

THE CHARTERED INSURANCE INSTITUTE



E93

**Examination element of M93 Commercial
property and business interruption**

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

E93 – Examination element of M93 Commercial property and business interruption

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

Contents

Introduction to Examination Guide	3
E93 Syllabus	7
Specimen Examination	12
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.

E93 – Examination element of M93 Commercial property and business interruption

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 E93 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their E93 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 M93.

Although the specimen examination in this guide is typical of an E93 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 M93 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 M93 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 M93 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 E93 examination is 50 multiple choice questions (MCQs). One hour is allowed for this examination.

The M93 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.

E93 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.

Commercial property and business interruption insurances

Purpose

At the end of this unit, candidates should be able to understand commercial property and business interruption insurances.

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 the risk and control of fire, theft and other contingencies to property and business interruption.	24
2. Understand the cover provided by and main practices of property insurance.	8
3. Understand the cover provided by and main practices of business interruption insurance.	5
4. Understand the underwriting of property and business interruption insurance.	11
5. Understand how property and business interruption insurance claims are handled.	2

*The test specification (relevant to the M93 multiple choice question exam only) 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

M93

- **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

P93

- **Method of assessment:** Part I 14 compulsory questions (140 marks). Part II 2 questions selected from 3 (60 marks). Total of 200 marks. Three hours are allowed for this exam.
- The syllabus is examined on the basis of English law and practice unless otherwise stated.
- The general rule is that the exams are based on the English legislative position six months before the date of the exams.
- 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/qualifications
 2. Select the appropriate qualification
 3. Select your unit on the right hand side of the page

1. Understand the risk and control of fire, theft and other contingencies to property and business interruption

- 1.1 Explain the causes of fire.
- 1.2 Explain the inception and propagation of fire, including their relationship.
- 1.3 Explain the relative fire hazards of trade processes and materials used in business.
- 1.4 Explain the relative fire hazards of building construction.
- 1.5 Explain the methods of fire detection, protection and control.
- 1.6 Explain the definitions of theft.
- 1.7 Explain the inherent risk features of theft.
- 1.8 Explain the main methods of protecting property including money against theft.
- 1.9 Explain the hazards arising from other contingencies and the methods of controlling these.
- 1.10 Examine risk, control of fire and other contingencies in relation to relevant scenarios.
- 1.11 Apply the principles and practices of risk and control of fire, theft and other contingencies to property and business interruption to various scenarios.

2. Understand the cover provided by and main practices of property insurance

- 2.1 Explain the cover provided by property insurance policies.
- 2.2 Explain the clauses commonly used in property insurance policies.
- 2.3 Explain the provision of terrorism cover.
- 2.4 Explain the cover provided in respect of money, fidelity guarantee, goods in transit and commercial all risks.
- 2.5 Apply the principles and practices of property insurance cover to various scenarios.

3. Understand the cover provided by and main practices of business interruption insurance

- 3.1 Explain the cover provided by business interruption insurance policies.
- 3.2 Explain how the sum insured and maximum indemnity periods are selected.
- 3.3 Explain the clauses commonly used in business interruption insurance policies.
- 3.4 Explain the importance of business continuity planning with relation to business interruption insurance.
- 3.5 Apply the principles and practices of business interruption insurance cover to various scenarios.

4. Understand the underwriting of property and business interruption insurance

- 4.1 Explain the use and content of survey reports in the underwriting process.
- 4.2 Explain the importance of and the factors used to calculate an estimated maximum loss (EML).
- 4.3 Explain the risk and pricing criteria used in underwriting property and business interruption insurance.
- 4.4 Describe the key underwriting considerations in managing a property and business interruption insurance portfolio.
- 4.5 Explain the importance of reinsurance and co-insurance with specific reference to property and business interruption.
- 4.6 Explain the application of warranties, excesses, deductibles and franchises.
- 4.7 Apply the principles and practices of underwriting of property and business interruption insurance to various scenarios.

5. Understand how property and business interruption insurance claims are handled

- 5.1 Explain how property and business interruption claims are handled.
- 5.2 Calculate the settlement of property and business interruption claims.
- 5.3 Apply the principles and practices of property and business interruption insurance claims to various scenarios.

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

Commercial property and business interruption insurances. London: CII. Study text M93/P93

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

Books (and ebooks)

A risk management approach to business continuity: aligning business continuity with corporate governance. Julia Graham, David Kaye. Brookfield, Connecticut: Rothstein Associates, 2006.

'All-risks property insurance'. Chapter – Insurance disputes. Jonathan Mance, Iain Goldrein, Robert Merkin. 3rd ed. London: Informa, 2011.

