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IF8

Certificate in Insurance

Unit 8 – Packaged commercial insurances

**Based on the 2023 syllabus
examined from 1 January 2023 until 31 December 2023**

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Unit 8 – Packaged commercial insurances

Based on the 2023 syllabus examined from 1 January 2023 until 31 December 2023

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.

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/
- 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 IF8 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.

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 2023 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 2023 until 31 December 2023.

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 2023 until 31 December 2023.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- 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 an extension that is available from <https://speechify.com/>. If for accessibility reasons you require this document in an alternative format, please contact us on online.exams@cii.co.uk to discuss your needs.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
 1. Visit www.cii.co.uk/qualifications
 2. Select the appropriate qualification
 3. Select your unit from the list provided
 4. Select qualification update on the right hand side of the page

1. Understand the 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 including Consumer Duty for retail clients 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. 10th 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.

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 (ciigroup.org/login). 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.

* Also available as an eBook through eLibrary via www.cii.co.uk/elibrary (CII/PFS members only).

1. The **main** difference between a combined policy and packaged policy is a
 - A. combined policy is tailored to an insured's requirements.
 - B. packaged policy is tailored to an insured's requirements.
 - C. combined policy covers a smaller selection of trades.
 - D. packaged policy covers a smaller selection of trades.

2. The development of packaged policies was aimed **primarily** at meeting the needs of
 - A. charities.
 - B. large corporations.
 - C. public bodies.
 - D. small and medium-sized businesses.

3. What is one of the **key** benefits to a policyholder of arranging cover under a scheme policy rather than a standard packaged policy?
 - A. Tailored to the policyholder's financial requirements.
 - B. Higher sum insured.
 - C. Reduced rate of Insurance Premium Tax.
 - D. Wider cover.

4. A scheme policy will **normally** be restricted to a
 - A. geographic region of the UK.
 - B. particular occupation or affinity group.
 - C. specific class of insurance.
 - D. specific policyholder.

5. What is the **main** advantage to an insurer of developing a packaged policy rather than issuing individual policies?
 - A. It is easier to achieve contract certainty.
 - B. The administration costs are lower.
 - C. The frequency of claims is reduced.
 - D. The regulatory requirements are less onerous.

6. A legal advice helpline which forms part of a packaged commercial insurance policy is **normally** described in the marketplace as what type of facility?
 - A. A chargeable extension.
 - B. A cover extension.
 - C. A non-insurance service.
 - D. A scheme service.

7. Glass insurance under a **normal** shop insurance policy will **exclude** cover for
- A. alarm foil applied to shop fronts.
 - B. breakage of stained or ornamental fixed glass.
 - C. damage to window frames.
 - D. scratching or chipping of glass.
8. A shop insurance policy includes cover for deterioration of refrigerated stock resulting from the failure of a supply authority to provide electricity. This element of cover is **normally** conditional on
- A. a backup generator being installed.
 - B. the failure being an accidental suspension of supply.
 - C. the failure being a deliberate suspension of supply.
 - D. a regular inspection being carried out by a qualified electrician.
9. Which section of a packaged insurance policy provides cover for loss of company cash during a robbery?
- A. The all risks section.
 - B. The fidelity guarantee section.
 - C. The money section.
 - D. The theft section.
10. Why should a residential care home have public liability insurance?
- A. An infectious illness may cause it to close.
 - B. Care workers may be injured whilst assisting residents.
 - C. The owner may be involved in an accident and unable to work.
 - D. Visitors or residents may be injured whilst on the premises.
11. Which type of activity that may take place at inception of a packaged insurance policy is **usually** described as a non-insurance service?
- A. Fact-finding.
 - B. Money laundering monitoring.
 - C. Risk control advice.
 - D. Underwriting analysis.
12. After settlement of a claim under a **typical** office insurance policy, the sum insured is automatically reinstated up to what **maximum** percentage of the pre-loss sum insured?
- A. 75%
 - B. 80%
 - C. 90%
 - D. 100%

