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# PL3

## Award in Home Insurance

### Introduction to home insurance

Based on the 2020/2021 syllabus  
examined from 30 March 2020 until 31 December 2021

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**Based on the 2020/2021 syllabus tested from 30 March 2020 until 31 December 2021**

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## Introduction to home insurance

**Based on the 2020/2021 syllabus tested from 30 March 2020 until 31 December 2021**

### Introduction

This examination guide has been produced by the Qualifications and Assessments Department at the Chartered Insurance Institute to assist students in their preparation for the PL3 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their 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.

Although the specimen examination in this guide is typical of a PL3 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 PL3 reading list, which is located on the syllabus in this examination guide and on the CII website at [www.cii.co.uk](http://www.cii.co.uk).

### Background Information

Questions included in PL3 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](http://www.cii.co.uk)
- 2) Select 'exam guide update' on the right-hand side of the PL3 unit page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

## Syllabus

The PL3 syllabus is published on the CII website at [www.cii.co.uk](http://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 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 skill level tested in each examination question is determined by the syllabus. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested. Learning outcomes for PL3 begin with *understand*.

*Understand* - To answer questions based on understanding, the candidate 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 PL3 is 50 multiple choice questions (MCQs). One hour is allowed for this examination.

The PL3 syllabus provided in this examination guide will be examined from 30 March 2020 until 31 December 2021.

Candidates will be tested on the basis of English law and practice unless otherwise stated.

The general rule is that legislative and industry changes will not be tested earlier than 3 months after they come into effect.

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.

While no questions involve complex calculations, candidates are permitted to use calculators during the examination. 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 tests 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.

# Introduction to home insurance

## Objective

To provide a broad knowledge and understanding of home insurance, including:

- the need for cover and its benefits;
- insurance legal principles and duties;
- product features;
- how cover is arranged and provided;
- the principles of delivering good customer service.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the need for and benefit of home insurance	4
2. Understand the insurance legal principles and duties relating to home insurance	10
3. Understand the main features of home insurance products and the market	14
4. Understand how home insurance is arranged and provided	15
5. Understand the key principles of delivering good customer service	7

\* 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: 50 multiple choice questions (MCQs). 1 hour is allowed for this examination.
- This syllabus will be examined from 30 March 2020 until 31 December 2021.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- Candidates should refer to the CII website for further details of assessment content, along with the latest information on changes to law and practice and when they will be examined:
  1. Visit [www.cii.co.uk](http://www.cii.co.uk)
  2. Find the qualification update on the right hand side of the unit page.

## 1. Understand the need for and benefit of home insurance

- 1.1 Explain why home insurance is needed
- 1.2 Describe the pooling of risk and the social value of insurance

## 2. Understand the insurance legal principles and duties relating to home insurance

- 2.1 Describe what insurable interest is and how it arises
- 2.2 Describe the information gathered from the customer and its purpose
- 2.3 Explain the importance of providing the correct information
- 2.4 Describe what is meant by indemnity

## 3. Understand the main features of home insurance products and the market

- 3.1 Describe the levels and types of cover

## 4. Understand how home insurance is arranged and provided

- 4.1 Describe the different methods of arranging home insurance
- 4.2 Explain the sales and underwriting process
- 4.3 Describe the documentation issued when arranging home insurance
- 4.4 Explain the process for mid-term adjustments and renewals, including cancellations
- 4.5 Explain the claims process

## 5. Understand the key principles of delivering good customer service

- 5.1 Describe the main communication approaches and techniques when dealing with customers
- 5.2 Describe the complaints process
- 5.3 Describe the fair treatment of customers
- 5.4 Describe the home insurance regulator and ombudsman

## 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](mailto:knowledge@cii.co.uk).

### CII study texts

Introduction to home insurance. London: CII. Study text PL3.

### Books (and ebooks)

Insurance theory and practice. Rob Thoitys. Routledge, 2010.\*

### Periodicals

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).

### Reference materials

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

## Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate ([www.revisionmate.com](http://www.revisionmate.com)). Details of how to access Revisionmate are on the first page of your study text.

It is recommended that you only study from the most recent version of the examination guide.

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\* Also available as an ebook through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (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](http://www.cii.co.uk/iilrevision) (CII/PFS members only).



1. Under which section of a home insurance policy will damage to bathroom fittings be covered?
  - A. All risks.
  - B. Buildings.
  - C. Contents.
  - D. Liability.
  
