



Chartered
Insurance
Institute

IF6

Certificate in Insurance

Unit 6 – Household insurance products

Based on the 2020 syllabus
examined from 1 January 2020 until 31 December 2020

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Unit 6 – Household insurance products

Based on the 2020 syllabus examined from 1 January 2020 until 31 December 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 IF6 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 IF6 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 IF6 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-household-insurance-products-if6/
- 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 IF6 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 CII 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 IF6 begin with *understand* or *apply*. 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.

Apply To answer application questions, the candidate must be able to apply their knowledge and/or understanding to a given set of circumstances. Questions set on a *be able to apply* learning outcome can test knowledge and/or understanding as well as application.

Examination Information

The method of assessment for the IF6 examination is 50 multiple choice questions (MCQs) and 5 case studies, each comprising 5 MCQs. 2 hours are allowed for this examination.

The IF6 syllabus provided in this examination guide will be examined from 1 January 2020 until 31 December 2020.

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.

Section A consists of 50 multiple choice questions. 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.

Section B contains five case studies each followed by five questions. **Four** options follow each question. The options are labelled A, B, C and D. Only **one** of these options will be correct or best. One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

While no questions involve complex calculations, candidates are permitted to use calculators during the examination. If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.

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

Examination Technique: Multiple Choice Questions

The best approach to multiple choice 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.

Household insurance products

Objective

To provide knowledge and understanding of the practices and procedures of household insurances and associated forms of cover and to develop in candidates an ability to apply product knowledge and understanding on straightforward cases where unaccompanied but supervised advice is given.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the scope of cover provided by household insurance products	12
2. Know how to apply knowledge of the cover provided by household insurance products to a given set of circumstances	6
3. Understand the legal and regulatory considerations for household insurance products	11
4. Know how to apply knowledge of legal and regulatory considerations for household insurance products to a given set of circumstances	6
5. Understand risk assessment, rating and underwriting of household insurance products	19
6. Know how to apply knowledge of risk assessment, rating and underwriting of household insurance products to a given set of circumstances	9
7. Understand claims procedures within the context of household insurance products	8
8. Know how to apply knowledge of claims procedures within the context of household insurance products to a given set of circumstances	4

*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

Important notes

- Method of assessment: 50 multiple choice questions (MCQs) and 5 case studies, each comprising 5 MCQs. 2 hours are allowed for this examination.
- This syllabus will be examined from 1 January 2020 until 31 December 2020.
- 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/learning/qualifications/unit-household-insurance-products-if6/
 2. Select qualification update on the right hand side of the page.

- 1. Understand the scope of cover provided by household insurance products**
 - 1.1 Describe the core cover provided, including policy wordings, exclusions and extensions for; buildings, contents, personal possessions, caravans, travel, livestock and pets, mobile phones and personal liability (including owners' liability)
 - 1.2 Describe the features of money and credit cards, legal expenses, pedal cycles, assistance services/emergency help lines, sports equipment and frozen foods
 - 1.3 Explain the key issues relating to home working (including liability aspects), holiday homes in the UK and abroad, insurance for blocks of flats, sharing and renting of homes and high net worth households
- 2. Know how to apply knowledge of the cover provided by household insurance products to a given set of circumstances**
 - 2.1 Apply the cover provided by household insurance products to a given set of circumstances
- 3. Understand the legal and regulatory considerations for household insurance products**
 - 3.1 Explain in broad outline the scope and general effect of the Insurance: Conduct of Business sourcebook (ICOBS) as it relates to the administration of household insurance
 - 3.2 Describe the causes of legal liability for individuals
 - 3.3 Describe how torts can arise
 - 3.4 Describe how liability for escape of fire arises
 - 3.5 Explain how liability for animals can occur including liability under the Animals Act 1971 and the Dangerous Dogs Act 1991
 - 3.6 Explain how parents' liability for children arises
 - 3.7 Describe the key features of The Limitation Act 1980
 - 3.8 Explain the principal issues of occupiers' liability including the Occupiers' Liability Acts of 1957 and 1984
 - 3.9 Describe the main aspects of the Defective Premises Act 1972 and its effect on the law relating to landlord and tenant, the vendor or lessor of property and builders, developers, sub-contractors, architects and local authorities
- 4. Know how to apply knowledge of legal and regulatory considerations for household insurance products to a given set of circumstances**
 - 4.1 Apply legal and regulatory considerations for household insurance products to a given set of circumstances
- 5. Understand risk assessment, rating and underwriting of household insurance products**
 - 5.1 Explain the general principles of premium rating and underwriting individual risks in household insurance
 - 5.2 Describe the rating and underwriting considerations specific to buildings, contents, personal possessions, caravans, travel, livestock and pets, mobile phones and personal liability including owners' liability
 - 5.3 Describe the rating and underwriting considerations of common extensions for money and credit cards, legal expenses, pedal cycles, assistance services/emergency help lines, sports equipment and frozen foods
 - 5.4 Describe the key rating and underwriting issues relating to home working including liability aspects, holiday homes in the UK and abroad, insurance for blocks of flats, and sharing and renting of homes
 - 5.5 Explain the use of surveys in household insurance including the importance of security measures
 - 5.6 Describe how sums insured are calculated and the effect of index-linking
 - 5.7 Describe the basis of cover for indemnity, reinstatement, new for old and index linked
 - 5.8 Describe the renewal process specific to household insurance
 - 5.9 Define property insured
 - 5.10 Define an insured event
 - 5.11 Explain the cover available for the insured's legal liability
 - 5.12 Describe the key features of the Consumer Insurance (Disclosure and Representations) Act 2012 and its effect on the use of proposal forms
- 6. Know how to apply knowledge of risk assessment, rating and underwriting of household insurance products to a given set of circumstances**
 - 6.1 Apply risk assessment, rating and underwriting of household insurance products to a given set of circumstances