13. A shop insurance policy provides a legal advice helpline. Advice on which type of business-related issues will **usually** be available to the policyholder under this facility?
- A. Advice on policy cover issues only.
 - B. Advice on property-related issues only.
 - C. Advice on employee-related issues only.
 - D. Advice on any type of business-related legal issues.
14. Which element of cover under a shop insurance policy often includes reimbursement of accountant's charges in preparing a claim?
- A. Business interruption cover.
 - B. Money cover.
 - C. Legal expenses cover.
 - D. Public liability cover.
15. Under a **typical** shop insurance policy, weekly benefit for bodily injury resulting from theft of money is payable up to a **maximum** period of
- A. 13 weeks.
 - B. 26 weeks.
 - C. 52 weeks.
 - D. 104 weeks.
16. Under the public liability section of a shop insurance policy, property damage is excluded if the property belongs to
- A. a delivery driver.
 - B. the insured.
 - C. the insured's customer.
 - D. a leasing company.
17. A person entered a shop and stole clothes worth £850 whilst using the changing room. Why was a claim for this loss rejected under the shop's insurance policy?
- A. The clothes did not have a security tag on them.
 - B. Thefts are only covered outside business hours.
 - C. There is usually an excess of £1,000.
 - D. There was an absence of force, violence or threats.
18. The emergency glazing service offered under an insurance policy is **normally** provided by a
- A. contracted supplier.
 - B. loss adjuster.
 - C. loss assessor.
 - D. specialist team employed by the insurer.

19. The **main** purpose of the risk management services offered to a commercial insurance policyholder is to
- A. explore cross-selling opportunities.
 - B. fast-track any claims which are submitted.
 - C. provide guidance on the most suitable product.
 - D. reduce the likelihood of a loss.
20. To ensure the fair treatment of customers, advice given to customers **must** be suitable and
- A. given by an individual who meets prescribed educational standards.
 - B. in written form.
 - C. provided free of charge.
 - D. take account of their circumstances.
21. The declaration section of a proposal form specifically warns applicants about the consequences of failing to divulge any information which is considered to be
- A. a key feature.
 - B. material information.
 - C. a moral hazard.
 - D. of public knowledge.
22. How does the proposal form used for a scheme insurance policy **normally** differ from the form used for a packaged insurance policy?
- A. It does not contain a declaration.
 - B. It establishes less relevant information.
 - C. It is more lengthy and detailed in content.
 - D. It is more specifically focused on a particular trade or occupation.
23. In accordance with regulatory requirements, what **minimum** information **must** an intermediary provide to a commercial customer when issuing a quotation for a packaged insurance policy?
- A. A full policy wording for the proposed insurance only.
 - B. A full policy wording for the proposed insurance and details of alternative cover available from other insurers.
 - C. A policy summary document for the proposed insurance.
 - D. Sufficient information for the customer to make an informed decision about the proposed insurance.

24. What is **normally** the key potential advantage of obtaining packaged commercial insurance cover through a broker as opposed to a trade association?
- A. Discounted premiums are available.
 - B. The choice of insurer is greater.
 - C. There is less paperwork to complete.
 - D. The security requirements are less stringent.
25. What is the **main** method used by insurers of packaged commercial insurance products to obtain relevant information?
- A. Analysis of the proposer's report and accounts.
 - B. Claims check with previous insurers.
 - C. Examination of the proposal form.
 - D. Review of health and safety recommendations.
26. A broker is seeking insurance from an insurer on behalf of an association who want a product for its members, covering a number of different risks. What approach is the insurer **likely** to take to this proposal?
- A. Adapt its standard policies into a product which is offered by the broker to the association members.
 - B. Delegate authority to the association to underwrite insurances on its behalf based on the insurers standard wordings.
 - C. Make available to individual members of the association one of its standard combined policies at an increased premium.
 - D. Offer each individual member of the association a range of its standard insurance policies.
27. A commercial customer is defined in the Insurance: Conduct of Business sourcebook (ICOBS) as
- A. a customer who is not a consumer.
 - B. a policyholder who requires an insurance policy with a limit of liability above £1,000,000.
 - C. any natural person acting for purposes outside his trade or profession.
 - D. a policyholder who pays an insurance premium in excess of £5,000 per annum.
28. When a policyholder submits a claim to his insurer, the Insurance: Conduct of Business sourcebook (ICOBS) states that the policyholder **must**
- A. receive a formal response within 14 days.
 - B. be contacted by a loss adjuster within 14 days.
 - C. be treated promptly and fairly.
 - D. be treated efficiently.

