



Chartered
Insurance
Institute

WCE

Insurance claims (non-UK)

**Based on the 2019/2020 syllabus
examined from 1 May 2019 until 30 April 2020**

WCE - Insurance claims (non-UK)

Based on the 2019/2020 syllabus examined from 1 May 2019 until 30 April 2020

Contents

Introduction to Examination Guide	3
WCE Syllabus	6
Specimen Examination	9
Specimen Examination Answers and Learning Outcomes Covered	23

Published in April 2019 by:

The Chartered Insurance Institute

42-48 High Road, South Woodford, London E18 2JP

Telephone: 020 8989 8464

Fax: 020 8530 3052

Email: customer.serv@cii.co.uk

Copyright ©2019 The Chartered Insurance Institute. All rights reserved.

WCE - Insurance claims (non-UK)

Based on the 2019/2020 syllabus examined from 1 May 2019 until 30 April 2020

Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute to assist students in their preparation for the WCE 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 a WCE 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 WCE 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 <https://www.cii.co.uk/learning/qualifications/unit-insurance-claims-WCE/>
- 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 WCE 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 WCE begin with *understand*. Different skill levels lead to different types of question, examples of which follow.

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 WCE examination is 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.

The WCE syllabus provided in this examination guide will be examined from 1 May 2019 until 30 April 2020.

Candidates will be examined on the basis of practice in a non-regulated environment.

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

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct or best response. Each question contains 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 chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.

Candidates are permitted to make rough notes. Candidates are **not** permitted, in any circumstances, to remove any papers relating to the examination from the examination room.

Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

Insurance claims handling (non-UK)

Objective

To provide knowledge and understanding of the claims handling process including notification, assessment, settlement and associated financial factors.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the general principles in the claims handling process	12
2. Understand insurance products and associated services	13
3. Understand claims considerations and administration	13
4. Understand claims handling processes and related claims services	13
5. Understand the claims function and how it may be structured.	6
6. Understand claims settlement	10
7. Understand how expenses are managed	8

*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 May 2019 until 30 April 2020.
- 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/updates
 2. Select the appropriate qualification
 3. Select your unit on the right hand side of the page

- 1. Understand the general principles in the claims handling process**
 - 1.1 Describe the legal requirements for a valid claim
 - 1.2 Describe the different types of policy conditions relating to claims
 - 1.3 Explain how the application of policy conditions can affect the payment of claims
 - 1.4 Explain the duties of an insured after a loss
 - 1.5 Describe what documentary and supporting evidence are typically required when notifying a claim
 - 1.6 Explain what is meant by proximate cause and how it is applied
- 2. Understand insurance products and associated services**
 - 2.1 Describe the basic features and typical policy cover of health, motor, personal, property, pecuniary, liability and extended warranties insurance
 - 2.2 Describe the exclusions and extensions of cover available for health, motor, personal, property, pecuniary, liability and extended warranties insurance
- 3. Understand claims considerations and administration**
 - 3.1 Describe the role of the claims department and the role of claims personnel
 - 3.2 Explain the importance of service standards and managing customer expectations
 - 3.3 Describe the difference to the insurer between the first, second and third parties
 - 3.4 Explain the consequences and issues that arise for third parties
 - 3.5 Explain the importance of claims estimating and reserving
 - 3.6 Describe the common indicators of fraud and the methods commonly used to discourage individuals from making fraudulent claims
 - 3.7 Explain the consequences of fraudulent claims for the insurance industry and its customers
 - 3.8 Describe the ways in which a claims department may ensure that customers are treated fairly
 - 3.9 Describe how disputes and complaints could be resolved or escalated
- 4. Understand claims handling procedures and related claims services**
 - 4.1 Explain claims handling processes, including typical legal and regulatory considerations
 - 4.2 Describe the variety of services that can be utilised in the claims handling and settlement process including help lines, authorised repairers, uninsured loss recovery services, legal costs service and risk control/advice
- 5. Understand the claims function and how it may be structured.**
 - 5.1 Describe the key features, structure and objectives of different claims systems
 - 5.2 Describe the claims function as it appears in functional and divisional structures
 - 5.3 Explain the roles of outsourcing companies, loss adjusters, disaster recovery companies, surveyors, solicitors and loss assessors
- 6. Understand claims settlement**
 - 6.1 Describe the way that claims can be settled including payment of money, paying for repairs direct, replacement and reinstatement
 - 6.2 Describe how excesses, franchises and deductibles work
 - 6.3 Describe how the process of reserving operates
 - 6.4 Explain why a claim may be invalid or only partially met
 - 6.5 Explain how insurers can recover claims payments from third parties
 - 6.6 Explain how salvage affects claim payments
 - 6.7 Explain how average can affect claims settlements
 - 6.8 Explain how market agreements affect claims settlements
 - 6.9 Describe the methods used to mitigate the risk of untraced/uninsured drivers
 - 6.10 Describe how arbitration clauses operate
 - 6.11 Describe how other settlement methods operate
- 7. Understand how expenses are managed**
 - 7.1 Describe the role of the claims manager
 - 7.2 Explain what claims leakage is and how to identify and reduce it
 - 7.3 Explain the types of financial monitoring and how this can impact an insurance company results
 - 7.4 Explain the basis and significance of reserving practice