2. According to the Association of British Insurers, what is currently the **most common** cause of domestic property insurance claims?
  - A. Accidental damage.
  - B. Escape of water.
  - C. Subsidence.
  - D. Theft.
  
3. Between which parties is the burden of risk transferred under home insurance?
  - A. From the insurer to the policyholder.
  - B. From the policyholder to the insurer.
  - C. From the mortgage lender to the policyholder.
  - D. From the policyholder to the mortgage lender.
  
4. What is a **key** benefit of home insurance?
  - A. It provides financial income from exports.
  - B. It provides funds to meet individual needs following an unexpected event.
  - C. It reduces reliance on the emergency services.
  - D. It reduces taxation.
  
5. Laura and her partner, Robyn, own a house where they live with their 21-year-old daughter, Jane. Who, if anyone, will have insurable interest in the house?
  - A. No one.
  - B. Laura only.
  - C. Laura and Robyn only.
  - D. Laura, Robyn and Jane.
  
6. If a house has a market value of £280,000, then its current rebuild value will
  - A. always be higher than £280,000.
  - B. depend on the sum insured.
  - C. equal the original construction cost.
  - D. usually be lower than £280,000.
  
7. If a home insurance proposer has a police-approved intruder alarm fitted in her property, this is **primarily** considered to be what type of hazard?
  - A. Good moral hazard.
  - B. Good physical hazard.
  - C. Poor moral hazard.
  - D. Poor physical hazard.

8. A consumer mis-stated a fact when applying for contents insurance. This will be classified as being a misrepresentation under the Consumer Insurance (Disclosure and Representations) Act 2012 if it
- A. misled the insurer in assessing the risk.
  - B. occurred before submitting a large claim.
  - C. was a minor error.
  - D. was in the insured's opinion.
9. Joan is worried that her neighbour has **NOT** insured his thatched cottage. What insurable interest, if any, would Joan have if she wishes to insure the cottage?
- A. She would have insurable interest equal to the amount of her own property.
  - B. She would have insurable interest for the market value of the property.
  - C. She would have no insurable interest.
  - D. She would have unlimited insurable interest.
10. What will the limit of indemnity **normally** be under a buildings insurance policy?
- A. The excess.
  - B. The no claims discount.
  - C. The premium.
  - D. The sum insured.
11. If a home insurer asks a proposer for details of her usual occupancy of the property, this is **most likely** to relate to which aspect of the policy cover?
- A. Indexation.
  - B. Insurable interest.
  - C. Subsidence.
  - D. Valuable items.
12. What **must** be in evidence for a homeowner to insure against any injuries to visitors at his property?
- A. Compulsory insurance.
  - B. Good faith.
  - C. Indemnity.
  - D. Insurable interest.
13. What information about a property **usually** helps the insurer to assess the risk of subsidence?
- A. The age of the building.
  - B. The floor area.
  - C. The number of occupants.
  - D. The postcode.
14. Greg has owned a house for the past 20 years without insuring it, and has now applied for buildings insurance. The insurer is **likely** to be particularly concerned about
- A. moral hazard.
  - B. over insurance.
  - C. physical hazard.
  - D. under insurance.

15. How, if at all, is cover for a home emergency such as the loss of the domestic power supply **usually** provided under a buildings insurance policy?
- A. As a policy extension always subject to an additional premium.
  - B. As a policy extension subject to an increased excess.
  - C. As a policy extension to the core part of the policy.
  - D. Cover is always excluded.
16. Under an insurance policy providing cover for household contents only, cover for personal possessions may be available by
- A. agreeing to a professional valuation.
  - B. the existence of accidental damage cover.
  - C. an extension of cover.
  - D. paying an excess.
17. What is the **usual** position under a buildings insurance policy regarding cover for tennis courts within the property's grounds?
- A. Cover is always excluded.
  - B. Cover is always provided.
  - C. Cover is provided as an optional extension.
  - D. Cover is provided subject to an excess.
18. A satellite dish falls off Raj's roof causing damage to the roof and destroying the dish. On checking his home insurance policy, Raj will find the satellite dish will be covered under the
- A. buildings section.
  - B. contents section.
  - C. home emergency section.
  - D. personal possessions section.
19. A house, which is covered under a buildings insurance policy, is damaged as a result of a storm. The insurer would regard the damage as being an
- A. insured hazard.
  - B. insured peril.
  - C. uninsured hazard.
  - D. uninsured peril.
20. The **usual** definition of business equipment within a household insurance policy includes computers, printers and
- A. paper.
  - B. photocopiers.
  - C. smart phones.
  - D. tablet computers.