- 7. Understand claims procedures within the context of household insurance products**
 - 7.1 Describe the principles for establishing the validity of a claim
 - 7.2 Describe the claims handling procedures specific to buildings, contents, personal possessions, caravans, travel, livestock and pets, mobile phones and personal liability (including owners' liability)
 - 7.3 Explain fraud prevention and detection measures and their operation
 - 7.4 Describe how Financial Conduct Authority rules apply to the claims process
 - 7.5 Explain complaints-handling procedures and the role of the Financial Ombudsman Service
- 8. Know how to apply knowledge of claims procedures within the context of household insurance products to a given set of circumstances**
 - 8.1 Apply claims handling procedures within the context of household insurance products to a given set of circumstances

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

Household insurance products. London: CII. Study text IF6.

Books (and ebooks)

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

The modern law of insurance. Andrew McGee. LexisNexis, 2011.

Factfiles and other online resources

CII fact files are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Written by subject experts and practitioners, the fact files cover key industry topics as well as less familiar or specialist areas of general insurance, life, and pensions and financial services, with information drawn together in a way not readily available elsewhere. Available online via www.cii.co.uk/ciifactfiles (CII/PFS members only).

The Insurance Institute of London (IIL) podcast lecture series features leading industry figures and subject experts speaking on current issues and trends impacting insurance and financial services. Available online at <https://www.cii.co.uk/insurance-institute-of-london/> (CII/PFS members only).

- Recent developments in tort I and II. Alan Peck.

Periodicals

The Journal. London: CII. Six issues a year. Archive available online at <https://www.cii.co.uk/search-results?q=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. Also available online through Discovery via www.cii.co.uk/discovery (CII/PFS members only).

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

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

Examination guide

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

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

Exam technique/study skills

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

SECTION A

1. What **additional** restriction would **normally** be applied to a standard contents insurance policy where the insured is a single occupant in shared accommodation?
 - A. An alarm warranty.
 - B. A forcible and violent entry or exit clause.
 - C. A limited valuables clause.
 - D. An unoccupancy warranty.

2. A standard contents insurance policy that indemnifies a policyholder for loss of money will **exclude** claims arising from the theft of
 - A. a business credit card.
 - B. current postage stamps.
 - C. pre-paid travel cards.
 - D. travellers' cheques.

3. Under a frozen food extension, cover will operate in the event of damage to freezer contents caused by the
 - A. contamination by freezing agents.
 - B. deliberate restriction of power by the insured.
 - C. deliberate restriction of power by the supplying authority.
 - D. gradual failure of the freezing mechanism.

4. The **main** function of a household insurance helpline is to provide
 - A. advice on the sum insured.
 - B. an emergency assistance service.
 - C. a quotation service.
 - D. a renewal facility.

5. What is a common household buildings insurance policy **exclusion** for smoke staining which is **NOT** connected with direct fire damage?
 - A. Damage caused by smoke from an adjoining property on fire.
 - B. Damage caused whilst the property is let.
 - C. Damage caused whilst the property is unoccupied.
 - D. Damage which occurs gradually.

