



Chartered  
Insurance  
Institute

# IF8

## Certificate in Insurance

### Unit 8 – Packaged commercial insurances

Based on the 2022 syllabus  
examined from 1 January 2022 until 31 December 2022

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## Unit 8 – Packaged commercial insurances

Based on the 2022 syllabus examined from 1 January 2022 until 31 December 2022

### Introduction

This examination guide has been produced by the Qualifications and Assessment Department at the Chartered Insurance Institute to assist students in their preparation for the IF8 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 IF8 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 IF8 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

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-packaged-commercial-insurances-if8/](http://www.cii.co.uk/learning/qualifications/unit-packaged-commercial-insurances-if8/)
- 2) Select 'examguide 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 IF8 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.

Supporting information for the syllabus which contains a detailed overview of the areas covered can be found on the unit page. Select Supporting information for the 2022 syllabus on the right-hand side of the page.

## 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 IF8 begin with *know* or *understand*. Different skill levels lead to different types of questions, 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 IF8 examination is 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.

The IF8 syllabus provided in this examination guide will be examined from 1 January 2022 until 31 December 2022.

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 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, 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.

# Packaged commercial insurances

## Objective

To provide knowledge and understanding of the development and design of packaged commercial policies, scope of cover provided by the most common forms of packaged commercial policy; and arrangement and operation of packaged commercial insurance contracts.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the development of packaged commercial insurances.	5
2. Understand the basic features and scope of packaged commercial insurances and associated services.	14
3. Know how packaged commercial insurances are arranged.	11
4. Understand underwriting procedures and policy wordings for packaged commercial insurances.	17
5. Understand mid-term policy amendments, renewals and cancellation for packaged commercial insurances.	6
6. Understand claims procedures in relation to packaged commercial insurances.	22

\* 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: 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.
  - This syllabus will be examined from 1 January 2022 until 31 December 2022.
  - 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](http://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
  5. This PDF document is accessible through screen reader attachments to your web browser and has been designed to be read via the speechify extension available on Chrome. Speechify is a free extension that is available from <https://speechify.com/>. If for accessibility reasons you require this document in an alternative format, please contact us on [ukcentreadministration@cii.co.uk](mailto:ukcentreadministration@cii.co.uk) to discuss your needs.

## **1. Understand the development of packaged commercial insurances.**

- 1.1 Describe the ways in which packaged policies have developed and the reasons for the continuing development of packaged policies.
- 1.2 Describe the current methods used to develop and distribute packaged policies both by insurers and intermediaries.
- 1.3 Explain the differences between packaged policies, combined policies and schemes.

## **2. Understand the basic features and scope of packaged commercial insurances and associated services.**

- 2.1 Describe the features and scope of cover for standard packaged policies.
- 2.2 Describe the basic features and scope of non-insurance services available.

## **3. Know how packaged commercial insurances are arranged.**

- 3.1 Describe how customers search the marketplace for cover and access packaged and scheme arrangements.
- 3.2 Describe the means by which packaged and scheme arrangements are promoted, sold and distributed by insurers and intermediaries.
- 3.3 Describe the content and legal significance of procedures relating to proposals.
- 3.4 Describe the alternative methods commonly used by underwriters to obtain material information.
- 3.5 Describe the ways in which intermediaries carry out a 'demands and needs' analysis to establish the most appropriate cover and eligibility status for packaged arrangements.
- 3.6 Describe the legal and regulatory significance of quotation procedures.
- 3.7 Describe the scope and general effect of the Insurance: Conduct of Business sourcebook (ICOBS) as it relates to packaged commercial insurances.
- 3.8 Describe the fair treatment of customers as it applies to packaged commercial insurances.

## **4. Understand underwriting procedures and policy wordings for packaged commercial insurances.**

- 4.1 Describe the means by which rates for packaged policies are developed.
- 4.2 Describe the ways in which insurers measure discrimination factors for individual risks proposed for insurance.
- 4.3 Describe the circumstances in which different underwriting measures are used.
- 4.4 Explain the principles of premium calculation and their application.
- 4.5 Describe the structure, functions and contents of a policy form, including the policy schedule.
- 4.6 Explain the meaning and effect of common policy conditions and exclusions.