21. Tom has taken out a standard home contents insurance policy. In what circumstances, if any, would cover be provided for a trailer under the policy?
- A. In no circumstances.
  - B. In all circumstances.
  - C. Only if an increased excess is applied to the policy.
  - D. Only if an extension is applied to the policy.
22. What is the **usual** position regarding cover for acts of terrorism, under a standard contents insurance policy?
- A. They are excluded.
  - B. They are insured as standard.
  - C. They are only insured if an increased excess applies.
  - D. They are only insured if an increased premium is paid.
23. Barny has made a claim for fire damage to his property under his buildings insurance policy. During the insurer's investigations, it has become apparent that the damage occurred before the start date of the policy. What is the position regarding policy cover under the policy?
- A. Cover will be excluded.
  - B. Cover will be provided as standard.
  - C. Cover will only be provided if the fire damage was still causing a problem during the policy term.
  - D. Cover will only be provided if the policy contains an optional extension to cover fire damage.
24. How, if at all, is cover for replacing locks on a property following the loss of keys **usually** provided under a buildings insurance policy?
- A. As a policy extension always subject to an additional premium.
  - B. As a policy extension subject to an increased excess.
  - C. Cover is not provided.
  - D. Cover is provided as a standard part of the policy.
25. Rafiq has a ring which is valued at £25,000. He is going on holiday outside the UK and has paid an additional premium to take the jewellery abroad. For what **maximum** period, will his insurer **typically** provide cover for personal possessions?
- A. 14 days.
  - B. 60 days.
  - C. 180 days.
  - D. 365 days.
26. How is cover provided for legal liability under a **typical** home buildings insurance policy?
- A. Cover is only provided if an increased excess applies.
  - B. Cover is only provided subject to an additional premium being paid.
  - C. Cover is provided as standard.
  - D. Cover is not provided.

27. Heather is unsure what the sum insured should be under her buildings insurance policy for her home. She should seek professional advice from
- A. a chartered surveyor.
  - B. the Land Registry.
  - C. a loss adjuster.
  - D. a solicitor.
28. How, if at all, is full accidental damage cover **usually** provided under a buildings insurance policy?
- A. As a policy extension always subject to an additional premium.
  - B. As a policy extension subject to a survey.
  - C. Cover is not provided.
  - D. Cover is provided as a standard part of the policy.
29. What is the **most likely** reason that Dominic's home insurance premium has reduced for three consecutive years?
- A. A no claim discount has been applied.
  - B. Competition from other insurers has decreased.
  - C. The compulsory excess has increased.
  - D. Cover has reduced.
30. A policyholder has been advised that her home insurance policy will automatically renew. It is **most likely** that the original premium was paid by
- A. cash.
  - B. cheque.
  - C. direct debit.
  - D. an intermediary.
31. Which type of home insurance provider will **most commonly** make use of web chats to help a proposer set up his policy?
- A. Bancassurer.
  - B. Direct insurer.
  - C. Intermediary.
  - D. Reinsurer.
32. Where home insurance is sold through a high street retailer, this is **usually** because what type of arrangement is in place?
- A. An aggregator website.
  - B. Corporate partner insurance.
  - C. A demands and needs statement.
  - D. An introducer's agreement.

33. Who is responsible for deciding the insurer's terms, conditions and scope of cover for a home insurance risk?
- A. The claims manager.
  - B. The finance director.
  - C. The surveyor.
  - D. The underwriter.
34. Layla has informed her home insurer that she would like to have a voluntary excess applied to her insurance policy. Layla should be aware that
- A. a compulsory excess will not apply.
  - B. in the event of a claim, her cover will be enhanced.
  - C. this would usually increase the premium.
  - D. this would usually reduce the premium.
35. A customer's home insurance policy premium **must always** be contained within the
- A. demands and needs statement.
  - B. policy booklet.
  - C. policy schedule.
  - D. Terms of Business Agreement.
36. A change made to a home insurance policy during the period of cover is known as
- A. a cooling-off period.
  - B. an indemnity.
  - C. a mid-term adjustment.
  - D. subrogation.
37. The document that is sent to a customer from the home insurer outlining all the information given by the customer at the quotation stage is the
- A. policy booklet.
  - B. policy schedule.
  - C. Statement of Fact.
  - D. Terms of Business Agreement.
38. Home insurance comparison websites are **most commonly** known as
- A. aggregators.
  - B. direct insurers.
  - C. intermediaries.
  - D. reinsurers.
39. An agreed amount of money that a home insurance policyholder will pay towards any claim is known as
- A. an indemnity.
  - B. a policy excess.
  - C. a premium.
  - D. a warranty.

