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E93

Examination element of M93 Commercial property and business interruption insurances

**Based on the 2020/2021 syllabus
examined from 1 May 2020 until 30 April 2021**

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E93 – Examination element of M93 Commercial property and business interruption insurances

Based on the 2020/2021 syllabus examined from 1 May 2020 until 30 April 2021

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/learning/qualifications/diploma-in-insurance-qualification/unit-commercial-property-business-interruption-insurances-m93/
- 2) Select 'exam guide update' 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 2020 until 30 April 2021.

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 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 question (MCQ) 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. an MCQ exam consisting of 50 MCQs. 1 hour is allowed for this exam. This exam must be successfully passed within 18 months of enrolment.
- This syllabus will be examined from 1 May 20 until 30 April 2021.
- 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/qualifications
 2. Select the appropriate qualification
 3. Select your unit from the list provided
 4. Select qualification update 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, franchises and loss limits.
- 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 and the role of the loss adjuster.
- 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 further reading 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 resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

CII/PFS members can access most of the additional study materials below via the Knowledge Services webpage at <https://www.cii.co.uk/knowledge-services/>.

New resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources, please go to <https://www.cii.co.uk/knowledge-services/> or email knowledge@cii.co.uk.

CII study texts

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

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

Books (and ebooks)

'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.*

Corporate risk management: an organisational perspective. Tony Merna, Faisal F Al-Thani. 2nd ed. Chichester, West Sussex: John Wiley, 2008.*

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.

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

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

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 fact files are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Written by subject experts and practitioners, the fact files cover key industry topics as well as less familiar or specialist areas of general insurance, life, and pensions and financial services, with information drawn together in a way not readily available elsewhere. Available online via www.cii.co.uk/ciifactfiles (CII/PFS members only).

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

The Insurance Institute of London (IIL) podcast lecture series features leading industry figures and subject experts speaking on current issues and trends impacting insurance and financial services.

Available online at <https://www.cii.co.uk/insurance-institute-of-london/> (CII/PFS members only).

Business interruption insurance. Diane Jenkins.

Risk identification. Ian Searle.

Risk quantification. Ian Searle.

Risk control. 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.

Archive available online at <https://www.thepfs.org/search-results/?q=the+journal> (CII/PFS members only).

Post magazine. London: Incisive Financial Publishing. Monthly. Contents searchable online at www.postonline.co.uk.

Access to further periodical publications is available from the Knowledge website 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.

Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the MCQ exam 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. The term fire load describes the
 - A. conduction, convection and radiation.
 - B. flammable gases, oxygen and heat sources.
 - C. risk of a fire developing and spreading.
 - D. totality of the combustible elements in buildings, machinery and stock.

2. The **most effective** method of controlling inception risks in multi-tenure buildings is
 - A. the absolute control of admission of tenants by the owner.
 - B. fire-resisting compartmentation or incombustible partitioning.
 - C. infrequent surveys by the local fire protection officer.
 - D. sprinkler installations.

3. Why would an insurance surveyor **primarily** want to have details of the substances used by an insured in its manufacturing process?
 - A. To assess the safety and storage arrangements.
 - B. To ensure compliance with Control of Substances Hazardous to Health (COSHH) Regulations 2002.
 - C. To exclude cover for spontaneous combustion.
 - D. To list the flashpoint and auto ignition temperature on the insured's records.

4. When considering the construction of premises, which building product melts when the temperature of a fire reaches 550 degrees centigrade?
 - A. Aluminium.
 - B. Concrete.
 - C. Steelwork.
 - D. Stonework.

5. Composite panels that satisfy the requirements of Loss Prevention Standard (LPS) 1181, will confirm that they
 - A. are fully fire resistant.
 - B. may make a significant contribution to fire growth.
 - C. provide some fire resistance.
 - D. will not make a significant contribution to fire growth.

6. What is the **main** disadvantage of using composite panels?
 - A. They can be easily damaged by impact exposing the core.
 - B. They can be expensive to install.
 - C. They can be time consuming to install.
 - D. The cores can become exposed by vermin or pests.