6. The legal expenses extension of a household insurance policy **usually** provides cover for costs arising from
 - A. the defence of prosecutions only.
 - B. legal action as a result of an alteration to the construction of a building only.
 - C. legal action taken to enforce the rights of the insured against a third party.
 - D. a legal appeal hearing only.

7. When a homeowner rents out his house, who is **normally** responsible for obtaining buildings insurance?
- A. The homeowner.
 - B. The letting agency.
 - C. The mortgage provider.
 - D. The tenant.
8. Under a household insurance policy, cover for business use is **most likely** to be extended under a household policy when the work
- A. does not involve any employees.
 - B. is of a clerical nature.
 - C. is of a manual nature.
 - D. is undertaken from an outbuilding.
9. Which peril **always** carries a **substantial** excess under a standard household buildings insurance policy?
- A. Coastal erosion.
 - B. Earthquake.
 - C. Explosion.
 - D. Subsidence.
10. What is **usually** the **maximum** number of consecutive days that a home can be unoccupied before an unoccupancy clause comes into operation?
- A. 45 days.
 - B. 60 days.
 - C. 75 days.
 - D. 90 days.
11. Anne has a standard household insurance policy which includes cover for up to £500 of sports equipment, with a £50 policy excess. During a tennis match Anne breaks her new racket which she has just purchased for £150. What, if anything, will Anne's insurer pay in respect of her subsequent claim?
- A. Nothing.
 - B. £50
 - C. £100
 - D. £150
12. With regard to workers who regularly visit a house, the owners' liability section of a buildings insurance policy will **NOT normally** pay out for death or bodily injury to a
- A. domestic cleaner.
 - B. dustman.
 - C. milkman.
 - D. window cleaner.

13. What is **usually** taken into account when considering if a parent may be held liable for the actions of a child?
- A. The age of the parent.
 - B. The location of the incident.
 - C. The parent's instructions to the child.
 - D. Whether other children are involved.
14. Which breed of dog is specifically named under the Dangerous Dogs Act 1991?
- A. An Alsatian.
 - B. A Bulldog.
 - C. A Japanese Tosa.
 - D. A Rottweiler.
15. Under the Defective Premises Act 1972, to whom does a housing developer owe a duty to carry out the development in a workmanlike manner with proper materials so that the dwellings are fit for habitation?
- A. The financial backers of the development.
 - B. The first and subsequent owners of the houses.
 - C. The local authority which permitted the development.
 - D. The mortgagees of each purchaser of the houses.
16. Hiroshi's house has sustained structural damage due to the gradual encroachment of trees from his neighbour's property. This is an example of which tort in law?
- A. Negligence.
 - B. Nuisance.
 - C. Strict liability.
 - D. Trespass.
17. Legal liability that can arise even when there is no fault or negligence is known as
- A. absolute liability.
 - B. full liability.
 - C. legal liability.
 - D. strict liability.
18. What is **normally** the **maximum** period of limitation for actions being brought against a third party for loss or damage to a property?
- A. Three years.
 - B. Four years.
 - C. Five years.
 - D. Six years.

19. The Insurance: Conduct of Business sourcebook (ICOBS) defines a consumer as a natural person who is
- A. acting outside their trade or profession.
 - B. purchasing cover directly from an insurer.
 - C. purchasing cover via an intermediary.
 - D. requiring motor or household insurance.
20. Khalid started a small fire to burn some rubbish whilst at his allotment. The fire set his neighbour's shed alight and the shed was badly damaged. What is Khalid's likely position with regard to a claim for damages from his neighbour?
- A. Khalid is not legally liable as he acted reasonably.
 - B. Khalid is only legally liable in negligence.
 - C. Khalid is legally liable due to nuisance.
 - D. Khalid is legally liable as negligence and strict liability apply.
21. A proposer has asked an insurer for a quote for household insurance. Under the Insurance: Conduct of Business sourcebook (ICOBS) rules regarding product information, the insurer **must** provide the product information to the proposer
- A. in good time.
 - B. within 7 days.
 - C. within 14 days.
 - D. within 30 days.
22. Whilst in a property, a gas meter reader breaks his ankle when he falls through a rotten floorboard. Within what **maximum** length of time can he claim from the householder's insurance policy for his injury?
- A. Six months.
 - B. One year.
 - C. Three years.
 - D. Six years.
23. Erynn's two-year-old smart television has been stolen. If her contents insurance policy is on a new for old basis, the insurer will indemnify her for the
- A. price of an equivalent model, less an amount for two years' depreciation.
 - B. current purchase price of an equivalent model.
 - C. original purchase price of the smart television, less an amount for two years' depreciation.
 - D. original purchase price of the smart television when new.
24. What is the **most likely** reason that an insurer would request a survey of a property?
- A. To obtain additional information regarding the risk.
 - B. To calculate the premium.
 - C. To check claims experience.
 - D. To check for adverse moral hazard.