Reading list

The following list provides details of further reading which may assist you with your studies.

Note: The examination will test the syllabus alone.

The reading list is provided for guidance only and is not in itself the subject of the examination.

The resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

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

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

CII study texts

Insurance claims handling process. London: CII. Study text WCE.

Books (and ebooks)

'Claims handling'. Chapter - Insurance theory and practice. Rob Thoyts. New York: Routledge, 2010.*

Claims handling law and practice. Richard West et al. London: Kennedys Law LLP, 2018.

'Claims handling'. Chapter - Insurance theory and practice. Rob Thoyts. New York: Routledge, 2010.*

'Claims procedure'. Chapter - The law of insurance contracts. 6th ed. Malcolm A Clarke et al. London: Informa, 2009.

'Claims under the policy'. Chapter 14 in Bird's modern insurance law. 10th ed. John Birds. London: Sweet & Maxwell, 2016.

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

Insurance disputes. Jonathan Mance, Iain Goldrein, Robert Merkin. 3rd ed. London: Informa, 2011.

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

Periodicals

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

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.

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

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. If more than one peril has caused a loss and one of those perils is excluded from risks insured under the policy, it is necessary to establish the
 - A. contributing factor of the loss.
 - B. initial cause of the loss.
 - C. last cause of the loss.
 - D. proximate cause of the loss.

2. The failure of an insured to notify the police in the event of a theft from its premises will **most likely** cause its household insurer to
 - A. cancel the theft cover.
 - B. cancel the whole policy.
 - C. reduce the amount of the settlement.
 - D. refuse to pay the claim.

3. Most household insurance policies require that claims are notified to the insurer
 - A. after the insured's costs have been calculated.
 - B. as soon as reasonably possible.
 - C. within 14 days of the loss.
 - D. within 30 days of the loss.

4. When, if at all, does an insured's duty to mitigate a loss exist?
 - A. It always exists regardless of whether it is stated with the policy.
 - B. It always falls to the insurer and never to the insured.
 - C. Only if specifically requested by the insurer after a loss has occurred.
 - D. Only when it is expressly stated within the policy.

5. Mark, an adviser employed by a firm of insurance brokers, sold an insurance policy to Alison. When dealing with a claim under this policy, the onus of proof that it is a valid claim rests with
 - A. Alison.
 - B. the firm of insurance brokers.
 - C. the insurer.
 - D. Mark.

6. Where a policy condition is classed as an express condition, this means that it
 - A. can be removed by payment of an extra premium.
 - B. is based on common law requirements.
 - C. is stated in writing within the terms of the policy.
 - D. only applies for an initial period.