40. Roxie made a claim for £500 under her home insurance policy following a burglary. Under the policy there is a compulsory excess of £100 and a voluntary excess of £50. How much of the claim, if anything, will Roxie be obliged to pay?
- A. Nil.
  - B. £50
  - C. £100
  - D. £150
41. On receiving a solicitor's letter about a potential liability claim, what **must** the policyholder do immediately, under the claims conditions of her home insurance policy?
- A. Appoint her own solicitor and advise the insurer of this.
  - B. Contact the solicitor asking for full information.
  - C. Deny, negotiate or pay the claim.
  - D. Send the letter to the insurer unanswered.
42. Damage has been caused by a major flood to several properties which are insured by the same home insurer and claims have been submitted by the policyholders. Who would the insurer **usually** send to review the claims?
- A. A loss adjuster.
  - B. A loss assessor.
  - C. An underwriter.
  - D. A representative of Flood Re.
43. What is the Claims and Underwriting Exchange?
- A. An aggregator site.
  - B. A database to help fight insurance fraud.
  - C. A database to provide premium rates.
  - D. A register of all claims companies.
44. What type of language should be used in written communication with a home insurance policyholder?
- A. Abbreviations.
  - B. Jargon.
  - C. Professional.
  - D. Slang.
45. A home insurance customer that is **NOT** an employee of the insurance company is an example of
- A. an external customer.
  - B. an internal customer.
  - C. a regulator.
  - D. a trade body.

46. What is the time frame for a home insurer to **initially** respond to a complaint from a customer?
- A. Promptly.
  - B. One week.
  - C. Two weeks.
  - D. One month.
47. A home insurance policyholder is unhappy about the service provided and makes a complaint to the insurer. He receives an **initial** response stating that the complaint is being investigated and that the insurer will send a written final response within
- A. 7 days.
  - B. 4 weeks.
  - C. 8 weeks.
  - D. 12 weeks.
48. Which organisation's aim is to ensure that home insurance customers are protected and treated fairly?
- A. Association of British Insurers.
  - B. Claims and Underwriting Exchange.
  - C. Financial Conduct Authority.
  - D. Financial Ombudsman Service.
49. The use of data under General Data Protection Regulation (GDPR) rules relates to
- A. collection only.
  - B. storage only.
  - C. storage and disposal only.
  - D. collection, storage and disposal.
50. What fee, if any, does a home insurance policyholder pay when referring a complaint to the Financial Ombudsman Service (FOS)?
- A. Nil.
  - B. £25
  - C. £40
  - D. £50



## Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
<b>Learning Outcome 1</b>			<b>Learning Outcome 4</b>		
1	B	1.1	29	A	4.4
2	B	1.1	30	C	4.4
3	B	1.2	31	B	4.1
4	B	1.1	32	B	4.1
<b>4 Questions</b>			33	D	4.2
			34	D	4.2
<b>Learning Outcome 2</b>			35	C	4.3
5	C	2.1	36	C	4.4
6	D	2.2	37	C	4.3
7	B	2.3	38	A	4.1
8	A	2.3	39	B	4.2
9	C	2.1	40	D	4.5
10	D	2.4	41	D	4.5
11	D	2.2	42	A	4.5
12	D	2.1	43	B	4.5
13	D	2.2	<b>15 Questions</b>		
14	A	2.3			
<b>10 Questions</b>			<b>Learning Outcome 5</b>		
			44	C	5.1
<b>Learning Outcome 3</b>			45	A	5.1
15	A	3.1	46	A	5.2
16	C	3.1	47	C	5.2
17	B	3.1	48	C	5.4
18	B	3.1	49	D	5.3
19	B	3.1	50	A	5.4
20	B	3.1	<b>7 Questions</b>		
21	A	3.1			
22	A	3.1			
23	A	3.1			
24	D	3.1			
25	B	3.1			
26	C	3.1			
27	A	3.1			
28	A	3.1			
<b>14 Questions</b>					