- 4.7 Explain the distinction between warranties, conditions, representations and exclusions.
- 4.8 Describe the legal significance of procedures relating to the issue of policies and certificates of insurance.
- 4.9 Describe delegated authority schemes, managing general agents and coverholders.
- 4.10 Explain the benefits and limitations of scheme and packaged arrangements for the proposer, intermediary and insurer.

## **5. Understand mid-term policy amendments, renewals and cancellation for packaged commercial insurances.**

- 5.1 Describe the reasons for amendments and those changes that require notification.
- 5.2 Describe the legal and regulatory significance of renewal procedures.
- 5.3 Explain how cancellation clauses operate.

## **6. Understand claims procedures in relation to packaged commercial insurances.**

- 6.1 Describe the insurers' notification requirements.
- 6.2 Describe the insured's duties following a loss and other investigation they may carry out.
- 6.3 Describe the documentary evidence needed relating to claims.
- 6.4 Describe the procedure followed by insurers when investigating a claim.
- 6.5 Describe how the process of reserving operates in general terms.
- 6.6 Describe the Financial Conduct Authority rules that apply to the claims process.
- 6.7 Describe the reasons why a claim may be invalid or only partially met.
- 6.8 Describe the ways in which claims can be settled.
- 6.9 Describe the role subrogation and salvage play in claims settlement.
- 6.10 Describe how complaints handling and alternative dispute resolution operates.
- 6.11 Describe the means of claims recovery open to insurers.
- 6.12 Describe the action that insurers must take following a loss settlement.
- 6.13 Describe the options available to insurers discovering fraud in connection with a claim.
- 6.14 Describe the procedures commonly used to discourage and detect fraudulent claims.



## 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

Packaged commercial insurances. London: CII.  
Study text IF8.

### Books and eBooks

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

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

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

### Periodicals

The Journal. London: CII. Six issues a year.

Post magazine. London: Incisive Financial Publishing. Monthly. Contents searchable online at [www.postonline.co.uk](http://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.

## 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.

## Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

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

1. What specific aspect of claims might an insurer investigate to help develop the cover provided under its packaged policies?
  - A. The average amount of claims reserves.
  - B. Claims that have been declined.
  - C. Claims that have been referred to arbitration.
  - D. Fraudulent claims.
  
2. An insurance policy which has a range of covers designed to meet the needs of a specific affinity group is known as a
  - A. binding authority.
  - B. combined policy.
  - C. packaged policy.
  - D. scheme policy.
  
3. What is the **main** reason for the development of packaged policies in the commercial insurance market?
  - A. To address the requirements of regulatory authorities.
  - B. To enable commercial insurance to be quoted via the internet.
  - C. To provide a more efficient claims service.
  - D. To satisfy the demand for consolidation of cover.
  
4. The **main** difference when comparing combined insurance policies with packaged insurance policies is the flexibility of the
  - A. individual cover elements.
  - B. policy duration.
  - C. policy exclusions.
  - D. premium frequency.
  
5. The **most** cost-effective way for an insurer to make a new packaged policy available to policyholders is via
  - A. an appointed representative.
  - B. Lloyd's.
  - C. telesales.
  - D. its website.
  
6. The products liability section under a shop insurance policy provides cover in the event that a product
  - A. breaches a competitor's patent.
  - B. causes injury or damage.
  - C. is faulty.
  - D. needs to be recalled.