Business interruption policy wordings. London: Insurance Institute of London, 2012.*

Claims and loss of profits insurance. RM Walmsley. London: CILA, 1994.

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

Corporate risk management. 2nd ed. Tony Merna and Faisal F Al-Thani. Chichester: John Wiley, 2010.*

'Cover: causes of loss: Personal accident'. Chapter – The law of insurance contracts. 6th ed. Malcolm A Clarke et al. London: Informa, 2009.

Health and safety: risk management. 3rd ed. Tony Boyle. Wigston: IOSH Services, 2010.*

Fire insurance law and claims. R M Walmsley. London: CILA, 1997.

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

Fire risk minimisation: Code of Practice for the Food Industry. Insurers' Fire Research Strategy Scheme, 2007.

Health and safety: risk management. 3rd ed. Tony Boyle. Wigston: IOSH Services, 2010.*

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

Insuring industrial and process machinery. Research study group 237. London: ILL, 2000.

Intelligent internal control and risk management. Matthew Leitch. Aldershot: Gower, 2008.

Introduction to fire safety management. Andrew Furness and Martin Muckett. Oxford: Butterworth-Heinemann, 2010.

Property insurance law and claims. Malcolm Hyde. London: CILA, 2010.

Security manual. 8th ed. David Brooksbank. Gower, 2007.

Smith's law of theft. 9th ed. David Ormerod & David Williams. Oxford: Oxford University Press, 2007.

Riley on business interruption insurance. 10th ed. Harry Roberts. London: Sweet & Maxwell, 2016.

The handbook of health and safety practice. Jeremy Stranks. 7th ed. Harlow: Pearson, 2005.

Walmsley on business interruption. 2nd ed. Celso de Acevedo. Livingston: Witherby, 2016.

Ebooks

The following ebooks are available through Discovery via www.cii.co.uk/discovery (CII/PFS members only):

A manager's guide to ISO22301: a practical guide to developing and implementing a business continuity management system. Tony Drewitt. Cambridgeshire: IT Governance Publishing, 2013.

Enterprise risk management: a common framework for the entire organisation. Philip E.J. Green. Oxford: Butterworth-Heinemann, 2016.

Fire safety and risk management: for the NEBOSH National Certificate in Fire Safety and Risk Management. New York: Routledge, 2015.

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).

- Business interruption insurance. Diane Jenkins.
- Risk control. Ian Searle.
- Risk identification. Ian Searle.

Chartered Institute of Loss Adjusters (CILA). Business interruption special interest group. Available via www.cila.co.uk.

Fire safety: approved documents. Available via www.gov.uk.

LBIA guide to business interruption. London: LBIA. Available online via www.london-bia.org.

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).

M93

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.

P93

Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers.

You are strongly advised to study guides from the last two sittings. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Alternatively, if you have a current study text enrolment, the latest exam guides are available via www.revisionmate.com.

Older guides are available via www.cii.co.uk/pastexamguides (CII/PFS members only).

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. Which materials may self-ignite when overheated?
 - A. Aluminium, hay and wood.
 - B. Brick, flax and wood.
 - C. Gypsum plaster, jute and plate glass.
 - D. Hay, jute and flax.

2. The processing of raw materials is a **typical** cause of fire when
 - A. a portable heater is used in the processing environment.
 - B. water enters electrical equipment causing short circuiting.
 - C. waste has not been removed from the premises.
 - D. waste products fall inside machinery causing overheating.

3. Fire load of the risk means the totality of
 - A. both combustible and incombustible elements in buildings, machinery and stock.
 - B. the combustible elements in buildings, machinery and stock only.
 - C. the insured value of all the items insured in the buildings only.
 - D. the insured value of all the items insured in the buildings including machinery and stock.

4. When a cold copper sheet is in contact with a hot copper sheet, this process of heat transfer is known as
 - A. conduction.
 - B. convection.
 - C. propagation.
 - D. radiation.

5. A motor vehicle body repair workshop retains a month's supply of flammable liquids on its premises. Within the spray booth processing area, what is the **maximum** amount of flammable liquid that a fire surveyor will **most likely** allow to be kept?
 - A. Supply sufficient for immediate use only.
 - B. A maximum of one day's supply.
 - C. A maximum of one week's supply.
 - D. The full month's supply.

6. What requirements is a fire surveyor **most likely** to make in respect of solid, flammable materials?
 - A. No heat source is used in the premises that house them.
 - B. Their storage and use prevents them coming into contact with heat.
 - C. Their use must be avoided.
 - D. They are not stored near incombustible gas.