25. Which insurance principle does new for old overrule?
- A. Average.
 - B. Contribution.
 - C. Indemnity.
 - D. Subrogation.
26. An underwriter would **usually** ask a proposer if he owns more than one property when arranging contents insurance on his main residence to
- A. determine the level of occupancy.
 - B. help spread the risk.
 - C. obtain further business.
 - D. try to cover two risks under one policy.
27. What published annual statistics will an insurer use to index-link the sum insured at the renewal of a buildings insurance policy?
- A. The Government inflation rate.
 - B. The House Price Index.
 - C. The House Rebuilding Cost Index.
 - D. The Retail Prices Index.
28. The definition of contents under a household insurance policy would **normally** include
- A. a bath.
 - B. a built-in cooker.
 - C. fitted wall lights.
 - D. a satellite dish.
29. A household insurance policy defines an insured event as the
- A. location of the property insured under the policy.
 - B. loss which occurs and is covered by the policy.
 - C. period of insurance during which the policy is in force.
 - D. property that is insured under the policy.
30. The **main** reason for underwriting household insurance is to
- A. assess the risk and ensure the appropriate premium is charged.
 - B. maximise the profits of the insurance company.
 - C. minimise the risk factors within the insureds' premises.
 - D. spread the risk equally between the insured risks.
31. Under a household insurance policy, what does the legal liability section cover an insured against?
- A. Accidental death, bodily injury and property damage to a third party.
 - B. Accidental death or bodily injury to the insured caused by negligence.
 - C. Damage to insured buildings caused by a third party.
 - D. Damage to insured contents caused by a third party.

32. Under the buildings section of a household insurance policy, the sum insured **must** be based on the
- A. market value.
 - B. mortgage amount.
 - C. purchase price.
 - D. rebuilding cost.
33. An insurer has waived its normal requirement that electricity **must** be turned off in a policyholder's holiday home when it is unoccupied. This is **most likely** to be because
- A. damage by fire is excluded.
 - B. the property is in an unlit location.
 - C. the property must be heated all winter.
 - D. the property must be heated all year.
34. The sum insured for a pony is based on
- A. an auctioneer's valuation.
 - B. the cost of replacement.
 - C. the market value.
 - D. the purchase price.
35. What are the two **main** factors affecting the premium charged to a young couple for travel insurance?
- A. The countries visited and the length of the trip.
 - B. The countries visited and the nationality of the couple.
 - C. The countries visited and the type of transport used.
 - D. The length of the trip and the type of transport used.
36. Insurers will **only** insure pedal cycles that are kept in a locked building, or secured in another way when unattended, because
- A. the excess payable when an unsecured pedal cycle is stolen is often greater than the cycle's value.
 - B. claims are becoming more numerous and sizeable as expensive pedal cycles become a target for thieves.
 - C. the high level of premium for unsecured pedal cycles makes the policy unattractive to policyholders.
 - D. pedal cycle insurance is gradually being removed from the market place as it is not profitable.
37. When an insurer always offers index linking to prospective policyholders, what **must** occur for the overall sum insured to remain correct?
- A. The index linking must be done every six months.
 - B. The index linking must be rated competitively.
 - C. The initial sum insured must reflect the rebuilding costs.
 - D. The sum insured must be accurate for properties in the area.

38. Abeona has purchased a standard household policy. What items are **usually** insured under the terms of the policy?
- A. Items owned by the insured only.
 - B. Items owned by the insured or any member of the family normally living with the insured.
 - C. Items owned by the insured or any member of the family who regularly visits.
 - D. Items owned by the insured, members of the family or any of their friends who visits.
39. The liability section of a contents policy **mainly** insures the policyholder as the
- A. landlord.
 - B. occupier.
 - C. owner.
 - D. tenant.
40. Insurers wish to obtain a correct sum insured for a high net worth property. What method would they **most likely** use?
- A. Check other similar properties on their policies.
 - B. Request a loss assessor to calculate the sum insured.
 - C. Request a surveyor to visit the property.
 - D. View current house prices for this area.
41. In the event of a valid claim for fire damage to a one-year-old carpet, a policy of indemnity will provide a settlement that will be an amount equal to the
- A. cost of a new replacement item with a deduction for wear and tear.
 - B. full cost of a new replacement item.
 - C. full original purchase price.
 - D. original purchase price with a deduction for wear and tear.
42. Under a household insurance policy, what **must** have taken place during the policy period for a claim to be valid?
- A. The loss must have occurred.
 - B. The loss must have been notified.
 - C. The claim form must have been completed.
 - D. The claim must have been accepted.
43. Which database allows insurers to access data and information on household insurance claims to help combat fraud?
- A. Art Loss Register.
 - B. Claims and Underwriting Exchange.
 - C. Insurance Fraud Register.
 - D. MIAFTR²