7. When making a claim under an insurance policy, it is only necessary to prove a financial loss has been suffered if the
- A. claimant is a corporate entity.
 - B. claimant is affected by an average clause.
 - C. policy is one of indemnity.
 - D. policy is set up on a reversionary basis.
8. A week before James returns from a holiday, a storm dislodges tiles from his roof and water enters his house causing significant staining to carpets and soft furnishings. What is the proximate cause of the loss?
- A. The dislodged tiles.
 - B. The staining.
 - C. The storm.
 - D. The vacant property.
9. When an insurer assumes the rights of the insured to attempt to recover from a responsible third party, this is known as
- A. arbitration.
 - B. contribution.
 - C. litigation.
 - D. subrogation.
10. An insured has a condition in his commercial theft policy that tools **must NOT** be left in the vehicle overnight. The insured fails to abide by this condition and the tools are stolen. What action will the insurer **most likely** take?
- A. Avoid the policy.
 - B. Cancel the policy.
 - C. Pay the claim.
 - D. Repudiate the claim.
11. Jane has a motor vehicle accident which results in damage to a third party's car. Her motor insurance policy will **most likely** include a condition which states that she **must NOT** admit responsibility for the accident without having first obtained
- A. independent legal advice.
 - B. the insurer's written consent.
 - C. a police accident report.
 - D. proof of the third's party's financial loss.
12. If a claimant complies with all the express duties under a policy, but fails to comply with an implied duty, what effect could this have on a claim?
- A. The claim may be deemed invalid.
 - B. The claims excess may be increased.
 - C. The settlement payment may be deferred.
 - D. The subrogation process may be altered.

13. What is the usual **maximum** payment period for temporary total disablement under a personal accident policy?
- A. 26 weeks.
 - B. 52 weeks.
 - C. 104 weeks.
 - D. 208 weeks.
14. Rosie drops her mobile telephone in the street and the screen cracks. She has gadget insurance and telephones the insurer's helpline for assistance. What will the helpline **most likely** do?
- A. Advise Rosie that only theft and breakdown are covered.
 - B. Immediately send Rosie a replacement phone.
 - C. Refer Rosie to her household insurer in the first instance.
 - D. Take details of the claim and request she send supporting documents.
15. A business interruption insurance policy is designed **primarily** to cover a
- A. loss caused by bad debts.
 - B. loss caused by a drop in share value.
 - C. loss of profits.
 - D. loss of turnover.
16. A legal expenses extension of a motor insurance policy would **normally** cover the costs in relation to
- A. defending a liability claim on behalf of the insured.
 - B. pursuing a claim for breach of contract with an insurer.
 - C. pursuing a recovery on behalf of the insurer.
 - D. pursuing an uninsured loss claim on behalf of the insured.
17. What type of motor insurance policy provides cover in respect of accidental damage to the insured vehicle?
- A. Comprehensive.
 - B. Road Traffic Act only.
 - C. Third party only.
 - D. Third party fire, and theft.
18. An engineering company has an insurance policy which includes a material damage warranty clause. What type of policy is this **most likely** to be?
- A. Business interruption.
 - B. Motor fleet.
 - C. Product liability.
 - D. Professional indemnity.

19. During a night out with friends, Mike starts a fight. As a result of his injuries he is unable to work for six months and fails to submit the claim until a year after the incident. He has cover for temporary disablement at £250 per week under his personal accident policy, but his insurer refuses to settle his claim. What is the **most likely** reason for this?
- A. The claim is excluded under the terms of his policy.
 - B. The claim falls under an employers' liability policy.
 - C. The claim is against public policy.
 - D. The claim is within the policy excess.
20. Which insurance policy would cover liability arising from, or in connection with, advice, design or specification provided by the policyholder to a third party for a fee?
- A. Employers' liability.
 - B. Product liability.
 - C. Professional indemnity.
 - D. Public liability.
21. What is the purpose of a specified suppliers extension to the business interruption section of a commercial property insurance policy?
- A. To indemnify the policyholder in respect of a loss of profit arising as a consequence of insured damage at a named supplier's premises.
 - B. To indemnify the policyholder in respect of a loss of profit arising from a named supplier's failure to fulfil a contractual obligation as a consequence of insolvency.
 - C. To indemnify a named supplier in respect of a loss of profit arising as a consequence of insured damage at the policyholder's premises.
 - D. To indemnify a named supplier in respect of material damage and any associated loss of profit arising as a consequence of an insured event at its own premises.
22. The flat roof to Jon's garage is 15 years old and has suddenly started leaking causing damage to his contents. He puts in a claim for the full replacement value of the roof and the damaged contents. Which part(s) of Jon's claim, if any, would his insurer **usually** agree to settle?
- A. None of the claim.
 - B. The contents damage only.
 - C. The replacement roof only.
 - D. Both the contents and the roof damage.
23. What level of cover, if any, does an insured have under a driving other cars extension of a comprehensive motor insurance policy?
- A. Cover will not be provided.
 - B. Comprehensive.
 - C. Third party only.
 - D. Third party fire, and theft.