7. Standard business interruption cover under an office insurance policy provides for loss of profit whilst a business is affected by
- A. damage to its premises caused by an insured peril.
  - B. fire at a customer's premises.
  - C. fire at a supplier's premises.
  - D. loss of goods in transit.
8. When an office insurance policy includes an all risks section, this **usually** means that cover is provided
- A. away from the risk address.
  - B. including electrical breakdown.
  - C. on an agreed value basis.
  - D. with no excess.
9. A shop insurance policy will cover water damage claims to the building and contents caused by
- A. a gradual ingress of rainwater under a door.
  - B. a gradual leakage from a rusty heating pipe.
  - C. water escaping from the cold water tank.
  - D. wet rot to the flooring.
10. When an insurer offers a replacement product as part of its claims service, the company it uses to supply the goods is **most likely** to be
- A. a company selected by the policyholder.
  - B. a company which has an agreement with the insurer to provide the goods at a discounted price.
  - C. any company on a list of suppliers approved by the Association of British Insurers.
  - D. the company from whom the goods were originally purchased.
11. A travel agency has been advised that two different cover limits apply to business money kept on the premises outside business hours. The distinction **typically** relates to whether the travel agency
- A. holds sterling and foreign currency.
  - B. is alarmed.
  - C. is monitored by CCTV.
  - D. keeps the money within a locked safe.
12. When provided under a shop insurance policy, during what hours is the legal advice helpline **normally** available?
- A. 8.00am to 5.00pm, Monday to Friday only.
  - B. 9.00am to 8.00pm, Monday to Friday only.
  - C. 10.00am to 5.00pm, 7 days a week only.
  - D. 24 hours a day, 7 days a week.

13. The owner of a chain of care homes asks his insurers if they can offer advice on health and safety matters to protect his staff. Who within the organisation is **most likely** to provide the best advice?
- A. A help-line operative.
  - B. A loss adjuster.
  - C. A surveyor.
  - D. An underwriter.
14. The Hotel Proprietors Act 1956 restricts a hotelier's liability in respect of which aspect of cover?
- A. Employees' effects.
  - B. Guests' effects.
  - C. Injury to employees.
  - D. Injury to guests.
15. A landscape gardener has set up a limited company for his work. He is the majority shareholder. In what circumstances will his broker advise him that he does **NOT normally** need to arrange employers' liability cover?
- A. When he already has public liability cover.
  - B. When he is the only employee of the company.
  - C. When he only employs an apprentice.
  - D. When he will only be working at residential premises.
16. A shop window and its display are maliciously damaged. When the insurer is notified of the claim, what non-insurance service is it **likely** to offer the policyholder?
- A. An authorised supplier to replace the glass.
  - B. A helpline for replacement of the damaged goods in the window display.
  - C. A professional dresser to replace the window display.
  - D. The services of a crime prevention officer.
17. What is the **most common** indemnity period for business interruption cover under an office insurance policy?
- A. 3 months.
  - B. 6 months.
  - C. 9 months.
  - D. 12 months.
18. A shopkeeper within the UK can, subject to payment of an additional premium, extend his normal shop insurance policy to provide cover for
- A. acts of terrorism.
  - B. confiscation of stock by the Trading Standards Authority.
  - C. gradually-occurring pollution.
  - D. war risks.

19. Which type of potential buyer is a broker **most likely** to target when promoting a contractors' packaged insurance product via its website?
- A. Architectural design consultants.
  - B. Individual small building firms.
  - C. Multinational property development companies.
  - D. Trade associations in the building industry.
20. Mark asks for a shop insurance quotation and the insurer provides one that is valid for 30 days. Who, if anyone, is bound by the 30-day period if there are no changes to the risk?
- A. Mark only.
  - B. The insurer only.
  - C. Both Mark and the insurer.
  - D. Neither Mark nor the insurer.
21. A proposal form is **normally** used by an underwriter 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.
22. An underwriter reviewing a trader's packaged insurance policy proposal form may **NOT** be able to assess the risk fully from the information contained within it. From whom is he **most likely** to obtain further relevant information?
- A. An actuary.
  - B. An insurance surveyor.
  - C. A loss adjuster.
  - D. A loss assessor.
23. An insurer mistakenly provides a premium quotation of £400 instead of £500 and it has been accepted by the proposer. What option, if any, is available to the insurer to rectify this mistake?
- A. It cannot be rectified as the insurer is bound by the quotation.
  - B. Declare the quotation a mistake and refuse to honour it.
  - C. Vary the level of cover to suit the misquoted premium.
  - D. Vary the period of cover to suit the misquoted premium.
24. For which class of insurance are proposers **usually** asked questions at the proposal stage regarding how they would be affected in the event of an insured incident?
- A. Business interruption insurance.
  - B. Employers' liability insurance.
  - C. Money insurance.
  - D. Public liability insurance.