44. When a potential claim arises under a household insurance policy, the onus of proof that an insured peril occurred falls on the
- A. broker.
 - B. insured.
 - C. insurer.
 - D. loss adjuster.
45. What is the **main** objective of the Insurance Fraud Bureau?
- A. To analyse fraud data.
 - B. To detect fraudulent claims.
 - C. To notify relevant authorities.
 - D. To share relevant information.
46. Under a household contents insurance policy, an insurer will **normally** deduct an amount such as £50 from **most** claims. What is the technical term for such a deduction?
- A. A discount.
 - B. An excess.
 - C. A franchise.
 - D. A penalty.
47. The arbitration clause deals with disagreements when the dispute is regarding the
- A. interpretation of a policy wording.
 - B. time taken to settle a claim.
 - C. value of an insurance claim.
 - D. way in which a complaint has been handled.
48. When an insured disputes the handling of a claim by an insurer, whom should he approach if he is **NOT** satisfied with the insurer's final response?
- A. An arbitrator.
 - B. The Association of British Insurers.
 - C. The Financial Ombudsman Service.
 - D. A loss assessor.
49. For a theft claim to be paid under a household insurance policy, what **must** the insured **always** do?
- A. Complete a claim form.
 - B. Obtain written estimates.
 - C. Report the theft to the police.
 - D. Supply original receipts.

50. In relation to claims handling procedures, the Financial Conduct Authority rules state that insurers **must**
- A. acknowledge the initial notification of a claim within 5 working days.
 - B. provide reasonable guidance to help a policyholder make a claim.
 - C. return any salvage to the policyholder once a claim is settled in full.
 - D. settle a claim within 10 days of receiving the documentary evidence.

SECTION B

Peter is married to Noella and they have two children, Darill and Joli. They live in a detached house with a separate garage, which they recently purchased for £220,000. Peter works from home as a self-employed contractor and Noella has a part-time job at the local florist.

They have a combined buildings and contents insurance policy arranged through a local broker. The policy covers the buildings for the recommended sum insured of £200,000. The excesses are £1,000 for any claim involving subsidence, heave or landslip and £300 for any other claim. The contents section of the policy has a sum insured of £50,000, which Peter and Noella believe provides adequate cover, and an excess of £150. They received a discount on the policy when they installed a burglar alarm, although the insurer will apply an additional excess of £200 if a theft-related loss occurs whilst the alarm is **NOT** in full operation.

The policy includes £500 cover for frozen foods, money in the home and contents in the garden. The policy provides cover on a new for old basis and is also subject to average. Peter and Noella have **NOT** included any cover for accidental damage to the buildings or contents and have **NOT** included a personal possessions extension or any other optional extras. Peter and Noella bought the children new pedal cycles for Christmas and they want to ensure that the cycles are covered against theft.

Noella was in the garden one day when someone broke into the house and, despite setting off the burglar alarm, managed to steal £1,000 which included £600 of takings from the florist. On Darill's 18th birthday he had a party at home, during which some of his friends damaged the carpets by spilling alcohol. A fire was also started, which caused serious damage to the house and £15,000 worth of contents were destroyed.

51. Noella has just purchased an additional chest freezer which will be kept in the garage. She should be aware that the contents will
- A. not be covered in any circumstances.
 - B. only be covered if she selects the all risks option.
 - C. be covered, subject to a maximum of £500 in each freezer.
 - D. be covered, subject to a total combined limit for both freezers of £500.
52. What is the **maximum** amount that Peter and Noella are **likely** to be paid under their insurance policy for the theft of the money?
- A. £250
 - B. £400
 - C. £850
 - D. £1,000

53. In what circumstances, if any, will Peter be covered under his insurance policy for the damage to the carpet?
- A. He will be covered if he can identify which of Darill's friends caused the damage.
 - B. He will be covered if the damage was caused by accident.
 - C. He will be covered if the damage was caused by someone aged 18 or over.
 - D. He will not be covered in any circumstances.
54. Peter queries why the recommended sum insured on buildings was **NOT** £220,000. What response would he receive?
- A. The cover should be at the same level as the original purchase price.
 - B. The level of cover is the current rebuilding cost of the property.
 - C. The policy is index-linked, so the level of cover will eventually increase to the property purchase price.
 - D. The purchase price for the property is more than the current market value.
55. What is the **maximum** amount they would receive from their insurer, following a £350 loss for contents in the garden?
- A. £150
 - B. £200
 - C. £350
 - D. £500