24. Assam's two-year-old freezer is damaged due to refrigerant fumes escaping. He has a household insurance policy which includes a standard freezer extension. He claims for a new freezer, replacing spoiled food and lost wages for his time spent dealing with the damage. Which part(s) of the claim will the insurer **most likely** pay?
- A. The spoiled food only.
 - B. The new freezer only.
 - C. The spoiled food and new freezer only.
 - D. The spoiled food, new freezer and lost wages.
25. A warehouse stores gardening equipment. The manager arrives for work one morning and discovers that some power tools and £500 of cash have been stolen. He reports the theft to the police and submits a claim under his theft insurance. How would the insurer **most likely** respond to the claim?
- A. Decline the whole claim.
 - B. Pay the claim for the stolen cash only.
 - C. Pay the claim for the power tools only.
 - D. Pay the claim in full.
26. An insurer will only raise the common law defence of contributory negligence when defending a claim made by which parties to an insurance contract?
- A. First parties.
 - B. First parties and second parties.
 - C. Second parties and third parties.
 - D. Third parties.
27. The purpose of technical reserves is to provide
- A. catastrophe claims reserves only.
 - B. dividends given to shareholders.
 - C. funds to cover all outstanding underwriting liabilities.
 - D. incurred but not reported (IBNR) claims reserves only.
28. The **main** advantage to a liability insurer of handling the negotiations with a third party who makes a claim against its insured is that the insurer can
- A. always secure a subrogation recovery prior to settling with the third party.
 - B. ensure that the full limit of indemnity is paid.
 - C. limit the number of claims that can be made against the insured.
 - D. use its expertise and resources to obtain a favourable settlement.
29. Who **normally** has **primary** responsibility within an insurance company for accurately estimating the final cost of outstanding claims?
- A. The actuarial team.
 - B. The claims handlers.
 - C. The finance team.
 - D. The loss assessors.

30. What is the **main** long-term effect of successful insurance fraud against an insurer on all its customers?
- A. Claims will take longer to process.
 - B. Excesses will be higher.
 - C. Premiums will be higher.
 - D. Underwriters will be more selective.
31. Where a claims department publishes a set of service standards, this is **usually** done in order to manage
- A. cash flow.
 - B. customer expectations.
 - C. moral hazards.
 - D. risk exposure.
32. An intermediary realises that he is acting as an agent for two separate insureds that are both parties to the same loss. In addition to disclosing the conflict, how should the intermediary handle the claim?
- A. Have one account handler administering both claims.
 - B. Have two separate account handlers administering each party's claim.
 - C. Inform both insureds that they will have to deal directly with their insurers.
 - D. Only be involved with the claim administration for the insured that first notified the loss.
33. Jack has owned his house for 6 years and has never had any contents insurance. He has recently purchased contents cover and a week later he wishes to claim for a broken washing machine. What is the **most likely** reason the insurer will fully investigate this claim?
- A. To check the value of the contents.
 - B. To ensure the washing machine is less than 10 years old.
 - C. There are possible fraud indicators present.
 - D. There may be dual insurance.
34. A recently completed high-rise office building leaks when it rains. The estimated cost of repair exceeds several million pounds. The developer's insurers alleges negligence against a number of its contractors. If none of the contractors admit liability the insurer may suggest trying to resolve the issue and avoid a trial by using
- A. adjudication.
 - B. arbitration.
 - C. mediation.
 - D. subrogation.