25. What does an underwriter **always** need in order to decide the premium and terms for a large packaged commercial risk?
- A. A broker presentation.
  - B. A discharge form.
  - C. Material information.
  - D. A survey report.
26. What factor(s) should an intermediary **initially** consider when compiling a demands and needs analysis for a customer requesting a packaged insurance policy?
- A. The comparative premium levels of insurer products.
  - B. The cover provided by existing insurances.
  - C. The existing and proposed business activities.
  - D. The length of time the business has been trading.
27. What is **normally** considered to be the **main** advantage of obtaining packaged insurance cover through a broker, compared to directly from an insurer?
- A. Availability of independent advice.
  - B. Better regulatory protection.
  - C. Easier payment terms.
  - D. More competitive premiums.
28. To which members of a household insurance company's staff does the fair treatment of customers apply?
- A. All staff.
  - B. Claims handlers only.
  - C. Customer-facing staff only.
  - D. Underwriters only.
29. An insurance broker has developed a scheme product for grocery shops. Where are the advertisements to promote the scheme **most likely** to be placed?
- A. National newspapers.
  - B. Radio.
  - C. Television.
  - D. Trade press.
30. An insurer is advertising a commercial insurance product in a national newspaper. In what circumstances, if any, will the contents of this advertisement be subject to the Financial Conduct Authority's regulations?
- A. In all circumstances.
  - B. Only if the product is sold solely on a direct basis.
  - C. Only if the product is sold through intermediaries.
  - D. In no circumstances.

31. During the course of negotiating an insurance contract, a proposer may make a statement concerning the nature of the risk. This type of statement is known as a
- A. presentation.
  - B. representation.
  - C. submission.
  - D. warranty.
32. For which type of liability cover **must** a certificate of insurance be issued?
- A. Employers' liability.
  - B. Products liability.
  - C. Professional indemnity.
  - D. Public liability.
33. Legally, an insurer can provide evidence that an insurance contract is in place between itself and the policyholder by
- A. accepting payment of a premium.
  - B. agreeing to pay a claim.
  - C. issuing a policy document.
  - D. issuing a quotation.
34. What is stated in an insurance policy which, if breached, would allow an insurer to avoid a claim?
- A. An endorsement.
  - B. An exclusion.
  - C. A representation.
  - D. A warranty.
35. Under a binding authority, what details would be given regarding the coverholders?
- A. The company name only.
  - B. The company name and location only.
  - C. The employees' names only.
  - D. The job titles only.
36. Bob is an actuary for an insurer. To which aspect of the insurer's packaged commercial insurance product is he **most likely** to apply his actuarial expertise?
- A. Determining the premium rates.
  - B. Handling the complaints.
  - C. Monitoring the competition.
  - D. Adjusting claims.