Atique and Emily are tenants in a ground floor flat, which they rent on a furnished basis. They have a contents insurance policy, which is arranged via a bank. They have a 14-year-old son called Lewis and a pit-bull terrier called Rex. Rex is normally very docile, but always wears a muzzle and a lead when he is taken for a walk. Recently Rex escaped and went into a neighbour's garden and bit Lola, causing a serious injury to her hand.

18 months ago, Atique and Emily's landlord, George, had the gas fire repaired when it developed a gas leak. It has now started to smell again, so they have gone to stay with Atique's parents for a couple of weeks and intend to return once George has arranged the latest repair. Whilst they are away, the windows of their flat have been left open for ventilation. George has the electric, ventilation, central heating and gas appliances checked on a regular basis.

Last year Atique badly twisted his knee when the dining chair he was sitting on, which was part of the flat's furnishings, collapsed under him. George had been told on numerous occasions that it needed replacing and Atique lost several days' work due to the injury.

Six months ago Adam, an independent contractor, replaced the electric plugs after George had asked Atique to find someone from the local phone book to do the job. Atique has checked the plugs, but George has **NOT** yet checked them himself.

Whilst Atique and Emily were on holiday last month, the kitchen was flooded due to a burst pipe which caused damage to the kitchen units. It was subsequently discovered that the pipe burst because of a neighbour's actions. Although the kitchen floor in the flat is very slippery when wet and George offered to replace it, Emily declined the offer and promised to be careful. She subsequently slipped and broke her leg whilst washing the floor.

56. Why is there no cover available to Atique and Emily under their contents insurance policy for the damage to the kitchen units?
- A. Kitchen units are not covered under the policy.
 - B. Their neighbours caused the damage.
 - C. The type of property they live in is not covered for this particular risk.
 - D. They were on holiday when it happened.
57. Lewis deliberately breaks the window of a local shop and Atique and Emily are concerned as to whether they are legally liable for the damage. They should be aware that they will
- A. be liable for the damage, irrespective of when it took place.
 - B. only be liable if it occurred during school hours.
 - C. only be liable if it occurred outside school hours.
 - D. not be liable for the damage, irrespective of when it took place.

58. Atique lets Lewis take Rex for his daily walk on his own. How, if at all, is Atique breaking the Dangerous Dogs Act 1991?
- A. He is not breaking the law.
 - B. Insufficient equipment is used to restrain Rex whilst in public.
 - C. Lewis is too young to take him for a walk.
 - D. This type of dog is banned from public places.
59. If the neighbour takes Atique to court under the Dangerous Dogs Act 1991, what is the likely position regarding the offence?
- A. Atique would have committed an offence under the Act.
 - B. Atique would not have committed an offence as it is the first time Rex has ever attacked anyone.
 - C. Atique would not have committed an offence because the dog escaped through no fault of his own.
 - D. Atique would not have committed an offence as the incident did not occur in a public place.
60. Under the Occupiers' Liability Act 1957, what liability, if any, will George have for Atique's knee injury?
- A. He is likely to be liable for his pain and suffering, medical expenses and loss of income.
 - B. He will not be liable.
 - C. He will only be liable for any loss of income.
 - D. He will only be liable for any medical expenses.

Damian, aged 30, lives alone in a three-bedroomed house next to a river. The house is built with stone walls and a thatched roof. He has a buildings and contents insurance policy which was arranged through a local broker. The policy commenced on 1 November 2018 and includes index-linking of the sums insured. Damian has indemnity insurance cover and made certain that the sums insured were correct at the start of the policy. He changed his job last month and is now self-employed, running his own business from home. He intends to go on holiday for 21 days to visit his brother in Australia.

Paul, aged 65, lives next door to Damian and his four-bedroomed house is built with brick walls and a slate roof. When his household insurance policy was due for renewal on 15 December 2018, he changed it to the same insurer as Damian. He decided **NOT** to include index-linking of the sum insured, but has included full new for old cover and accidental damage cover. He made certain that the sums insured were correct at the start of the policy.

Paul and Damian both have stereo systems that they purchased four years ago for £1,000.