7. Under The Fire Protection Association (FPA) Design Guide for the Fire Protection of Buildings, for what **minimum** amount of time **must** fire resisting doors provide resistance?
- A. 30 minutes.
 - B. 1 hour.
 - C. 1 hour 30 minutes.
 - D. 2 hours.
8. What would be the **most appropriate** fire protection system for a premises located in a congested manufacturing area with the potential of fire spreading from a neighbouring premises?
- A. Alternate.
 - B. Drencher.
 - C. Dry pipe.
 - D. Wet pipe.
9. The **primary** concern of the Regulatory Reform (Fire Safety) Order 2005 is the
- A. preservation of property.
 - B. prevention of fire spread.
 - C. safety of personnel.
 - D. safety of the public.
10. For new-build premises in an isolated area, it is appropriate to use a building product that can last 30 minutes without protection in a high temperature fire. In these circumstances, which building product will be appropriate?
- A. Brickwork.
 - B. Concrete.
 - C. Plateglass.
 - D. Steelwork.
11. Under the Theft Act 1968, for a theft to have occurred there **must** be
- A. entrance to a building or part of a building as a trespasser.
 - B. force used on another person.
 - C. an intention of permanently depriving another of property.
 - D. an intention to put fear into another person that he will be subjected to force.
12. When installing a lightning conductor on a high-rise building, to keep electrical resistance down it needs
- A. to be buried deeper in the ground.
 - B. to be a shorter length of copper strip.
 - C. the cross section of the strip to have a larger area.
 - D. the cross section of the strip to have a smaller area.

13. A housing development nearing completion poses a specific underwriting risk to an insurer because of the
- A. aggregation of values within a small area.
 - B. attractiveness of construction materials.
 - C. location outside of town centres.
 - D. susceptibility to fire spread in the roof space.
14. What **key** information will an underwriter require to determine the type of safe specified for a risk?
- A. Claims history, occupancy of the premises and the volume of the items to be protected.
 - B. Cost of the safe, where it is to be located and the value of the items to be protected.
 - C. Cost of the safe, whether it is new or second hand and the value of the items to be protected.
 - D. Where the safe is to be located, the volume and the value of the items to be protected.
15. For a high-end jewellery store risk where an underwriter has specified that an intruder alarm system is required, which grade is **most likely** to be specified?
- A. Grade 1.
 - B. Grade 2.
 - C. Grade 3.
 - D. Grade 4.
16. What are the two **main** considerations for an underwriter assessing the storm risk of premises to be insured?
- A. Age and construction.
 - B. Age and maintenance.
 - C. Construction and location.
 - D. Location and maintenance.
17. What is the **main** reason insurers impose substantial excesses to the peril of subsidence?
- A. To assist in the design of the reinsurance programme.
 - B. To avoid liability for minor settlement cracks.
 - C. To cover the cost of the structural survey required.
 - D. To deter claims being made.
18. How many persons **must** be using or threatening violence for it to be deemed a riot under the Public Order Act 1986?
- A. Three persons.
 - B. Six persons.
 - C. Nine persons.
 - D. Twelve persons.

19. What is the **most suitable** method of extinguishing a metal fire in a manufacturing premises?
- A. Dry powder.
 - B. Dry sand.
 - C. Foam.
 - D. Halon.
20. The Regulatory Reform (Fire Safety) Order 2005 does **NOT** apply to private dwelling houses or
- A. care homes.
 - B. fire service premises.
 - C. offshore installations.
 - D. private schools.
21. Where a person enters into a jewellery shop and uses threatening behaviour to force the proprietor to open the safe and steal goods, what specific crime has been committed?
- A. Aggravated burglary.
 - B. Burglary.
 - C. Robbery.
 - D. Theft.
22. Under British Standard BS5839, the specific requirements in respect of a Type P alarm relate to protection of
- A. maintenance and signalling.
 - B. people.
 - C. property.
 - D. programming.
23. In terms of damage caused by subsidence, which type of sub-soil is considered to present the greatest risk?
- A. Gravel.
 - B. Heavy clay.
 - C. Sandy.
 - D. Silt.
24. The risk of a fire developing and spreading is known as
- A. conduction.
 - B. convection.
 - C. the fire load.
 - D. the propagation hazard.