37. The preamble to an insurance policy, which refers to the insurer and insured forming a contract based on the proposal form, is **normally** known by what term?
- A. An express warranty.
  - B. An implied warranty.
  - C. The operative clause.
  - D. The recital clause.
38. The nuclear exclusion contained in commercial insurance policies is an example of a risk that is excluded because
- A. it has been made illegal for the commercial insurance market to insure such a risk.
  - B. the insurance of such a risk is deemed to be against public policy.
  - C. the risk is beyond the capacity of the conventional insurance market.
  - D. the risk is one which insurers have individually decided not to cover.
39. The potential advantages to an insurer of agreeing to insure risks within a packaged arrangement do **NOT normally** include
- A. administrative savings.
  - B. increased premium income.
  - C. reduced claim payments.
  - D. standardisation of policy terms.
40. When underwriting the risks relating to a packaged commercial insurance product, how will the insurer treat a proposer's conviction which is deemed spent under the Rehabilitation of Offenders Act 1974?
- A. It will be disregarded.
  - B. It will be rated separately.
  - C. It will only affect the consideration of moral hazard.
  - D. It will only affect the consideration of physical hazard.
41. The insurer of a packaged commercial insurance product wishes to ensure that the policyholder bears a portion of the risk for each of the insured perils. What is the mechanism used to achieve this **normally** called?
- A. Contribution.
  - B. Excess.
  - C. Subrogation.
  - D. Warranty.



42. A policyholder has an office insurance policy with an annual premium of £500 excluding Insurance Premium Tax (IPT). Following a mid-term alteration in July 2020 there is an additional premium of £200. What amount of IPT, if any, is payable on the additional premium?
- A. None.
  - B. £12
  - C. £19
  - D. £24
43. Which section of a surgery insurance policy is **NOT** subject to the radioactive contamination exclusion?
- A. The all risks section.
  - B. The business interruption section.
  - C. The employers' liability section.
  - D. The public liability section.
44. Under an office insurance policy, the address of the insured's business premises will **normally** appear in which section of the policy document?
- A. The conditions.
  - B. The operative clause.
  - C. The recital clause.
  - D. The schedule.
45. What is **likely** to be the **main** source of information relating to physical hazards under an office insurance policy?
- A. The demands and needs analysis.
  - B. The Initial Disclosure Document.
  - C. The key features document.
  - D. The proposal form.
46. When a delegated authority scheme is established for packaged commercial insurance, to whom is the authority **normally** delegated?
- A. The broker.
  - B. The Financial Conduct Authority.
  - C. The third party administrator.
  - D. The underwriter.
47. What is the **main** rating factor under a self-employed liability insurance policy for a plumber who employs two members of staff?
- A. Income.
  - B. Number of staff.
  - C. Turnover.
  - D. Wages.

48. A packaged commercial insurance policy is due for renewal on 25 March and the insurer intends to offer renewal terms. To comply with the Financial Conduct Authority's regulations, the renewal invitation **must** be issued
- A. by 4 March at the latest.
  - B. by 11 March at the latest.
  - C. immediately before renewal.
  - D. in good time.
49. At the renewal of an insurance policy, the insurer decides to impose significant policy exclusions. The policyholder **must** be made aware of these changes in order to comply with which specific regulatory rule?
- A. Contract certainty.
  - B. Cooling-off period.
  - C. Demands and needs.
  - D. Unfair contract terms.
50. Under a cancellation clause in a commercial insurance policy, what **minimum** period of time **must** the insurer give the policyholder when sending the required registered letter to the insured's last known address?
- A. 7 days.
  - B. 10 days.
  - C. 14 days.
  - D. 30 days.
51. Under a **typical** care home insurance policy, what would happen if the policyholder failed to notify the insurer of a mid-year change which significantly increased the risk of loss?
- A. The average clause would be automatically applied.
  - B. The scope of cover would be automatically reduced.
  - C. The policy would be voidable.
  - D. The policyholder would be liable for a penalty fee.
52. A shop insurance policyholder recently carried out a stock take and discovered that the stock level is far higher than previously disclosed to the insurer. When should the insurer be notified of this fact?
- A. As soon as possible.
  - B. Within a maximum of 30 days.
  - C. At the next renewal date.
  - D. On submission of any claim.