35. The department responsible for setting individual case reserves is
- A. actuarial.
 - B. claims.
 - C. finance.
 - D. internal audit.
36. What factor makes claims under the glass section of a household insurance policy **less likely** to be fraudulent than claims under many other classes of insurance?
- A. The pre-policy checks.
 - B. The post-claim checks.
 - C. The settlement method.
 - D. The timescales involved.
37. Many household insurers now choose to settle claims relating to electrical items, bicycles and other home contents products with vouchers rather than a cash payment. What is the **main** benefit of doing this?
- A. To improve the customer experience.
 - B. To reduce claims cost.
 - C. To reduce fraud.
 - D. To speed up the claims settlement process.
38. Insurer A received a claim after its policyholder, Adam, crashed into a car driven by Sarah, who has a policy with insurer B. Who would **normally** be considered the first party in this claim?
- A. Adam.
 - B. Insurer A.
 - C. Insurer B.
 - D. Sarah.
39. Jim reverses into Barbara's car and causes damage. They both hold valid comprehensive motor insurance policies, each with a £250 excess. Which organisation is Barbara **most likely** to appoint to claim her excess?
- A. A loss adjusting company.
 - B. A loss assessing company.
 - C. An insurer.
 - D. An uninsured loss recovery company.
40. Whilst having building work carried out on his house, one of Adam's windows was broken and was replaced by an insurer's authorised repairer. Who is the repairer **most likely** to invoice for this work?
- A. Adam.
 - B. Adam's insurer.
 - C. The builder.
 - D. The builder's insurer.

41. When dealing with a claim under a business interruption insurance policy, what does the indemnity period represent?
- A. The maximum period for notifying a claim.
 - B. The maximum period between the claim notification and the claim settlement.
 - C. The maximum period the insurer will consider a claim for loss of profits.
 - D. The maximum period between settling a claim and submitting a new claim.
42. When making a claim under a creditor insurance policy in relation to employment, what **must** the insured **initially** prove to his insurer?
- A. That he has tried to find work.
 - B. That he has taken lower paid work.
 - C. That he is not working.
 - D. That he was responsible for his employment being terminated.
43. During construction of a car park, structural defects are discovered. As a result, remedial works are required and delays incurred. The architects involved put their insurers on notice of a potential claim. Which policy is **most likely** to respond?
- A. Business interruption.
 - B. Products liability.
 - C. Professional indemnity.
 - D. Third party liability.
44. A policyholder submits three claims of a similar nature within a policy year for accidental damage to his property. What steps is the claims handler expected to take upon receipt of the latest claim?
- A. Advise underwriters and appoint a loss adjuster to submit a report.
 - B. Appoint repairers to liaise directly with the policyholder.
 - C. Inform the police of a possible fraud at the property.
 - D. Inform the policyholder that the latest claim will be declined.
45. With what type of commercial property claim would an approved repairer **typically** be used?
- A. All risks.
 - B. Fire and special perils.
 - C. Glass.
 - D. Theft.
46. Why is the claims department of a household insurer **likely** to insist upon the provision of an original receipt, or some other proof of purchase or ownership, in support of any claim relating to lost or damaged items which exceed a certain value threshold?
- A. To comply with policy conditions.
 - B. To facilitate accurate application of the policy excess.
 - C. To speed up the claims settlement process.
 - D. To validate the claim amount.

-
47. Some personal lines insurers follow a claims-handling process where a flag reserve is applied to some types of claims on first notification. How is this flag reserve calculated?
- A. An accurate assessment of the potential ultimate value of the claim that is neither deliberately optimistic nor pessimistic.
 - B. A maximum amount manually set by the claims handler to represent a worst case scenario.
 - C. A minimum amount manually set by the claims handler until such time as more detailed information is available.
 - D. A statistically derived average amount.
48. To which party is a private motor insurer **likely** to make a claim payment in settlement of a straightforward broken windscreen claim?
- A. The policyholder.
 - B. The policyholder's agent.
 - C. The windscreen repair company.
 - D. The loss adjuster.
49. When an insurer uses a panel of authorised repairers instead of allowing the policyholder to choose his own repairer, what effect should this have on the price and quality of the repair work?
- A. Higher price and higher quality.
 - B. Lower price and higher quality.
 - C. Higher price and lower quality.
 - D. Lower price and lower quality.
50. Risk control techniques are **normally** used by a property insurer to
- A. assist an underwriter in determining categories of risk.
 - B. ensure policy exclusions are applied vigorously.
 - C. limit the number of claims an insured can make.
 - D. mitigate the potential effects of a loss.
51. If a policyholder puts the wrong fuel into his car and it then breaks down, what **must** he do immediately under the terms of his comprehensive motor insurance policy?
- A. Contact his breakdown provider.
 - B. Contact the emergency services.
 - C. Contact a local vehicle repairer.
 - D. Contact his motor insurer's helpline.
52. The **main** objective of a computerised claims system is to
- A. accurately record claims details.
 - B. identify fraudulent claims.
 - C. assist in the calculation of premiums.
 - D. ensure that the regulator's requirements are complied with.

