



Chartered
Insurance
Institute

IF2

Certificate in Insurance

Unit 2 – General insurance business

**Based on the 2021 syllabus
examined from 1 January 2021 until 31 December 2021**

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Unit 2 – General insurance business

Based on the 2021 syllabus examined from 1 January 2021 until 31 December 2021

Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute to assist students in their preparation for the IF2 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 two hours 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 an IF2 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 IF2 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/unit-general-insurance-business-if2/
- 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 IF2 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 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 IF2 begin with *know* or *understand*. Different skill levels lead to different types of question, examples of which follow.

Know Knowledge-based questions require the candidate to recall factual information. Typically questions may ask 'What', 'When' or 'Who'. Questions set on a *know* learning outcome can only test knowledge.

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 the IF2 examination is 100 multiple choice questions (MCQs). 2 hours are allowed for this examination.

The IF2 syllabus provided in this examination guide will be examined from 1 January 2021 until 31 December 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.

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 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, under 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.

General insurance business

Objective

To provide knowledge and understanding of basic insurance products and practice, including underwriting and policy wordings, claims, customer service and information and communication technology.

Summary of learning outcomes	Number of questions in the examination*
1. Know insurance products and associated services for general insurance business.	36
2. Understand underwriting and policy wordings for general insurance business.	31
3. Know how to apply knowledge of principles of premium calculation of general insurance business to a given set of circumstances.	2
4. Understand claims within the context of general insurance business.	21
5. Know how to apply knowledge of principles concerning the operation of policy conditions affecting claims for general insurance business to a given set of circumstances.	2
6. Understand information and communication technology, security, confidential information and data protection within general insurance business.	5
7. Understand customer service within general insurance business.	3

* 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: 100 multiple choice questions (MCQs). 2 hours are allowed for this examination.
- This syllabus will be examined from 1 January 2021 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 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. Know insurance products and associated services for general insurance business.

- 1.1 Describe the basic features and outline of typical cover of: Motor insurance, Health insurance, Combined comprehensive or packaged insurance, Property insurance, Pecuniary insurance, Liability insurance.
- 1.2 Describe in outline the non-insurance services available.

2. Understand underwriting and policy wordings for general insurance business.

- 2.1 Explain why an underwriter wishes to be aware of material circumstances in assessing a risk.
- 2.2 Explain the significance of moral and physical hazard for underwriters.
- 2.3 Describe the legal relevance of the disclosure of material information to insurers and the methods used by underwriters to obtain this information.
- 2.4 Describe the legal and regulatory significance of procedures relating to setting up an insurance contract.
- 2.5 Describe the features of an insurance contract.
- 2.6 Explain the meaning and use of common policy conditions, warranties and exclusions.
- 2.7 Explain how excesses, deductibles and franchises are used.
- 2.8 Explain the legal and regulatory significance of procedures relating to renewals

3. Know how to apply knowledge of principles of premium calculation of general insurance business to a given set of circumstances.

- 3.1 Apply knowledge of principles of premium calculation of general insurance business to a given set of circumstances.

4. Understand claims within the context of general insurance business.

- 4.1 Describe the legal requirements for a valid claim.
- 4.2 Explain why a claim may not be valid or met in full.
- 4.3 Describe the insured's duties after a loss.
- 4.4 Describe the way in which claims can be validated.
- 4.5 Explain how alternative dispute resolutions operate.
- 4.6 Explain the ways in which claims can be settled.
- 4.7 Describe the role of key organisations in relation to claims.
- 4.8 Explain in general terms how the process of reserving operates.
- 4.9 Describe the means of claims recovery open to insurers.
- 4.10 Describe the procedures commonly used when preventing or dealing with fraud.
- 4.11 Explain the consequences of fraudulent claims.

5. Know how to apply knowledge of principles concerning the operation of policy conditions affecting claims for

general insurance business to a given set of circumstances.

- 5.1 Apply knowledge of principles concerning the operation of policy conditions affecting claims for general insurance business to a given set of circumstances.

6. Understand information and communication technology, security, confidential information and data protection within general insurance business.

- 6.1 Explain how the insurance industry uses and adapts to technology and new innovations.
- 6.2 Describe the principles and practices of data protection and the types of confidential information.