53. Assuming there is no fraud and an insurer invokes the cancellation clause, on what basis is the return of premium, if any, calculated?
- A. A full refund is allowed.
  - B. No return of premium.
  - C. A pro rata amount.
  - D. An amount based on short period rates.
54. Under the Financial Conduct Authority's regulations, what is the **maximum** period, if any, within which a claim **must** be notified to an insurer?
- A. Three working days.
  - B. Four working days.
  - C. Five working days.
  - D. No maximum period applies.
55. What is the **primary** purpose of a discharge form used in connection with a third party claim settlement under an office insurance policy?
- A. To avoid any tax liability on the proceeds.
  - B. To avoid the policyholder becoming vicariously liable.
  - C. To prevent any renegotiation on the amount.
  - D. To prevent the payment being used for non-indemnity purposes.
56. To comply with the terms of an insurance policy, which type of thefts resulting in a claim **must** be reported to the police?
- A. Only thefts involving forcible entry.
  - B. Only thefts which occur outside normal business hours.
  - C. Only thefts which result in personal injury.
  - D. All types of thefts.
57. Following a lengthy claims investigation, the insurer made a cash settlement offer on 15 May which was accepted by the insured on 20 May. To comply with the Financial Conduct Authority's regulations, when **must** the actual payment be made?
- A. By 25 May at the latest.
  - B. By 30 May at the latest.
  - C. In good time.
  - D. Promptly.
58. A claims settlement amount is subject to a salvage deduction. This indicates that the salvage was
- A. acquired by the insurer.
  - B. damaged beyond any intrinsic value.
  - C. retained by the policyholder.
  - D. sold to an independent third party.

59. Other than determining the settlement amount, the **main** role of a loss adjuster is to
- A. establish premium rates.
  - B. identify potential fraud.
  - C. provide risk control advice.
  - D. review the underwriting.
60. A reserve figure of £1,500 has been set in respect of a claim under an office insurance policy. To what extent, if at all, can this figure be subsequently adjusted?
- A. It cannot be adjusted.
  - B. It can only be increased.
  - C. It can only be decreased.
  - D. It can be either increased or decreased.
61. The **main** purpose of the contribution clause under a shop insurance policy is to
- A. enable the insurer to defer settlement until further evidence is received.
  - B. enable the insurer to share claim settlement costs with another insurer.
  - C. ensure that the insurer puts aside sufficient funds to meet any claim.
  - D. transfer some of the risk from the insurer to the policyholder.
62. A claim for stolen cash was rejected by the insurer on the grounds of fraud. In what circumstances, if any, is the insurer **legally** required to void the insurance policy?
- A. In no circumstances.
  - B. Only if the police have been notified.
  - C. Only if the policy contains a money section.
  - D. In all circumstances.
63. On which party(ies), if any, is arbitration binding?
- A. Both the policyholder and the insurer.
  - B. The insurer only.
  - C. The policyholder only.
  - D. Neither the policyholder nor the insurer.
64. An employers' liability claim will **normally** be settled by payment to the
- A. employee.
  - B. employee's solicitor.
  - C. insured.
  - D. insured's solicitor.

65. How is an insurer **most likely** to settle a claim for minor damage to the roof of an industrial unit caused by a falling tree?
- A. Cash payment to the insured.
  - B. Reinstatement.
  - C. Repair.
  - D. Replacement.
66. The arbitration condition enables a dispute between the policyholder and the insurer to be referred to arbitration if it relates to
- A. an alleged failure by the insured to disclose a material circumstance during the proposal stage.
  - B. the amount to be paid for a valid claim.
  - C. whether a loss was caused by an insured peril.
  - D. whether the policy was in force at the time of the loss.
67. A claim is only partially met due to underinsurance. This is due to the application of
- A. average.
  - B. contribution.
  - C. indemnity.
  - D. subrogation.
68. Under a contractor's packaged insurance policy, what immediate action, if any, is the insured **normally** required to take in order to minimise a loss?
- A. Any appropriate measures.
  - B. None, as it is solely the insurer's responsibility.
  - C. Only steps which prevent loss of life or bodily injury.
  - D. Whatever is necessary provided the cost does not exceed the excess.
69. What is the **primary** purpose of the claims reserving process?
- A. To cover the cost of expected claims.
  - B. To cover the cost of unknown claims.
  - C. To make an allowance for claims based on market losses.
  - D. To make an allowance for claims based on the individual claims history.
70. The report prepared by a loss adjuster in connection with a care home insurance policy is **normally** sent directly to the
- A. insurer.
  - B. intermediary.
  - C. local authority.
  - D. policyholder.

