where the Compensation Recovery Unit seeks to recover amounts of social security benefits, it will do so under
- A. the Compensation Recovery Scheme.
 - B. a Periodic Payment Order.
 - C. the Protocol for the Resolution of Clinical Disputes.
 - D. the Recovery of NHS Charges provisions.

43. A solicitor appointed by an insurer to defend a claim for a policyholder will be representing the
- A. court only.
 - B. insurer only.
 - C. policyholder only.
 - D. insurer and the policyholder.
44. A Smith and Manchester claim is one that relates to
- A. the cost of care provided by family or friends.
 - B. the cost of care provided by professionals.
 - C. handicap in the labour market.
 - D. industrial disease.
45. The general damages reserve for pain, suffering and loss of amenity has been reduced by a claims handler following review of the claimant's expert medical report. What is this action **most likely** to indicate?
- A. The claimant's medical condition has deteriorated.
 - B. Ongoing care is being provided gratuitously by a close relative.
 - C. Pre-existing medical conditions have been identified.
 - D. Reduced reliance on aids and appliances is anticipated.
46. During the negotiations in relation to a third party liability claim, a face-to-face settlement conference was convened to try and negotiate an agreement. If it was held on a 'without prejudice' basis, this specifically means that
- A. any offers made at this point are binding for two months only.
 - B. anything agreed at this stage must be ratified in court.
 - C. information disclosed in this meeting cannot be used in court without the consent of the party making the disclosure.
 - D. other methods of negotiation will run in parallel and supersede any agreement reached.
47. When would a judge be made aware of the existence of a rejected Part 36 offer?
- A. At the opening of a trial.
 - B. Immediately prior to making judgement in a trial.
 - C. Immediately following a judgement where the judgement amount is higher than the Part 36 offer.
 - D. Immediately following a judgement where the judgement amount is lower than the Part 36 offer.
48. What is the standard deadline for acknowledging a letter of claim under the Protocol for the Resolution of Clinical Disputes?
- A. 10 days.
 - B. 14 days.
 - C. 21 days.
 - D. 28 days.

49. A third party liability claim has been litigated. Its claims value is £22,500 and expert evidence from each party will be given. It is expected that the trial will be completed in one day. Under the Civil Procedure Rules, this case would **normally** be allocated to the
- A. small claims track only.
 - B. fast track only.
 - C. small claims or fast track.
 - D. multi-track.
50. Where a claim has been received under a professional indemnity insurance policy, a claims handler will be required to verify coverage relating to
- A. covered services and professional services.
 - B. professional services only.
 - C. professional services and third party liability.
 - D. third party liability only.

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 Outcome 4		
1	D	1.4	26	A	2.1	40	B	4.1
2	C	1.2	27	C	2.2	41	D	4.2
3	A	1.1	28	A	2.3	42	A	4.3
4	D	1.2	29	D	2.3	43	D	4.4
5	A	1.3	30	C	2.4	44	C	4.5
6	C	1.4	31	A	2.5	45	C	4.5
7	D	1.4	32	C	2.6	46	C	4.6
8	C	1.4	7 Questions			47	D	4.6
9	B	1.5				48	B	4.7
10	A	1.6	Learning Outcome 3			49	B	4.7
11	B	1.7	33	B	3.1	50	A	4.8
12	B	1.8	34	D	3.2	11 Questions		
13	C	1.8	35	C	3.3			
14	B	1.8	36	B	3.5			
15	C	1.9	37	B	3.4			
16	D	1.10	38	A	3.5			
17	C	1.11	39	A	3.6			
18	A	1.12	7 Questions					
19	A	1.12						
20	C	1.13						
21	D	1.13						
22	D	1.13						
23	D	1.14						
24	A	1.2						
25	A	1.4						
25 Questions								