29. The fair treatment of customers ensures that products and services are designed to meet the needs of
- A. domestic insurance customers only.
 - B. commercial insurance customers only.
 - C. each individual consumer.
 - D. identified consumer groups.
30. What type of document is often used by brokers in the packaged commercial insurance market to satisfy the demands and needs analysis requirements?
- A. A fact-find.
 - B. A key features document.
 - C. A proposal form.
 - D. A statement of fact.
31. A broker places a delegated authority scheme for public houses with an insurer. What is the **main** benefit to individual proposers of this facility?
- A. Competitive rates.
 - B. Ease of claims handling.
 - C. Reduced legislative requirements.
 - D. Standard policy wording.
32. Where in an insurance policy document would an insured's express duty following a loss be stated?
- A. The operative clause.
 - B. The policy conditions.
 - C. The policy schedule.
 - D. The recital clause.
33. What factor **normally** initiates the need for a site visit as part of the underwriting process for a packaged insurance proposal?
- A. The applicant is considered a poor moral hazard.
 - B. The insurer does not normally handle this type of risk.
 - C. The risk is considered relatively large or complex.
 - D. The risk is likely to significantly fluctuate during the year.

34. What is the **usual** basis of the premium calculation for the money section under a combined insurance policy?
- A. An annual declaration of actual carryings.
 - B. The average of the previous three years' carryings.
 - C. A limit of reinsurance chosen at inception.
 - D. A percentage of annual turnover.
35. The war and related perils clause in an insurance policy is an example of a
- A. market exclusion.
 - B. policy condition.
 - C. specific exclusion.
 - D. warranty.
36. All written or oral statements made by the proposer during the negotiations of an insurance contract are known as
- A. conditions precedent to liability.
 - B. declarations.
 - C. representations.
 - D. warranties.
37. An insurer will request an employer's reference number at policy inception to populate a database which may be used at some point to identify the insurer for which type of claim?
- A. Damage to property.
 - B. Injury to staff.
 - C. Injury to third parties.
 - D. Loss of profit.
38. What is the **main** difference between implied duties and express duties?
- A. Express duties are based on common law whereas implied duties appear in the policy document.
 - B. Implied duties are based on common law whereas express duties appear in the policy document.
 - C. Only express duties can affect the validity of a claim.
 - D. Only implied duties can affect the validity of a claim.

39. The premium for combined liability cover for large building firms is based upon wages and turnover, but the premium for small companies is **usually** based upon the
- A. average number of contracts undertaken per annum.
 - B. location of the risk.
 - C. number of employees.
 - D. number of years trading without a claim.
40. A **typical** policy schedule would **NOT normally** include an item stating the
- A. amount of premium payable.
 - B. cancellation notice period.
 - C. period of insurance.
 - D. sums insured.
41. What is the legal significance of issuing a policy document?
- A. The policy document is evidence of the insurance contract.
 - B. A claim cannot be made under the policy until it is issued.
 - C. The insured is not bound by the terms and conditions of the policy until it is issued.
 - D. The insured is not legally required to pay the premium until it is issued.
42. For what type of premises will a packaged insurance policyholder's registration category be an underwriting factor?
- A. A care home.
 - B. A guest house.
 - C. A salon.
 - D. A surgery.
43. An insurer agrees a delegated scheme for an office packaged facility with a broker. One function that the insurer is **most likely** to delegate is
- A. claims payments.
 - B. coverholder audits.
 - C. underwriting.
 - D. survey.
44. The person responsible for developing the premium rates to be used under an insurer's newly-developed packaged policy is known as
- A. an actuary.
 - B. a loss adjuster.
 - C. a loss assessor.
 - D. an underwriter.