7. Understand customer service within general insurance business.

- 7.1 Describe what a customer service standard is and how it should be implemented.
- 7.2 Describe the legal and regulatory obligations in relation to customer service in insurance.

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 study texts

General insurance business. London: CII. Study text IF2.

Books (and ebooks)

Bird's modern insurance law. 10th ed. John Birds. Sweet and Maxwell, 2016.

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

Insurance law: an introduction. Robert Merkin. London: Routledge, 2014.*

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

Pricing in general insurance. Pietro Parodi. CRC Press, 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).

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).

Fraudulent claims. Beverley Lyn.

Recent developments to Solvency II. Brad Baker.

Principles and trends in general insurance underwriting. Massimo Vascotto.

The Financial Ombudsman Service and general insurance. Peter Tyldesley, Saira Paruk.

The regulatory framework. Simon Collins.

Code of ethics explained. Duncan Minty. CII Faculty lecture, 2014. Available online at www.cii.co.uk/30790

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).

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

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.

Financial Conduct Authority (FCA) Handbook. Available at www.handbook.fca.org.uk/handbook.

The insurance manual. Sadler, John. Stourbridge, Worcs: Insurance Publishing & Printing Co. Looseleaf updated annually.

Prudential Regulation Authority (PRA) Rulebook Online. Available at www.prarulebook.co.uk

The insurance manual. Stourbridge, West Midlands: Insurance Publishing & Printing Co. Looseleaf, updated.

Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (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.

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. What limit of indemnity is **normally** provided under an employers' liability insurance policy?
 - A. £2,000,000
 - B. £5,000,000
 - C. £10,000,000
 - D. £25,000,000

2. A legal expenses insurance policy **normally** covers the insured for
 - A. the cost of attending jury service.
 - B. fines and penalties incurred.
 - C. negligent advice provided by the insured.
 - D. solicitors' costs incurred in pursuing a claim against a third party.

3. Under which insurance policy does an employer **normally** insure his liability in respect of injury to his employees being driven as passengers in the employer's cars?
 - A. An employers' liability insurance policy.
 - B. A motor insurance policy.
 - C. A personal accident insurance policy.
 - D. A public liability insurance policy.

4. An employee is assaulted and robbed of his employer's takings whilst en route to bank them. Which insurance policy is **most likely** to provide personal accident benefits to the employee for the injuries sustained during the robbery?
 - A. An employers' liability insurance policy.
 - B. A money insurance policy.
 - C. A public liability insurance policy.
 - D. A theft insurance policy.

5. Under a personal accident insurance policy, standard cover **normally** provides for payment of
 - A. benefits whilst incapacitated.
 - B. damages for pain and suffering.
 - C. private medical expenses.
 - D. private nursing.

6. Under a third party only private motor insurance policy, cover in respect of third party property damage is **usually** subject to what **maximum** limit?
 - A. £250,000
 - B. £1,200,000
 - C. £10,000,000
 - D. £20,000,000

7. What element of cover under a buildings insurance policy **normally** attracts a substantial compulsory excess?
- A. Earthquake.
 - B. Impact.
 - C. Storm and flood.
 - D. Subsidence, ground heave and landslip.
8. When criminal prosecution defence cover is included under a commercial legal expenses insurance policy, what type of fines, if any, are **typically** covered?
- A. Fines are not covered.
 - B. Fines above the policy excess.
 - C. Fines which equal or exceed the franchise.
 - D. All fines are covered.
9. In what way are legal costs for landlord/tenant disputes **normally** covered, if at all, under the legal expenses extension of a household insurance policy?
- A. All costs are covered rather than just court fees.
 - B. A significantly lower excess applies.
 - C. The standard sum insured limit is doubled.
 - D. They are not covered.
10. Under what type of insurance policy is a material damage warranty **automatically** imposed?
- A. A business interruption insurance policy.
 - B. An extended warranty insurance policy.
 - C. A products liability insurance policy.
 - D. A professional indemnity insurance policy.
11. One of the common exclusions under an extended warranty insurance policy relates to any risks **normally** covered by which other type of insurance policy?
- A. A buildings insurance policy.
 - B. A household contents insurance policy.
 - C. A motor insurance policy.
 - D. A theft insurance policy.
12. Under a typical extended warranty insurance policy, what proportion of the cost of labour and parts is **normally** covered?
- A. 80% of the cost of both labour and parts.
 - B. 80% of the cost of labour and 100% of the cost of parts.
 - C. 100% of the cost of both labour and parts.
 - D. 100% of the cost of labour and 80% of the cost of parts.