71. An insurer becomes the owner of smoke-damaged stock having dealt with a fire claim from a shopkeeper. How will the insurer **normally** dispose of the stock?
- A. Offer it back to the shopkeeper at retail price.
  - B. Offer it for sale via its website.
  - C. Offer it to a loss adjuster.
  - D. Offer it to a salvage broker.
72. A fire occurs and an insured makes a claim. In addition to proving the amount of the loss, an insured **must** also prove that
- A. the claim was made within the policy period.
  - B. the damage arose from an insured peril.
  - C. the damaged property was specified in the insurance policy.
  - D. a third party was responsible for the damage.
73. What documentary evidence is required in relation to a subsidence claim under a packaged insurance policy for a care home?
- A. A building valuation report.
  - B. A loss assessor's report.
  - C. A risk surveyor's report.
  - D. A structural engineer's report.
74. An insurer suspects that a hotel fire may have been caused deliberately by the owner. From whom will the insurer obtain a report to try to confirm its suspicions?
- A. The fire investigator.
  - B. The insured.
  - C. The loss assessor.
  - D. The risk manager.
75. A mother and daughter slip on a wet floor on a visit to their local shop and submit a joint claim for injuries sustained. The mother's injury is assessed, and the reserve amount is set at £10,000. The daughter's injury is also assessed, and the reserve amount is set at £5,000. The mother's claim is paid in full and final settlement at £8,000 and her daughter's claim remains outstanding. What, if anything, happens to the reserve?
- A. It will remain the same at £15,000.
  - B. It is reduced to £5,000.
  - C. It is increased to £13,000.
  - D. It is averaged across both claims to £7,500.

## Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
<b>Learning Outcome 1</b>			<b>Learning Outcome 4</b>			<b>Learning Outcome 6</b>		
1	B	1.2	31	B	4.7	54	D	6.1
2	D	1.2	32	A	4.8	55	C	6.3
3	D	1.1	33	C	4.8	56	D	6.1
4	A	1.3	34	D	4.7	57	D	6.6
5	D	1.2	35	C	4.9	58	C	6.9
<b>5 Questions</b>			36	A	4.1	59	B	6.14
			37	D	4.5	60	D	6.5
<b>Learning Outcome 2</b>			38	C	4.6	61	B	6.11
6	B	2.1	39	C	4.10	62	A	6.13
7	A	2.1	40	A	4.2	63	A	6.10
8	A	2.1	41	B	4.3	64	A	6.8
9	C	2.1	42	D	4.4	65	C	6.8
10	B	2.2	43	C	4.6	66	B	6.10
11	D	2.1	44	D	4.5	67	A	6.7
12	D	2.2	45	D	4.2	68	A	6.2
13	C	2.2	46	A	4.9	69	A	6.5
14	B	2.1	47	B	4.4	70	A	6.4
15	B	2.1	<b>17 Questions</b>			71	D	6.9
16	A	2.2				72	B	6.4
17	D	2.1	<b>Learning Outcome 5</b>			73	D	6.3
18	A	2.1	48	D	5.2	74	A	6.14
<b>13 Questions</b>			49	A	5.2	75	B	6.12
			50	A	5.3	<b>22 Questions</b>		
<b>Learning Outcome 3</b>			51	C	5.1			
19	B	3.2	52	A	5.1			
20	B	3.6	53	C	5.3			
21	B	3.3	<b>6 Questions</b>					
22	B	3.4						
23	A	3.6						
24	A	3.3						
25	C	3.4						
26	B	3.5						
27	A	3.1						
28	A	3.8						
29	D	3.2						
30	A	3.7						
<b>12 Questions</b>								