45. An insurer's premium rates for a scheme policy providing comparable cover to a packaged commercial policy are **likely** to be
- A. net of acquisition costs.
 - B. net of Insurance Premium Tax.
 - C. set at a higher level.
 - D. set at a lower level.
46. What is the **main** disadvantage for a policyholder of a packaged policy compared with a combined policy?
- A. Claims conditions are more onerous.
 - B. Excesses will always be higher.
 - C. Premiums will always be higher.
 - D. The policy wording cannot usually be tailored to individual requirements.
47. What is the **main** discrimination factor when assessing a potential contractors' liability risk?
- A. Construction.
 - B. Location.
 - C. Security.
 - D. Trade.
48. An insurer wishes to cancel a packaged policy mid-term. By which method **must** the insurer communicate this to the insured?
- A. By email.
 - B. By recorded delivery letter.
 - C. By telephone.
 - D. Face-to-face.
49. A surgery insurance policyholder asks his broker what mid-term changes **must** be notified to the insurer. What would be the correct response?
- A. Anything which improves the risk.
 - B. Anything which increases the risk.
 - C. Only changes to the values at risk.
 - D. Only changes which affect regulatory issues.
50. An insurer decides to give notice to a shopkeeper of termination of his cover due to a material change in risk. Under which clause is this given?
- A. The cancellation clause.
 - B. The operative clause.
 - C. The premium clause.
 - D. The recital clause.

51. A limited company changes its name but its business activities remain the same. What document(s) **must** the company's packaged insurer issue to acknowledge this amendment?
- A. A certificate of employers' liability insurance only.
 - B. An endorsement and a certificate of employers' liability insurance.
 - C. A new policy wording and a certificate of employers' liability insurance.
 - D. A new policy wording and a schedule.
52. At renewal of a shop insurance policy, an insurer **must** issue a certificate of employers' liability insurance to the policyholder within 30 days of
- A. inviting renewal.
 - B. receiving instructions to renew.
 - C. receiving payment.
 - D. the renewal date.
53. An insurer wishes to cancel a policy mid-term and no fraud is suspected. What refund of premium, if any, is the insurer obliged to pay under the cancellation clause?
- A. There is no obligation.
 - B. An amount calculated on short period rates.
 - C. A pro rata amount.
 - D. A full refund.
54. A burglar breaks into Peter's shop by damaging the back door and steals some items of property. When submitting a claim under his shop insurance policy, what documentary evidence will Peter **NOT** need to give his insurer?
- A. The bill for the emergency repair work carried out on the back door.
 - B. The crime reference number allocated by the police.
 - C. Evidence of the value of the stolen property.
 - D. A police report on the circumstances surrounding the burglary.
55. What is the **most common** form of alternative dispute resolution?
- A. Adjudication.
 - B. Arbitration.
 - C. Conciliation.
 - D. Mediation.
56. An insurer discovering that a policyholder has submitted a fraudulent claim may
- A. be obliged to pay the claim.
 - B. terminate the contract from the date of the fraud.
 - C. refer the claim to arbitration.
 - D. report the matter to the regulator.

57. When a claim under an office insurance policy is also covered by the insured's separate policy with another insurer, under which clause would each insurer pay a proportion of the loss?
- A. Contribution.
 - B. Indemnity.
 - C. Salvage.
 - D. Subrogation.
58. Under a typical shop insurance policy, how quickly **must** claims first be notified?
- A. As soon as possible.
 - B. Within a maximum of 7 days.
 - C. Within a maximum of 14 days.
 - D. At next renewal.
59. In connection with which claim settlement method under a contractor's insurance policy is a discharge form **most likely** to be used?
- A. Monetary payment.
 - B. Paying for repairs.
 - C. Reinstatement.
 - D. Replacement.
60. An insurer has settled a water damage claim under a shop insurance policy. Unless alternative arrangements are made, what **normally** happens to the salvage?
- A. It is automatically sold and the proceeds credited as a return premium.
 - B. It is automatically retained by the insured.
 - C. It is automatically deemed to be the property of the insurer.
 - D. It is automatically sold and the proceeds passed to the insured.
61. An insured has a shop insurance policy with a products liability limit of £1,000,000 each claim and in total, inclusive of costs. He sells a product which causes injury to six people, each of whom sue him successfully for products liability. Following the court judgement the insured has to pay each person £125,000 in damages and £75,000 in legal costs, and incurs £250,000 himself in defence costs. What is the **maximum** amount the insured will be able to recover from his insurance policy?
- A. £750,000
 - B. £1,000,000
 - C. £1,200,000
 - D. £1,450,000