-
7. Why is the auto ignition temperature (AIT) of a flammable liquid meaningful information to a property underwriter?
- A. It is the minimum temperature at which the liquid will ignite if it comes into contact with a flame.
 - B. It is the temperature at which the liquid will self-ignite if it comes into contact with air.
 - C. A risk that utilises liquids with an AIT higher than 150 degrees celsius is likely to be unacceptable.
 - D. Room temperature is usually greater than AIT for most liquids.
8. A property underwriter is assessing the risk presented by a building which has load bearing steel columns supporting the roof. He should be aware that the columns are
- A. combustible and normally requires protection for fire resistance.
 - B. combustible but does not require protection for fire resistance.
 - C. incombustible and does not require protection for fire resistance.
 - D. incombustible but normally requires protection for fire resistance.
9. From the perspective of fire protection, the construction of a building should **minimise** the contribution to fire from the building fabric, restrict fire to the room of origin, preserve the structure and
- A. ensure that storage areas are always physically separated from heat sources.
 - B. have space for storage of fire extinguishers.
 - C. minimise the quantity of electrical wiring and switchgear.
 - D. restrict external fire spread.
10. A property underwriter is evaluating the fire hazard presented by a building containing composite panels, which were manufactured around 1980. In these circumstances, what is one of the particular concerns for the underwriter?
- A. The electrical wiring hidden behind composite panels is susceptible to vermin damage.
 - B. It is frequently difficult to identify the composition of the panel core.
 - C. The presence of composite panels increases the inception hazard.
 - D. The reinstatement cost will be higher because composite panels are difficult to re-install.
11. What type of fire extinguishing agent would be recommended for use on a fire involving a large quantity of metal?
- A. Carbon dioxide.
 - B. Dry sand.
 - C. Foam.
 - D. Water.

12. What type of sprinkler system, if any, would be **most appropriate** to be installed in a clothing warehouse with no form of heating?
- A. Drencher.
 - B. Dry pipe.
 - C. Wet pipe.
 - D. A sprinkler system would not be recommended.
13. Following investigation into a major fire at an industrial premises, it is established that the fire originated in three separate areas of the premises. In these circumstances, what is the **most likely** cause of the fire?
- A. Arson.
 - B. Electrical overload.
 - C. Overheating machinery.
 - D. Poor housekeeping.
14. Under the Theft Act 1968, what offence would be committed by a person who enters a building as a trespasser and steals or attempts to steal anything?
- A. Aggravated burglary.
 - B. Burglary.
 - C. Larceny.
 - D. Robbery.
15. The **initial** assessment of a theft risk by a property underwriter, from the perspective of the definition of the property to be insured, depends **mainly** on the
- A. level of excess to be applied.
 - B. quantity of target goods held by an insured.
 - C. security of the building in which target goods are located.
 - D. turnover of the business.
16. What type of goods would a property underwriter **NOT** classify as theft attractive?
- A. Copper pipes and copper wiring.
 - B. Cigarettes and cigars.
 - C. Second-hand furniture and soft furnishings.
 - D. Wines and spirits.
17. The **most appropriate** protection system for a high-value fashion clothing shop would be
- A. a CCTV system.
 - B. an internal strongroom.
 - C. a night watchman.
 - D. a security patrol.

18. A property underwriter assessing a theft risk requires that accessible windows, trap doors, skylights and external doors are
- A. fitted with approved locking devices.
 - B. fitted with four-lever mortice deadlocks.
 - C. impossible to break down without tools.
 - D. required to have at least one hour's resistance to an attack.
19. The use of explosion venting and explosion suppression can **minimise** the impact of which kind of explosion?
- A. Dust.
 - B. Electrical.
 - C. Flammable liquids.
 - D. Gaseous emissions.
20. Besides a mechanical defect, sudden release of heat from a portable heater and water freezing in the pipes, what is the other **most likely** cause of a claim under a sprinkler leakage extension?
- A. Accidental damage to a sprinkler head.
 - B. Employees smoking inside the premises.
 - C. Theft of pipe work or fittings.
 - D. Vibration of surrounding machinery.
21. A property underwriter is asked to quote for fire and specified contingencies cover for a large computer data warehouse. Additional risk precautions are **most likely** to be required for which contingency?
- A. Aircraft.
 - B. Earthquake.
 - C. Impact.
 - D. Malicious damage.
22. An architect is designing a multi-storey office block. How would a property surveyor advise the architect on the **most appropriate** approach to reduce the risk of fire spreading vertically?
- A. Enclose all stairwells within concrete block with access via fire doors.
 - B. Ensure that all stairs are incombustible.
 - C. Install smoke detectors on each landing.
 - D. Site fire extinguishers in the stairwells in accessible locations.
23. In respect of a manned computer suite, the **most appropriate** extinguishing agent is
- A. an inert gas.
 - B. dry powder.
 - C. foam.
 - D. water.