25. What two exclusions are always applied to the riot and civil commotion section of an insurance policy?
- A. Confiscation and locked-out workers.
 - B. Confiscation and striking workers.
 - C. Locked-out workers and work stoppages.
 - D. Nationalisation and work stoppages.
26. Which peril under a property damage policy is described as being freely given, due to the minimal risk of claims arising from that particular peril?
- A. Aircraft.
 - B. Impact.
 - C. Riot.
 - D. Sprinkler leakage.
27. The stock section of a material damage policy does **NOT** include cover for stock that is
- A. held in the open.
 - B. held in trust.
 - C. held on commission.
 - D. in transit.
28. What costs and expenses are covered by a fire and rescue services damage clause?
- A. Those incurred for cleaning up pollution caused during the course of combatting a fire.
 - B. Those incurred from the fire and rescue services in the course of combatting a fire.
 - C. Those incurred to refill or replace extinguishing equipment used in the course of combatting a fire.
 - D. Those incurred to reinstate landscape gardens or grounds following damage caused when combatting a fire.
29. An existing policyholder has inadvertently omitted to advise the insurer of newly acquired plant and machinery. In these circumstances, cover may be provided retrospectively under which clause?
- A. All other documents.
 - B. Capital addition.
 - C. Customers' goods.
 - D. Day one reinstatement.
30. Under the Pool Re scheme, the categories of commercial risk which may be reinsured are
- A. completed buildings only.
 - B. completed buildings and other property only.
 - C. business interruption and completed buildings only.
 - D. book debts, business interruption, completed buildings and other property.

31. Where physical damage is insured for riot, within what **maximum** period **must** an insurer make a claim for recovery against the police authority?
- A. 7 days.
 - B. 14 days.
 - C. 30 days.
 - D. 42 days.
32. What is **typically** the **maximum** an insurer will pay under a capital additions clause?
- A. 25% of the total buildings and machinery and plant sum insured for all premises.
 - B. 25% of the total buildings and machinery and plant sum insured for any one premises.
 - C. £250,000
 - D. £500,000
33. When an organisation insures its gross profit under a business interruption policy on a declaration linked basis, what is the **maximum** payable by the insurer?
- A. The sum insured.
 - B. 150% of the estimated insured profit.
 - C. 133.33% of the estimated insured profit.
 - D. The full amount of any loss subject to annual declaration adjustments.
34. To achieve business expansion, an existing policyholder expects to incur costs associated with new premises and recruitment of additional staff. In order to protect the viability of the proposed expansion, what is the **most appropriate** type of business interruption insurance?
- A. Additional increase in cost of working.
 - B. Advance profits.
 - C. Book debts.
 - D. Flexible limit of loss.
35. What does the property damage proviso under a business interruption policy require?
- A. That a claim under a property damage policy would have been paid except for a breach of warranty.
 - B. That liability has been admitted under a property damage policy covering the loss.
 - C. That property damage has occurred from a common peril.
 - D. That there is a property damage policy in place in respect of the same property.
36. What does the auditors' and professional accountants' clause provide cover for?
- A. Fees payable by the insured to prepare a claim.
 - B. Fees payable by the insured to trace and prove book debts.
 - C. Reimbursement of charges for producing information requested by the insurer.
 - D. Reimbursement of charges for producing information requested by HM Revenue & Customs.