62. 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.
63. In order to determine the actual settlement amount, the loss claimed under an office insurance policy was multiplied by the sum insured and then divided by the value at risk. Which policy clause triggered this calculation?
- A. Arbitration.
 - B. Average.
 - C. Contribution.
 - D. Subrogation.
64. Bedroom furniture was badly damaged in a fire and is the subject of a claim under a guest house insurance policy. What should the policyholder do with these items?
- A. Dispose of them at a recycling centre.
 - B. Retain them for inspection by the insurer's representatives.
 - C. Sell them for salvage to a reputable third party.
 - D. Trade them in for a replacement.
65. Which item of paperwork is **normally** checked at claims stage in order to ensure that all relevant information was correctly disclosed?
- A. Claim form.
 - B. Discharge form.
 - C. Demands and needs statement.
 - D. Proposal form.
66. A claim under a shop insurance policy was submitted on 5 July and settlement terms were offered on 10 August. What **must** the insurer do in the intervening period to satisfy the Financial Conduct Authority's claims-handling rules?
- A. Make an interim payment to the policyholder.
 - B. Notify the policyholder of progress.
 - C. Provide the policyholder with details of the Financial Ombudsman Service.
 - D. Send the policyholder's details to the Financial Services Compensation Scheme.

67. The reserving process involves establishing funds to cover the cost of
- A. administration expenses.
 - B. individual claims.
 - C. taxation.
 - D. underwriting losses.
68. Which part of a retail packaged policy contains details of the policyholder's conduct regards to claims?
- A. Preamble.
 - B. Conditions.
 - C. Schedule.
 - D. Warranties.
69. Following damage to insured property, a policyholder **must** notify the insurer and **always**
- A. appoint a loss adjuster.
 - B. arrange repair as soon as possible.
 - C. notify the police.
 - D. take whatever steps are appropriate to minimise the loss.
70. The reserve set by an insurer following notification of a property claim under a buildings policy will **always** represent the
- A. market value of the property.
 - B. maximum amount likely to be paid.
 - C. rebuilding value of the property.
 - D. total sum insured less the excess.
71. Following a claim for damage caused to an insured building in a riot, from whom does the insurer have a statutory right to make a recovery of some or all of its outlay?
- A. The local authority.
 - B. The Police Authority.
 - C. The policyholder.
 - D. The rioters themselves.

- 72.** 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.
- 73.** A loss adjuster has been investigating a claim under a hotel insurance policy. In what circumstances, if any, will the adjuster's fees be settled by the insurer?
- A.** In no circumstances.
 - B.** Only if the insurer accepts liability for the claim.
 - C.** Only if the insured accepts the first offer of settlement.
 - D.** In all circumstances.
- 74.** Brian suffers a fire at his furniture shop. New fixtures and fittings are used in repairs with a deduction applied for depreciation. This basis of cover is known as
- A.** contribution.
 - B.** first loss.
 - C.** indemnity.
 - D.** reinstatement.
- 75.** Under what circumstances, if any, can an insurer select options other than the payment of money to the insured when settling a claim?
- A.** Under no circumstances.
 - B.** Only if the insured agrees to the payment.
 - C.** Only if the options are specified in the policy wording.
 - D.** Under all circumstances.

Specimen Examination Answers and Learning Outcomes Covered

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