13. A commercial property insurance policy will **usually** exclude damage arising from impact by
- A. aircraft.
 - B. animals.
 - C. own vehicles.
 - D. third party vehicles.
14. For theft of shop stock to be covered under a theft insurance policy, there would **usually** need to be evidence of
- A. forcible and violent entry to and exit from the premises.
 - B. forcible or violent entry to and exit from the premises.
 - C. forcible and violent entry to or exit from the premises.
 - D. forcible or violent entry to or exit from the premises.
15. Following an insured loss at a solicitor's premises, which insurance policy **specifically** covers the solicitor for loss of profits?
- A. A business interruption insurance policy.
 - B. A legal expenses insurance policy.
 - C. A money insurance policy.
 - D. A professional indemnity insurance policy.
16. What cover, if any, is provided under a comprehensive private motor insurance policy for a caravan whilst it is attached to the insured vehicle?
- A. No cover is provided.
 - B. Third party only.
 - C. Third party, fire and theft.
 - D. Comprehensive.
17. What standard cover is provided under a third party only motorcycle insurance policy in respect of injury to the insured in the event of an accident?
- A. Emergency treatment fees.
 - B. Loss of earnings.
 - C. Medical expenses.
 - D. Personal accident benefits.
18. In what circumstances will a public liability insurance policy pay a claim for pollution of air, water or soil?
- A. When the pollution has been caused over a long period of time.
 - B. When pollution is caused by immediate discharge consequent upon an accident.
 - C. When the insured has paid the appropriate additional premium for pollution.
 - D. When the insured is legally liable for pollution clean-up costs.

19. What type of insurance policy would provide cover for an accountant's liability to compensate her clients for losses due to errors or omissions by her staff?
- A. An employers' liability insurance policy.
 - B. A money insurance policy.
 - C. A professional indemnity insurance policy.
 - D. A public liability insurance policy.
20. Under a personal accident insurance policy, what is the **maximum** number of weeks for which temporary total disablement benefit is **usually** paid?
- A. 26 weeks.
 - B. 52 weeks.
 - C. 104 weeks.
 - D. 156 weeks.
21. What amount should the sum insured under the buildings section of a household insurance policy represent?
- A. The cost of rebuilding the property.
 - B. The market value of the property.
 - C. The maximum likely cost of fire damage to the property.
 - D. The outstanding mortgage loan on the property.
22. The cancellation section of a travel insurance policy **normally excludes** claims in relation to
- A. death of a close relative.
 - B. jury service.
 - C. permanent disablement.
 - D. pregnancy.
23. An insurance policy for a small business includes cover for fire, special perils, theft, business interruption, money and other types of insurance under a single contract. This policy is known as
- A. an all risks insurance policy.
 - B. a collective insurance policy.
 - C. an open cover insurance policy.
 - D. a package insurance policy.
24. From where may an insured obtain free advice regarding the cover provided under his motor insurance policy?
- A. The Chartered Insurance Institute.
 - B. The Financial Ombudsman Service.
 - C. The insurer's telephone helpline.
 - D. The Motor Insurers' Bureau.

25. Authorised motor repairers are approved by the
- A. Department for Business, Energy and Industrial Strategy.
 - B. Financial Conduct Authority.
 - C. insurer.
 - D. Motor Insurers' Bureau.
26. Which type of personal insurance policy **most commonly** provides an uninsured loss recovery service?
- A. A household insurance policy.
 - B. A private motor insurance policy.
 - C. A sickness insurance policy.
 - D. A travel insurance policy.
27. Under a **typical** legal expenses insurance policy, what limit of cover, if any, **usually** applies during the period of insurance?
- A. Cover is unlimited.
 - B. Overall cover is limited, but there is no limit per claim.
 - C. Overall cover is limited and there is also a limit per claim.
 - D. Overall cover is unlimited, but there is a limit per claim.
28. Under a travel insurance policy, cover for baggage will **NOT generally** include damage to
- A. binoculars.
 - B. designer clothing.
 - C. fragile objects.
 - D. jewellery.
29. Under a household insurance policy, subsidence cover responds to damage caused by
- A. faulty workmanship.
 - B. riverbank erosion.
 - C. settlement.
 - D. tree roots.
30. A basic feature of glass insurance is that it will **exclude** glass breakages caused by
- A. fire, lightning or explosion.
 - B. impact by vehicles.
 - C. storm, tempest or flood.
 - D. theft or malicious damage.
31. Who would take out an extended warranty insurance policy in respect of electrical goods?
- A. The manufacturer.
 - B. The purchaser.
 - C. The repairer.
 - D. The retailer.