37. A business continuity plan could be of assistance to an insurer with underwriting and
- A. arranging treaty reinsurance cover.
 - B. assessing the adequacy of the sums insured.
 - C. estimating maximum loss assessment.
 - D. selecting appropriate trade warranties.
38. Which factors will **primarily** influence a property underwriter in determining whether a new commercial property and business interruption enquiry requires a survey of the risk?
- A. Age and the construction of premises.
 - B. Occupation and the sums insured.
 - C. Present and previous insurance history.
 - D. Source of the enquiry and the value of any supporting business.
39. What is the **main** benefit to the owner of a number of buildings on a trading estate of a pre-inception underwriting survey?
- A. The insurer accepts responsibility for the adequacy of sums insured.
 - B. The insurer will be able to confirm cover immediately.
 - C. The insurer will be able to grant full reinstatement cover.
 - D. The insurer will be able to provide more accurate premium terms.
40. The operation of which peril is **primarily** considered when assessing the estimated maximum loss for a commercial fire and business interruption risk?
- A. Aircraft.
 - B. Explosion.
 - C. Fire.
 - D. Flood.
41. What is the **primary** purpose of calculating the estimated maximum loss of a commercial property insurance risk?
- A. It determines the adequacy of the sums insured.
 - B. It determines the insurer's capacity.
 - C. It justifies risk improvement requirements.
 - D. It serves as a rating base.
42. Which two factors influence the rate of sprinkler discount allowed?
- A. Availability and pressure of water supply.
 - B. Construction and height of building in storeys.
 - C. Fire load and proportion of contents sum insured relative to the total sum insured.
 - D. Occupation of risk and trade processes.

43. Which factor influences the basis rate used in a business interruption premium calculation?
- A. Business interruption indemnity period.
 - B. Business interruption maximum probable loss.
 - C. Material damage estimated maximum loss.
 - D. Material damage inception hazard.
44. Why would an insurer, having been offered a large multi-tenure risk, **primarily** decide to coinsure the risk rather than fully use its reinsurance treaty, despite reinsurance capacity being available?
- A. To avoid over exposing its treaty reinsurers.
 - B. To facilitate a joint survey with the coinsurer.
 - C. To justify a reduced level of commission payable to the broker.
 - D. To share policy preparation costs with the coinsurer.
45. How is an insurer's combined operating ratio calculated?
- A. The sum of incurred losses and expenses, divided by earned premium.
 - B. The sum of incurred losses and commission, divided by the sum of written premium and investment income.
 - C. The sum of settled losses and expenses, divided by written premium only.
 - D. The sum of settled losses and expenses, divided by written premium inclusive of Insurance Premium Tax.
46. A large material damage risk is coinsured among a number of insurers, each of whom place part of their risk with their treaty reinsurers. In these circumstances, who is the policyholder in a contractual relationship with?
- A. The leading office only.
 - B. Each coinsurer only.
 - C. The leading office and its reinsurers only.
 - D. Each coinsurer and their respective reinsurers.
47. What **main** benefit can a working excess be to a large commercial risk, having otherwise arranged an aggregate deductible?
- A. It can help to act as a risk management tool.
 - B. It facilitates the administration of any external claims-handling function.
 - C. It promotes a more effective control over cash flow.
 - D. Valid claims are dealt with more quickly.
48. To which contingency of a business interruption insurance will an insurer **typically** apply to a franchise?
- A. Accidental failure of utilities.
 - B. Murder, suicide and infectious diseases.
 - C. Unspecified customers extension.
 - D. Unspecified suppliers extension.

49. For which insured items, might claims settlement be based on the terms of the contract price clause?
- A. Buildings held under a leasehold by the insured.
 - B. Finished stock awaiting delivery to customers.
 - C. Machinery and plant being purchased under a credit agreement.
 - D. All other contents for which the insured is responsible.
50. The economic limit applicable to increased cost of working under a business interruption claim for a manufacturing risk is calculated by
- A. applying the rate of gross profit to the increased costs actually incurred.
 - B. applying the rate of gross profit to the reduction in turnover avoided.
 - C. deducting any savings from the increased costs actually incurred.
 - D. deducting any savings from the reduction in turnover avoided.

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