53. An insurer offers a legal advice helpline as part of its household insurance policy. What is the **most likely** relationship between the insurer and the individual providing the advice?
- A. The adviser will be a senior manager employed by the insurer.
 - B. The adviser will be contracted by an outsourcing company appointed by the insurer.
 - C. The adviser will be the insured's nearest panel solicitor who will be paid a fixed fee by the insurer on a freelance basis.
 - D. The adviser will be the insurer's in-house solicitor.
54. A policyholder is unsure what he should be claiming for in the event of a flood affecting his property. Who would be the appropriate person to negotiate a settlement on his behalf?
- A. A loss adjuster.
 - B. A loss assessor.
 - C. A mediator.
 - D. An uninsured loss recovery agent.
55. A claims handler receives a household claim for damage to furniture as a result of burst pipes. Which type of organisation is the claims handler **most likely** to appoint to evaluate the damage?
- A. A disaster recovery company.
 - B. A loss adjuster.
 - C. A loss control surveyor.
 - D. A specialist loss assessor.
56. Why is it important for an insurer to ensure that its claims system is set up to capture accurate causes of loss?
- A. To enable underwriters to check and confirm that the loss is covered by the terms and conditions of the corresponding policy wording.
 - B. To enable underwriters and pricing teams to reflect claims trends in their risk selection, terms and conditions and pricing.
 - C. To enable the insurer to provide accurate and complete treaty profile returns to its reinsurers with a view to obtaining the most advantageous terms.
 - D. To satisfy the regulator's reporting requirements and support insurance industry data collection.
57. Which specialist area of a claims department is **likely** to deal with activity relating to pursuit of the insurer's subrogation rights?
- A. Compliance team.
 - B. Fraud unit.
 - C. Recoveries unit.
 - D. Rehabilitation team.

58. Lucy has a public liability policy with a limit of indemnity of £1,000,000. A court has found Lucy to be negligent and awarded the claimant £2,000,000 in damages. How much will Lucy's public liability insurer have to pay?
- A. £500,000
 - B. £1,000,000
 - C. £2,000,000
 - D. £3,000,000
59. Geoff suffers £12,000 worth of damage to his contents in a fire at his house. He makes a claim against his home contents policy which has a £20,000 sum insured. During investigations the insurer discovers that the value of the contents of Geoff's home prior to the fire was £30,000. As a result the insurer offers £8,000 to settle the claim. What policy condition is the insurer applying to the settlement?
- A. Average.
 - B. Contribution.
 - C. Salvage.
 - D. Subrogation.
60. An insurer's right to recover its outlay from a negligent third party is known as
- A. arbitration.
 - B. contribution.
 - C. mediation.
 - D. subrogation.
61. Application of the arbitration clause might occur under a standard fire policy as a result of a dispute between the insurer and the insured regarding
- A. the amount of a claim.
 - B. the amount of the premium.
 - C. policy cover.
 - D. policy renewal terms.
62. Karen submits a total loss claim under her buildings insurance policy which exceeds her sum insured. If the average clause is successfully applied to this claim, what will the **maximum** settlement amount be based on?
- A. The sum insured.
 - B. The value of the building.
 - C. Rebuilding costs.
 - D. Reinstatement costs.