Paul has a pedigree dog called Zelda. He originally paid £400 for her, but she is now worth £600. There is no specific mention of her under his policy.

Paul and Damian's insurer calculates the contents premium on a sum insured basis. On 18 January 2019 the insurer changed its household insurance policy cover by increasing the compulsory excess for contents from £150 to £300.

Steve, aged 21, is a neighbour of Damian and Paul and holds a similar household insurance policy to them.

61. Why is it **most likely** that the premium for Damian's household insurance is significantly higher than Paul's?
- A. Damian has included index-linking of the sum insured.
 - B. Damian's property has a higher risk of flooding.
 - C. Damian's property is not of standard construction.
 - D. Damian's property will be left unoccupied whilst he is on holiday.
62. The insurer's change to the excess on Paul's insurance policy will take effect from
- A. 15 December 2018.
 - B. 18 January 2019.
 - C. 15 December 2019.
 - D. 18 January 2020.
63. When, if at all, should Damian inform his insurer of the changes to his personal circumstances?
- A. Immediately.
 - B. When he receives his first customers at home.
 - C. At the next policy renewal date.
 - D. The insurer does not need to be notified.

64. Whilst Damian is away on holiday Zelda chews through the hallway carpet. Under which policy(s), if any, will Damian be covered for the damage?
- A. Buildings only.
 - B. Contents only.
 - C. Both buildings and contents.
 - D. Neither buildings nor contents.
65. With regard to Paul and Damian's stereo systems, which of them, if either, would be covered under their insurance policy for the current replacement value of their system?
- A. Damian only.
 - B. Paul only.
 - C. Both Damian and Paul.
 - D. Neither Damian nor Paul.

Kevin and his wife Sarah own a three-bedroomed house. Their household insurance is arranged with an insurer on a new for old basis. They have recently claimed for storm damage to their small garden shed, garage and fence. A loss adjuster, Mike, was appointed to investigate the claim. The shed was completely destroyed and Kevin wants to replace it with a more expensive larger shed.

Kevin and Sarah have a son, David, who lives alone in a flat which he owns. He arranges his contents insurance with a local broker and receives a discount because the windows in his flat have additional security locks. The policy includes cover for property held by the insured in trust. The sum insured has been set at the correct amount and he has an excess of £150.

David was burgled in April 2019 and £2,000 worth of property was stolen. The burglar entered through a locked window by forcing the window open. However, the additional security lock was **NOT** locked. In December 2019 David's flat was broken into again but the only item stolen was a laptop purchased for £800 with a current replacement value of £600. The police came to investigate the incident and gave David a crime reference number.

The house next door to Kevin has recently been sold to Charlie, who arranged his buildings and contents insurance with a local broker. The broker is regulated by the Financial Conduct Authority (FCA) and is a member of the British Brokers Association (BIBA). The policy has an excess of £200 and includes cover for accidental damage. Just after moving in Charlie suffered a fire in the house due to faulty wiring, which had been worked on by Bob, a local electrician, on behalf of the previous owner, Eric. Whilst repainting his lounge, a paint pot was knocked off the table onto the carpet, causing £350 worth of damage. Charlie intends to submit a claim and has warned his insurer that, if he is unhappy with the outcome, he will complain to the Financial Ombudsman Service (FOS).

66. How will the insurer settle Kevin's claim, if at all, for the larger shed he wants following the storm damage to his original shed?
- A. There is no cover so they are unable to make a payment to Kevin.
 - B. They will pay the replacement cost of a similar sized shed and deduct the excess.
 - C. They will pay the replacement cost of a similar sized shed and make a deduction for wear and tear and the excess.
 - D. They will pay the replacement cost of the larger shed and deduct the excess.
67. To what extent, if at all, will the damage to Charlie's carpet **typically** be covered under his insurance policy?
- A. It will not be covered.
 - B. Only the repair cost will be covered.
 - C. The replacement value will be covered, less the policy excess.
 - D. The full replacement value will be covered.

68. The contents sum insured under Kevin and Sarah's insurance policy should **NOT** be less than the
- A. full cost of replacing their contents as new.
 - B. cost of replacing their contents as new, with a reduction for wear and tear.
 - C. full current market value of their contents.
 - D. current market value of their contents, with a reduction for wear and tear.
69. When investigating the storm damage, on whose behalf will Mike work?
- A. The Financial Ombudsman Service.
 - B. The insurer.
 - C. Kevin and Sarah.
 - D. The shed manufacturer.
70. For how much will David's claim in December 2019 be settled?
- A. £450
 - B. £600
 - C. £650
 - D. £800

Jarek lives alone in his own bungalow. His buildings are insured with a bank and his contents are insured on a new for old basis for the correct amount with a building society. His contents policy includes an accidental damage extension and has an excess of £200. It also includes additional cover for sports equipment and his caravan and provides a **maximum** of £800 money cover. His buildings policy does **NOT** include accidental damage and has an excess of £300.