32. What cover **must** be included under a motor insurance policy to comply with the Road Traffic Act?
- A. Death or injury to the insured driver only.
 - B. Death or injury to the insured driver, any passengers and any third parties.
 - C. Legal liability for death or injury to third parties.
 - D. Personal accident for any passengers.
33. Owing to an accident resulting in injury to an arm, a hairdresser is unable to carry out **any** work for three months. What benefit will be provided under his personal accident insurance policy?
- A. A capital sum for partial loss of the use of a limb.
 - B. A capital sum for total loss of the use of a limb.
 - C. A regular payment for temporary partial disablement.
 - D. A regular payment for temporary total disablement.
34. What is one of the **main** benefits to an insurer for providing a 24 hour glazing service to its policyholders?
- A. A higher policy excess can be applied.
 - B. Any salvage can be retained and sold.
 - C. The control of the claim.
 - D. Their employees can work more flexible hours.
35. For which class of insurance will an insurer **normally** request a supplementary questionnaire if they require further information than that provided in a proposal form, rather than arranging a survey?
- A. Business interruption.
 - B. Fire and special perils.
 - C. Money.
 - D. Theft.
36. What is the **minimum** limit of indemnity legally required under an employers' liability insurance policy?
- A. £1,000,000
 - B. £2,000,000
 - C. £5,000,000
 - D. £10,000,000
37. A woodwork company has a fire insurance policy containing a clause which requires the removal of any sawdust shavings from the premises at the end of each working day. Failure to do so may make any associated claim invalid. This is known as
- A. an exclusion.
 - B. a franchise.
 - C. a representation.
 - D. a warranty.

38. An insurance policy's legal significance is as the
- A. basis of the contract.
 - B. confirmation of cover.
 - C. contract itself.
 - D. evidence of the contract.
39. What is **normally** the **main** rating factor used when considering an application for personal accident insurance?
- A. Geographical location.
 - B. Health.
 - C. Income.
 - D. Occupation.
40. Why does an underwriter need to be aware of material circumstances when processing an application for insurance?
- A. They can affect the terms on which the risk is accepted.
 - B. They can reduce the likelihood of subrogation.
 - C. They will dictate whether or not the contract is regulated by the Financial Conduct Authority.
 - D. They will indicate the legal status of the contract.
41. An underwriter has identified a good physical hazard in relation to an insurance application. What impact will this tend to have on the likelihood and severity of loss?
- A. An increase in both the likelihood and severity.
 - B. A decrease in both the likelihood and severity.
 - C. An increase in the likelihood, but a decrease in the severity.
 - D. A decrease in the likelihood, but an increase in the severity.
42. The proposal form being completed by an applicant specifically asks for the details of anyone under the age of 25 who is to be covered by the insurance policy. What type of policy is this **most likely** to be?
- A. A medical expenses insurance policy.
 - B. A motor insurance policy.
 - C. A personal accident insurance policy.
 - D. A travel insurance policy.
43. Under which part of a property insurance policy will the insured perils be listed?
- A. The conditions.
 - B. The exceptions.
 - C. The operative clause.
 - D. The recital clause.