24. A supermarket regularly deposits £20,000 in cash with a bank. What requirements are **most likely** to be imposed by the property underwriter in respect of the delivering of cash to the bank?
- A. Two employees will be required to deliver the cash.
 - B. Three employees will be required to deliver the cash.
 - C. Four employees will be required to deliver the cash.
 - D. An approved security company must be used to deliver the cash.
25. A policyholder has a commercial property policy covering fire in respect of a large clothing warehouse. A fire ignites causing damage to the roof structure. Items of stock are damaged by smoke and further items are damaged by water from the fire brigade. Undamaged stock is removed from the warehouse by the fire brigade, where it is stolen within an hour from outside the warehouse. To what extent are the losses covered in practice under the contingency of fire?
- A. The fire is covered only.
 - B. The fire and smoke damage are covered only.
 - C. The fire, smoke and water damage are covered only.
 - D. The fire, smoke and water damage as well as the theft are covered.
26. What level of terrorism cover is automatically provided under a commercial property policy for a risk based in Northern Ireland?
- A. There is no cover.
 - B. £100,000
 - C. £1,000,000
 - D. £2,000,000
27. Under the Riot (Damages) (Amendment) Regulations 2011, how long does an insurer have to commence subrogation against the relevant police authority following a riot?
- A. 7 days.
 - B. 14 days.
 - C. 28 days.
 - D. 42 days.
28. Under the terms of the non-invalidation clause within a property owner's policy, the policyholder will be able to make a valid claim provided that
- A. the insurer is notified of any circumstances which increase the risk as soon as the policyholder becomes aware of them.
 - B. the insurer is notified of any circumstances which increase the risk only in advance of the claim.
 - C. no additional premium would have been generated by the change of circumstances.
 - D. the increase in risk results from an action by the insured, not a tenant.

29. A property policy contains a subrogation waiver clause. In what circumstances would subrogation rights be waived according to the clause?
- A. The policyholder has caused accidental damage to a customer's goods.
 - B. The policyholder has caused deliberate damage to a customer's goods.
 - C. The negligent party is a customer of the insured.
 - D. The negligent party is part of the same group of companies as the insured.
30. Pool Re does **NOT** provide terrorism cover in
- A. the Channel Islands.
 - B. England.
 - C. Scotland.
 - D. Wales.
31. Following the cancellation of a fidelity guarantee policy, what is the **maximum** discovery period, if any, **usually** provided by the insurer in respect of theft or fraud committed during the currency of the policy?
- A. A discovery period is not provided.
 - B. A discovery period of 6 months is provided.
 - C. A discovery period of 24 months is provided.
 - D. An unlimited discovery period is provided.
32. Goods in transit cover written on an all risks basis will extend to provide coverage, subject to any limits, for
- A. tools only.
 - B. tools and driver's personal effects only.
 - C. tools, driver's personal effects and debris removal only.
 - D. tools, driver's personal effects, debris removal and consequential loss.
33. Under the definition of gross profit for business interruption insurance, standing charges will **usually** include
- A. carriage and postage, rent and rates.
 - B. carriage and packing, raw materials and rent.
 - C. insurance premiums, purchase of raw materials and bank loans.
 - D. rent, rates and depreciation.
34. A manufacturing company is appropriately insured for material damage and business interruption. Should the company experience an interruption to trading following damage, the cover would include the
- A. period during which the business results are affected due to the damage.
 - B. period it will take to rebuild the premises.
 - C. period it will take to resume trading.
 - D. 12-month period following the loss.

35. In a business interruption insurance policy, which wording **typically** requires an insured to take action to **minimise** any loss?
- A. Alternative premises clause.
 - B. Claims procedures condition.
 - C. Other circumstances clause.
 - D. Property damage proviso.
36. Under the accidental failure of utilities extension and following failure of the electricity supply, what is the **typical maximum** limit in any one period of insurance?
- A. £1,000
 - B. £10,000
 - C. £50,000
 - D. £250,000
37. A policyholder has business interruption cover. The **main** function of business continuity planning for this policyholder is to
- A. accelerate recovery of the business.
 - B. accelerate settlement of a claim.
 - C. minimise claims costs for the insurer.
 - D. minimise the risk of a loss occurring.
38. A property insurance surveyor is establishing the business occupation and activities of a large company. **Typically** this will be on the basis of
- A. an aggregated summary.
 - B. a building-by-building and floor-by-floor assessment.
 - C. operational and non-operational activities.
 - D. owner-occupied portions only.
39. A policyholder has an operational sprinkler system, but the property underwriter has advised that a sprinkler survey report is **NOT** required. A **typical** explanation of this is
- A. business interruption cover is provided by another insurer.
 - B. a sprinkler discount is not being applied to the rate.
 - C. there have been no fire claims over the last three years.
 - D. the cover is provided under the standard fire policy only.
40. The acceptance capacity of an individual property insurer **typically** depends on
- A. non-standard construction, sprinklered risks and special occupations.
 - B. premium income, reinsurance arrangements and reserves.
 - C. risk classifications, deductibles and warranties.
 - D. risk descriptions, governing contingencies and target risks.