In the last year, Jarek spilt paint on his home carpet causing £500 worth of damage. He also suffered the theft of sports equipment valued at £300 from his locker at the gym he was visiting. Additionally, while visiting his parents in France for 12 weeks, he was mugged and robbed of £100 of travellers' cheques and £300 cash. Finally, one week before he returned from France, his home was burgled and property valued at £2,000 stolen.

Jarek's neighbour, Aissha, arranged her household insurance with a local broker. The buildings are insured for £350,000 and the contents for £100,000. Neither policy includes the accidental damage extension. Aissha's valuables include a family heirloom worth £5,000, which has **NOT** been specifically included under her policy. Whilst cleaning, Aissha knocked her television from its wall bracket and also damaged her computer. Her television was damaged beyond repair. Around the same time, a storm caused a large tree in her garden to fall and damage her roof, fence, shed and garage.

Following a fire at her house Aissha moved into Jarek's caravan, which she often uses for holidays. During her stay, the caravan was broken into and suffered £400 worth of damage. Whilst she was away from home, a local contractor, Dave, was repainting the outside of her house and whilst doing so accidentally slipped and fell from his ladder, breaking his leg.

71. Of the damage caused by the storm, what would **NOT** be insured under Aissha's insurance policy?
- A. The damage to the fence.
 - B. The damage to the garage.
 - C. The damage to the roof.
 - D. The damage to the shed.
72. What amount of settlement would Jarek expect for the mugging and loss of holiday money?
- A. £100
 - B. £200
 - C. £300
 - D. £400
73. How much, if anything, would Jarek receive under his policy for the theft from his home?
- A. Nothing.
 - B. £1,700
 - C. £1,800
 - D. £2,000

74. Aissha and Jarek ask whether they can successfully claim for the damage to the caravan. What is the correct position?
- A. Neither are covered for the damage.
 - B. Jarek is covered under his policy, subject to any excess.
 - C. Aissha is covered under her policy, subject to any excess.
 - D. The full cost of the damage is covered under both of their policies.
75. Aissha receives a letter of claim from Dave's solicitor's claiming compensation as Dave has severely broken his leg and may never work again. What should Aissha do with the letter?
- A. Keep the letter unanswered as she doesn't feel she is liable.
 - B. Reply to the solicitors accepting liability and offer to cover the costs.
 - C. Reply to the solicitors and confirm that the letter has been passed to her insurers.
 - D. Send the letter immediately to the insurer unanswered.

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			Learning Outcome 5			SCENARIO FORMAT		
1	B	1.3	23	B	5.8	51	D	2.1
2	A	1.2	24	A	5.5	52	A	2.1
3	A	1.2	25	C	5.8	53	D	2.1
4	B	1.2	26	A	5.2	54	B	6.1
5	D	1.1	27	C	5.7	55	B	8.1
6	C	1.2	28	D	5.1	56	A	2.1
7	A	1.3	29	B	5.10	57	D	4.1
8	B	1.3	30	A	5.1	58	C	4.1
9	D	1.1	31	A	5.12	59	A	4.1
10	B	1.1	32	D	5.7	60	A	4.1
11	A	1.2	33	C	5.4	61	C	6.1
11 Questions			34	C	5.2	62	C	6.1
			35	A	5.2	63	A	6.1
Learning Outcome 3			36	B	5.3	64	D	6.1
12	A	3.8	37	C	5.6	65	B	6.1
13	C	3.6	38	B	5.9	66	B	2.1
14	C	3.5	39	B	5.11	67	C	2.1
15	B	3.9	40	C	5.5	68	A	6.1
16	B	3.3	41	A	5.7	69	B	8.1
17	D	3.2	19 Questions			70	A	8.1
18	D	3.7				71	A	6.1
19	A	3.1	Learning Outcome 7			72	B	2.1
20	D	3.4	42	A	7.1	73	A	8.1
21	A	3.1	43	B	7.3	74	B	2.1
22	C	3.7	44	B	7.1	75	D	8.1
11 Questions			45	D	7.3	25 Questions		
			46	B	7.1			
			47	C	7.1			
			48	C	7.5			
			49	C	7.2			
			50	B	7.4			
			9 Questions					