63. When an insurer receives a claim, it sets aside a sum of money in respect of the probable cost of the claim. This process is known as
- A. average.
 - B. reserving.
 - C. salvage.
 - D. settlement.
64. When an insurer sells salvage, this reduces
- A. the level of the insured's deductible.
 - B. the likelihood of fraudulent claims.
 - C. the final incurred claim cost.
 - D. uninsured loss recoveries.
65. Where two or more insurers are involved in a claim where they are party to a market agreement, this is **likely** to
- A. identify and minimise leakage.
 - B. improve the accuracy of reserving.
 - C. reduce the cost of dealing with claims.
 - D. reduce fraudulent activity.
66. An insurance policy has a franchise of £2,500. Following a loss totalling £10,000, how much, if anything, will the insurer pay in respect of the claim?
- A. Nil.
 - B. £2,500
 - C. £7,500
 - D. £10,000
67. Which phase of a standard commercial claims-handling process **typically** occurs for the first time immediately after initial notification of a new claim and is repeated periodically throughout the life of the claim?
- A. Complaints handling.
 - B. Negotiation.
 - C. Recoveries.
 - D. Reserving.
68. An insurer is able to accurately forecast its results if it has in place sophisticated systems to monitor
- A. financial performance.
 - B. fraud.
 - C. leakage.
 - D. regulatory protocols.

69. Ensuring that all possible recoveries have been made will directly reduce what aspect of the insurer's costs?
- A. Equalisation reserves.
 - B. Leakage levels.
 - C. Subrogation costs.
 - D. Unearned premiums.
70. If an insurer starts to monitor its claims more actively and takes appropriate action, what is the **most likely** impact on the insurer's financial results?
- A. They would fluctuate.
 - B. They would improve.
 - C. They would stay the same.
 - D. They would worsen.
71. Who is responsible for formulating an insurer's day-to-day claims strategy and procedures?
- A. The claims manager.
 - B. The finance director.
 - C. The marketing director.
 - D. The underwriting manager.
72. The experience and specialist knowledge of a claims manager is **usually** required to handle
- A. claims recoveries from reinsurers.
 - B. complex claims.
 - C. incurred but not reported (IBNR) claims.
 - D. salvage recoveries.
73. Tom submits a claim for a written-off vehicle, for which he originally paid £5,000, but is now worth £3,000. The policy has an excess of £150. A junior claims handler offers Tom a net settlement figure of £5,000 and Tom accepts. What is the amount of leakage on Tom's claim?
- A. £150
 - B. £2,000
 - C. £2,150
 - D. £4,850
74. What is the **main risk** of an insurer carrying insufficient reserves?
- A. A fine by the ombudsman.
 - B. An inability to apply average to claim settlements.
 - C. An inability to meet its liabilities.
 - D. An increase in significant leakage.

75. Insurers set internal budgets and regularly monitor financial progress against set targets so that they can
- A. deter fraudulent claims.
 - B. forecast results.
 - C. minimise leakage.
 - D. set appropriate reserves.

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			Learning Outcome 3			Learning Outcome 6		
1	D	1.6	26	D	3.3	58	B	6.1
2	D	1.4	27	C	3.5	59	A	6.4
3	B	1.2	28	D	3.4	60	D	6.5
4	A	1.3	29	B	3.1	61	A	6.10
5	A	1.1	30	C	3.3	62	A	6.7
6	C	1.2	31	B	3.2	63	B	6.3
7	C	1.1	32	B	3.8	64	C	6.6
8	C	1.6	33	C	3.6	65	C	6.8
9	D	1.3	34	C	3.9	66	D	6.2
10	D	1.3	35	B	3.1	67	D	6.3
11	B	1.3	36	C	3.6	10 Questions		
12	A	1.4	37	B	3.6			
12 Questions			38	A	3.3	Learning Outcome 7		
			13 Questions			68	A	7.3
Learning Outcome 2						69	B	7.2
13	C	2.1	Learning Outcome 4			70	B	7.3
14	D	2.1	39	D	4.2	71	A	7.1
15	C	2.1	40	B	4.2	72	B	7.1
16	D	2.2	41	C	4.1	73	C	7.2
17	A	2.1	42	C	4.1	74	C	7.4
18	A	2.1	43	C	4.1	75	B	7.3
19	A	2.2	44	A	4.1	8 Questions		
20	C	2.1	45	C	4.2			
21	B	2.2	46	D	4.1			
22	B	2.2	47	D	4.1			
23	C	2.2	48	C	4.1			
24	C	2.2	49	B	4.2			
25	C	2.2	50	D	4.2			
13 Questions			51	D	4.2			
			13 Questions					
			Learning Outcome 5					
			52	A	5.1			
			53	B	5.3			
			54	B	5.3			
			55	B	5.3			
			56	B	5.1			
			57	C	5.2			
			6 Questions					