44. Martin buys a car and asks an intermediary to arrange insurance. From what point does the insurance become effective?
- A. When the intermediary submits the quotation.
 - B. From the time and date shown on the cover note issued by the intermediary.
 - C. When Martin receives the insurance policy document.
 - D. When the intermediary receives the full premium.
45. A fire occurs at a factory one month after the insurance policy renewal date, but the renewal premium has **NOT** been paid. What is the legal position of the insurer in the event of a claim?
- A. The insurer can reject the claim in its entirety.
 - B. The insurer must pay the claim, but with a deduction for the unpaid premium.
 - C. The insurer must pay the claim in full, unless a cancellation notice has been issued.
 - D. The insurer must delay settlement until the premium has been paid.
46. Which part of an insurance policy personalises the cover to the insured?
- A. The heading.
 - B. The operative clause.
 - C. The recital clause.
 - D. The schedule.
47. A franchise under an insurance policy means that the
- A. insured always pays an agreed amount towards a claim.
 - B. insured never has to contribute towards a claim.
 - C. insurer pays the full value of any claim which exceeds a specified amount.
 - D. insurer pays the full value of any claim which falls below a specified amount.
48. What is **always** the consequence of a proposer failing to inform an underwriter of all material circumstances relating to a proposed industrial risk?
- A. A claim cannot be made against the insurance policy.
 - B. The insurer's liability is limited to third parties.
 - C. The premium is set at a higher level.
 - D. The risk is not accurately assessed.
49. A proposal form is **normally** used by an underwriter as a means of obtaining material information because it
- A. is a regulatory requirement.
 - B. is convenient and cost-effective.
 - C. prevents misrepresentation by the proposer.
 - D. provides evidence of a contract.

50. Which peril is **always excluded** under a commercial fire and special perils insurance policy as a market exclusion?
- A. Earthquake.
 - B. Flood.
 - C. Riot.
 - D. War.
51. A household insurer **usually** grants a limited grace period in order to give an insurance policyholder time to
- A. cancel the policy without penalty.
 - B. notify the insurer of a claim.
 - C. notify the insurer of a complaint.
 - D. pay the policy renewal premium.
52. Under the cancellation clause of a personal insurance policy, what postal method does the insurer **usually** use to advise the insured that the policy is cancelled?
- A. A couriered letter to the insured's intermediary.
 - B. A couriered letter to the insured's last known address.
 - C. A recorded delivery letter to the insured's intermediary.
 - D. A recorded delivery letter to the insured's last known address.
53. Under a cancellation clause, when may an insurer cancel an insurance policy?
- A. At inception of the policy only.
 - B. At renewal of the policy only.
 - C. At any time during the period of the policy.
 - D. Only after a claim has occurred under the policy.
54. How is the likelihood of a loss occurring **usually** affected by the existence of a poor physical hazard?
- A. It always remains constant.
 - B. It may remain constant or increase.
 - C. It may remain constant or decrease.
 - D. It may increase or decrease.
55. An insurer mistakenly quotes a premium of £500 instead of £5,000. The quotation has **NOT** yet been accepted. What option, if any, is available to the insurer to rectify its mistake?
- A. The insurer is bound by the quotation.
 - B. Send the proposer a second quotation with the correct premium stated.
 - C. Vary the level of cover to suit the misquoted premium.
 - D. Vary the period of cover to suit the misquoted premium.

56. What personal information about the proposer, other than name and address, is required on a commercial fire insurance proposal form?
- A. Age.
 - B. Marital status.
 - C. Nationality.
 - D. Occupation.
57. A direct motor insurer asks a proposer questions over the telephone and prepares a statement of fact based on the proposer's responses. What is the next stage in processing this proposal?
- A. The insurer draws up an insurance policy which is sent to the proposer for consideration.
 - B. The insurer issues a certificate pending receipt of the premium.
 - C. The insurer issues a cover note pending receipt of the premium.
 - D. The statement of fact is sent to the proposer to check.
58. John purchases a motor insurance policy and asks the insurer **NOT** to send him a policy document as he understands the extent of cover. Why would the insurer send him a policy document anyway?
- A. John cannot make a claim under the policy without the policy document.
 - B. The insurer is legally obliged to issue the policy document within 60 days of inception.
 - C. The policy is evidence of the contract and it must be sent to meet contract certainty regulations.
 - D. The policy document must be issued before the premium is legally payable.
59. A customer requests an insurance quotation and indicates a wish to accept it. At what point is the contract made?
- A. When the customer agrees to pay the premium.
 - B. When the customer pays the premium.
 - C. When the policy document is issued by the insurer.
 - D. When the policy document is received by the customer.
60. What type of fact, if fraudulently omitted by the proposer when completing a public liability form, might allow the insurer to avoid the insurance policy?
- A. A fact of common knowledge.
 - B. A fact of law.
 - C. A fact which lessens the risk.
 - D. A material circumstance.
61. A public liability insurance policy contains a condition precedent to liability concerning the precautions to be taken when using cutting torches. In the event of a claim for damage arising from the use of cutting torches and the insured has specifically failed to comply with this condition, the insurer will **normally**
- A. cancel the policy.
 - B. offer part payment of the claim.
 - C. refuse to settle the claim.
 - D. settle the claim and sue the insured for recovery.