41. A property risk consists of a single building and associated machinery and stock. What is **typically** the governing contingency when calculating an estimated maximum loss?
- A. Fire.
 - B. Flood.
 - C. Impact.
 - D. Theft.
42. Property and business interruption insurance premiums are intended to cover the cost of claims plus
- A. expenses and commission payments only.
 - B. expenses and investment income only.
 - C. profit and investment income only.
 - D. profit, expenses and commission payments.
43. Before any acceptance calculations are made, what should be checked by a property underwriter before offering to insure a new risk, irrespective of acceptance category?
- A. Features of moral hazard.
 - B. Features of physical hazard.
 - C. Sum insured and estimated maximum loss.
 - D. The risk index of existing commitments.
44. The ratio used to assess the profitability of a property insurance portfolio is the
- A. claims ratio.
 - B. combined operating ratio.
 - C. expense ratio.
 - D. solvency ratio.
45. How are property reinsurers affected by prolonged soft market conditions?
- A. Income levels will be reduced.
 - B. New reinsurers will be attracted to the market.
 - C. Rates will be increased.
 - D. Reinsurers' profit margins will always increase.
46. A property insurer reinsures risks under a blind treaty. This means that the
- A. insurer can decide which individual risks to cede.
 - B. insurer has filled its treaty capacity with the reinsurer.
 - C. reinsurer is bound to accept risks which fall within predetermined limits.
 - D. reinsurer is free to accept or reject individual risks.

47. A property insurance policy operates with a deductible of £25,000. Three separate claims are made under the policy as follows

Claim 1	£10,000
Claim 2	£30,000
Claim 3	£50,000

In total, how much will be paid by the insurer in respect of these three claims, assuming that an aggregate deductible limit is **NOT** exceeded?

- A. £30,000
 B. £65,000
 C. £80,000
 D. £90,000
48. In a commercial property policy, which contingency is **most likely** to be subject to an increased excess?
- A. Escape of water.
 B. Fire.
 C. Impact.
 D. Lightning.
49. A property underwriter insures a department store for property damage and business interruption. The store is damaged during a flood. What specific cover, if any, is available under the business interruption policy in order to sustain trading?
- A. An immediate payment of up to £10,000.
 B. Increased cost of working cover on an economic basis.
 C. Increased cost of working cover on an unlimited basis.
 D. No such cover is available.
50. A policyholder suffers property damage and a resultant business interruption loss. The loss adjuster is provided with the following financial data and explanation in relation to the business interruption loss

Standard turnover	£12,000,000
Turnover achieved	£8,500,000
Rate of gross profit	30%
Increased Cost of Working	£1,500,000 on an economic basis
Savings	£900,000

What is the business interruption loss payable based on the above data?

- A. £1,650,000
 B. £2,600,000
 C. £4,100,000
 D. £5,000,000

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	1.1	25	D	2.1	38	B	4.1
2	D	1.1	26	A	2.3	39	B	4.1
3	B	1.2	27	D	2.1	40	B	4.2
4	A	1.2	28	A	2.2	41	A	4.2
5	B	1.3	29	D	2.2	42	D	4.3
6	B	1.3	30	A	2.3	43	D	4.3
7	B	1.3	31	C	2.4	44	B	4.4
8	D	1.4	32	C	2.4	45	A	4.5
9	D	1.4	8 questions			46	C	4.5
10	B	1.4				47	A	4.6
11	B	1.5	Learning Outcome 3			48	A	4.6
12	B	1.5	33	D	3.1	11 questions		
13	A	1.5	34	A	3.2			
14	B	1.6	35	B	3.3	Learning Outcome 5		
15	B	1.7	36	C	3.3	49	B	5.1
16	C	1.7	37	A	3.4	50	A	5.2
17	B	1.8	5 questions			2 questions		
18	A	1.8						
19	A	1.9						
20	A	1.9						
21	D	1.9						
22	A	1.10						
23	B	1.10						
24	D	1.10						
24 questions								