62. To which countries do rehabilitation periods under the Rehabilitation of Offenders Act 1974 apply?
- A. England and Wales only.
 - B. England and Scotland only.
 - C. Wales and Scotland only.
 - D. England, Scotland and Wales.
63. Which convictions, if any, are never 'spent' under the Rehabilitation of Offenders Act 1974?
- A. Any custodial sentence, irrespective of the length of the sentence.
 - B. A custodial sentence of over four years.
 - C. Non-custodial sentences where the person receives a community order.
 - D. Non-custodial sentences where the person receives a conditional discharge.
64. Under the Consumer Insurance (Disclosure & Representations) Act 2012, which type of representation, if any, requires the insurer to pay a claim with no recourse to the policyholder?
- A. None.
 - B. Careless.
 - C. Deliberate and reckless.
 - D. Honest and reasonable.
65. Which document governs the relationship between an intermediary and the client?
- A. Demands and needs statement.
 - B. Key features document.
 - C. Proposal form.
 - D. Terms of business agreement.
66. Which organisations' rules will an insurance intermediary **primarily** base their compliance procedures on?
- A. British Insurance Brokers' Association.
 - B. Financial Conduct Authority.
 - C. Financial Policy Committee.
 - D. Prudential Regulation Authority.
67. When **must** an intermediary provide a client with a demands and needs statement?
- A. Before the conclusion of a contract.
 - B. Upon conclusion of a contract.
 - C. When the premium is paid.
 - D. Within 30 days following the conclusion of a contract.
68. What is the rate of Insurance Premium Tax applicable to a private motor insurance policy premium?
- A. 6%
 - B. 12%
 - C. 17.5%
 - D. 20%

69. The sum insured under a buildings insurance policy is £70,000. A rate of £0.30% applies and a 10% discount is allowed. What is the premium **excluding** Insurance Premium Tax?
- A. £63
 - B. £189
 - C. £210
 - D. £231
70. When two insurance policies cover the same risk and they both contain a contribution condition, how would a claim **usually** be settled?
- A. Only one policy would contribute the full amount.
 - B. Both policies would contribute a proportionate amount.
 - C. Both policies would contribute an equal amount.
 - D. Both policies would contribute the full amount.
71. Under the standard fire insurance policy, the pro rata condition of average requires the sum insured, at the date of loss, to be what **minimum** percentage of the value at risk to obtain full settlement?
- A. 70%
 - B. 80%
 - C. 90%
 - D. 100%
72. A consumer used the services of an intermediary to effect a household insurance policy. In the event of a claim, who is legally responsible for proving the amount of the loss?
- A. The consumer in all cases.
 - B. The insurer in all cases.
 - C. The intermediary in all cases.
 - D. The intermediary if independent, otherwise the customer.
73. What settlement method would **normally** be used for a valid claim under a business interruption insurance policy?
- A. Payment for repairs.
 - B. Payment of money.
 - C. Reinstatement.
 - D. Replacement.
74. When a motor insurer takes advantage of contribution rights, from whom can some of its claims settlement costs be recovered?
- A. Another insurer.
 - B. A negligent third party.
 - C. The Motor Insurers' Bureau.
 - D. The policyholder.

75. A specialist motor insurer has recently experienced a high level of fraudulent claims. Which of its policyholders could suffer as a result of this fraud?
- A. All policyholders.
 - B. New policyholders only.
 - C. Policyholders who pay by instalments only.
 - D. Policyholders with a significant no claims discount only.
76. Application of the arbitration clause might occur under a fire insurance policy as a result of a dispute between the insurer and the insured regarding the
- A. amount of a claim.
 - B. amount of the premium.
 - C. policy cover.
 - D. policy renewal terms.
77. Vanessa insures the contents of her house under a **typical** household contents insurance policy with a £250 excess, but fails to advise her insurer that she takes in lodgers. She discovers that some jewellery valued at £1,000 is missing and there is no evidence of a forced entry. What **maximum** payment, if any, is her insurer obliged to make?
- A. Nil.
 - B. £250
 - C. £750
 - D. £1,000
78. An insured is subject to implied duties when
- A. amending an insurance policy.
 - B. proposing an insurance policy.
 - C. renewing an insurance policy.
 - D. submitting a claim under an insurance policy.
79. In the event of a valid claim under a personal accident and sickness insurance policy, what documentary evidence will an insurer **always** require in addition to a claim form?
- A. A doctor's certificate to confirm the nature and duration of the claimant's disability.
 - B. A letter from the claimant's employer to confirm that he has been absent from work.
 - C. The policy document or renewal confirmation to confirm that cover exists.
 - D. A statement of earnings to confirm the amount earned by the claimant during the past year.
80. A motorist suffers damage to his comprehensively insured vehicle and takes it to a repairer with whom the insurer has direct billing arrangements. The insurance policy has a £100 excess. Assuming the claim is valid, how is the claim **likely** to be settled?
- A. The insurer pays the repairer in full, reclaiming the excess from the insured.
 - B. The insured pays the repairer in full, reclaiming the costs less the excess from the insurer.
 - C. The insured pays the excess to the repairer and the insurer then pays the balance to the repairer.
 - D. The insured pays the excess to the insurer and the insurer then pays the full amount to the repairer.

81. Which organisation will settle a claim from a pedestrian injured by an uninsured motorist?
- A. The Association of British Insurers.
 - B. The British Insurance Brokers' Association.
 - C. The Financial Conduct Authority.
 - D. The Motor Insurers' Bureau.
82. Upon becoming aware that a fraudulent claim has been made, what is the **earliest** point from which an insurer may terminate the insurance policy?
- A. From inception of the policy.
 - B. From the date of the fraudulent act.
 - C. From the date of discovery of the fraud.
 - D. From the next renewal date of the policy.
83. When is an amount **initially** reserved in the claims process?
- A. At inception of the insurance policy.
 - B. At the time the claim is notified.
 - C. At the time the claim is settled.
 - D. At the time average is applied.
84. Why would an insurer register claim details on MIAFTR²?
- A. To allow claim payments to be made by electronic transfer.
 - B. To check claim information against details provided on the proposal form.
 - C. To enable intermediaries to access information electronically.
 - D. To help prevent fraud.
85. Which insurance policy condition can an insurer invoke to recover **all** of its outlay in respect of a claim?
- A. Arbitration.
 - B. Average.
 - C. Contribution.
 - D. Subrogation.
86. The purpose of the Claims and Underwriting Exchange is to
- A. decide which party is liable for a claim.
 - B. help detect fraudulent claims.
 - C. pursue recovery of uninsured losses.
 - D. set premium rates.

87. Under an employers' liability insurance policy, delays often occur between a claim being notified and final settlement. To ensure adequate funds are available to **ultimately** pay the claim, an insurer will rely on correct
- A. excesses.
 - B. rates.
 - C. reserving.
 - D. wages declarations.
88. An insurer can terminate an insurance policy **without** refunding premiums if the policyholder
- A. arranges identical cover elsewhere.
 - B. becomes insolvent.
 - C. loses insurable interest.
 - D. makes a fraudulent claim.
89. Mediation and conciliation are methods of
- A. alternative dispute resolution.
 - B. assessing indemnity limits.
 - C. fraud detection.
 - D. reserving.
90. John's car is involved in an accident and declared to be beyond economic repair. He has a comprehensive insurance policy with no excess and his insurer assesses the pre-accident value of the car to be £1,000. The insurer estimates the salvage could be sold for £100, but John asks to keep the car. How much will the insurer offer to settle the claim?
- A. £100
 - B. £900
 - C. £1,000
 - D. £1,100
91. An insured has a household insurance policy with an excess of £100 in respect of each claim. If a valid claim for £450 is submitted, what **maximum** amount would the insured receive in settlement?
- A. £100
 - B. £350
 - C. £450
 - D. £550
92. Colin has a comprehensive motor insurance policy allowing any driver to use his car. Joan, who has the same level of cover and a driving other cars extension, borrows Colin's car and injures a third party whilst driving. How will the subsequent claim from the third party be dealt with?
- A. Both insurers will share the cost of the claim equally.
 - B. Colin's insurer will pay in full.
 - C. Joan's insurer will pay for the injury claim and Colin's insurer will pay for the damage claim.
 - D. Joan's insurer will pay in full.

93. Gary would like to have a copy of all the records held on computer and paper by his insurer concerning his motor insurance policy and its associated claims. Under the General Data Protection Regulation, what are Gary's rights, if any?
- A. He has no right to have a copy of any records held.
 - B. He only has the right to have a copy of any computer records held.
 - C. He only has the right to have a copy of any paper records held.
 - D. He has the right to have a copy of both computer and paper records held.
94. A high street intermediary has installed a new router into its computer system. What is the **main** purpose of this device?
- A. To create a daily backup of data.
 - B. To expand the system's memory capacity.
 - C. To manage the flow of electronic traffic.
 - D. To protect the system from viruses.
95. It is prudent for a company to house a backup copy of important computer data to protect the data from being
- A. accessed by an unauthorised third party.
 - B. copied by an industrial spy.
 - C. lost due to a disastrous event such as a fire.
 - D. stolen by a competitor.
96. What is the **main** reason for which an employee **must** enter a password before using a company computer?
- A. To ensure that any documents printed will include employee details.
 - B. To prevent open access to confidential information.
 - C. To register the time that the employee signed in.
 - D. To run a report showing the amount of work input.
97. Which type of computer-held data is regulated under the General Data Protection Regulation?
- A. All data.
 - B. Corporate data only.
 - C. Personal data only.
 - D. Public data only.
98. What major benefit is a customer **most likely** to derive from an insurer which has instigated a quality customer service policy?
- A. Enhanced claim payments.
 - B. Faster claim settlements.
 - C. Longer policy terms.
 - D. Wider cover.

99. Which body imposes regulations which require claims to be handled promptly and fairly?

- A. Association of British Insurers.
- B. Chartered Insurance Institute.
- C. Motor Insurers' Bureau.
- D. Financial Conduct Authority.

100. When an insurer implements a service standard, this will **usually** be aimed at

- A. all staff.
- B. claims handlers only.
- C. customer-facing staff only.
- D. underwriters only.

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			Learning Outcome 2			Learning Outcome 4		
1	C	1.1	37	D	2.6	70	B	4.9
2	D	1.1	38	D	2.4	71	D	4.2
3	B	1.1	39	D	2.1	72	A	4.1
4	B	1.1	40	A	2.1	73	B	4.6
5	A	1.1	41	B	2.2	74	A	4.9
6	D	1.1	42	B	2.3	75	A	4.11
7	D	1.1	43	C	2.5	76	A	4.5
8	A	1.1	44	B	2.4	77	A	4.2
9	D	1.1	45	A	2.8	78	D	4.3
10	A	1.1	46	D	2.5	79	A	4.4
11	B	1.1	47	C	2.7	80	C	4.6
12	C	1.1	48	D	2.1	81	D	4.7
13	C	1.1	49	B	2.3	82	A	4.10
14	C	1.1	50	D	2.6	83	B	4.8
15	A	1.1	51	D	2.8	84	D	4.10
16	B	1.1	52	D	2.6	85	D	4.9
17	A	1.1	53	C	2.6	86	B	4.10
18	B	1.1	54	B	2.2	87	C	4.8
19	C	1.1	55	B	2.4	88	D	4.10
20	C	1.1	56	D	2.1	89	A	4.5
21	A	1.1	57	D	2.4	90	B	4.9
22	D	1.1	58	C	2.4	21 Questions		
23	D	1.1	59	A	2.4			
24	C	1.2	60	D	2.1	Learning Outcome 5		
25	C	1.2	61	C	2.6	91	B	5.1
26	B	1.2	62	A	2.1	92	B	5.1
27	D	1.1	63	B	2.1	2 Questions		
28	C	1.1	64	D	2.1			
29	D	1.1	65	D	2.4	Learning Outcome 6		
30	A	1.1	66	B	2.4	93	D	6.2
31	B	1.1	67	A	2.4	94	C	6.1
32	C	1.1	31 Questions			95	C	6.2
33	D	1.1				96	B	6.2
34	C	1.2	Learning Outcome 3			97	C	6.2
35	C	1.2	68	B	3.1	5 Questions		
36	C	1.1	69	B	3.1			
36 Questions			2 Questions			Learning Outcome 7		
						98	B	7.1
						99	D	7.2
						100	A	7.1
						3 Questions		