



Chartered
Insurance
Institute

IF4

Certificate in Insurance

Unit 4 – Insurance claims handling process

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

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Unit 4 – Insurance claims handling process

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

Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute to assist students in their preparation for the IF4 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 IF4 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 IF4 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/certificate-in-insurance-qualification/unit-insurance-claims-handling-process-if4/>
- 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 IF4 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 IF4 begin with *know* or *understand*. Different skill levels lead to different types of question, examples of which follow.

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

Understand - To answer questions based on understanding, the candidate must be able to link pieces of information together in cause-and-effect relationships. Typically questions may ask 'Why'. Questions set on an *understand* learning outcome can test either knowledge or understanding or both.

Examination Information

The method of assessment for the IF4 examination is 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.

The IF4 syllabus provided in this examination guide will be examined from 1 January 2021 until 31 December 2021.

Candidates will be examined on the basis of English law and practice unless otherwise stated.

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

A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct response. Each question will contain only one correct response to the problem posed.

One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

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

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

Examination Technique: Multiple Choice Questions

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

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

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

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

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

After the Examination

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

Insurance claims handling process

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 procedures and related claims services.	13
5. Understand claims handling operations.	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 January 2021 until 31 December 2021.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
 1. Visit www.cii.co.uk/qualifications
 2. Select the appropriate qualification
 3. Select your unit from the list provided
 4. Select qualification update on the right hand side of the page

1. 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 Describe what documentary and supporting evidence are required when notifying a claim.
- 1.4 Explain what is meant by proximate cause and how it is applied.

2. Understand insurance products and associated services.

- 2.1 Know the features, extensions and exclusions of motor policies.
- 2.2 Know the features, extensions and exclusions of household policies, gadget policies, travel policies and extended warranties.
- 2.3 Know the features, extensions and exclusions of commercial property and pecuniary policies.
- 2.4 Know the features, extensions and exclusions of commercial liability policies.
- 2.5 Know the features, extensions and exclusions of health policies.

3. Understand claims considerations and administration.

- 3.1 Describe the role of the claims department.
- 3.2 Explain the importance of service standards and managing customer expectations.
- 3.3 Understand the different parties to an insurance claim.
- 3.4 Explain the importance of claims estimating and how reserving operates.
- 3.5 Understand how fraud affects insurance claims.
- 3.6 Describe the main regulatory and legislative environment for claims handling.
- 3.7 Describe how disputes and complaints could be resolved.
- 3.8 Describe the concepts of good faith and the duty of fair presentation.

4. Understand claims handling procedures and related claims services.

- 4.1 Know claims handling procedures for motor policies.
- 4.2 Know claims handling procedures for household policies, gadget policies, travel policies and extended warranties.
- 4.3 Know claims handling procedures for commercial property and pecuniary policies.
- 4.4 Know claims handling procedures for commercial liability policies.
- 4.5 Know claims handling procedures for health policies.
- 4.6 Know the Civil procedure rules.
- 4.7 Know how the Ministry Of Justice portal works.

5. Understand claims handling operations.

- 5.1 Describe the key features, structure and objectives of different claims systems.

- 5.2 Understand the importance of data protection legislation and enforcement.
- 5.3 Explain the roles of external support services used in the claims process.
- 5.4 Describe the claims function as it appears in functional and divisional structures.

6. Understand claims settlement.

- 6.1 Describe the way that claims can be settled.
- 6.2 Describe why a full indemnity may not always be paid.
- 6.3 Explain how insurers can recover the cost of claims.
- 6.4 Describe the provisions of the Motor Insurers' Bureau agreement for untraced and uninsured drivers.

7. Understand how expenses are managed.

- 7.1 Describe the role of the claims manager.
- 7.2 Explain what 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 study texts

Insurance claims handling process. London: CII.

Study text IF4.

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 law and the Financial Ombudsman Service. Judith P Summer. London: Informa, 2008.*

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

The Insurance Act 2015: a new regime for commercial and marine insurance law. Malcolm Clarke, Baris Soyer (eds.). Abingdon: Informa, 2016.

Periodicals

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

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

Reference materials

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.*

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

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

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

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 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, assuming misfuelling is covered?
 - A. Contact his breakdown provider.
 - B. Contact the emergency services.
 - C. Contact a local vehicle repairer.
 - D. Contact his motor insurer's helpline.

2. 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.

3. What is the **main** reason a motor insurer will often ask an insured for details of past accidents when dealing with a new claim for a recent and unrelated accident?
 - A. To ensure that the information provided on the claim form is consistent with that given on the proposal form.
 - B. To establish whether repairs required as a result of any earlier accidents have been carried out and settled.
 - C. To identify if the claim needs to be referred to the fraud department.
 - D. To provide information to the underwriting department that can be used when the policy is renewed.

4. Most household insurance policies require that claims are notified to them
 - 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.

5. 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.

6. 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 legally rests with
 - A. Alison.
 - B. the firm of insurance brokers.
 - C. the insurer.
 - D. Mark.

7. When 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.
8. For a vehicle theft to be considered under a motor insurance policy, the insured **must** notify the
- A. Driver and Vehicle Licensing Agency (DVLA).
 - B. Financial Conduct Authority.
 - C. Motor Insurers' Bureau.
 - D. Police.
9. 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.
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. What do insurers need to do if they want to ensure that contracts are not challenged for unfairness under the Consumer Rights Act 2015?
- A. Ensure that all terms are prominent and transparent.
 - B. Include an op-out condition in the contract.
 - C. Make contracts publicly available on the internet.
 - D. Only use terms and conditions pre-approved by the Financial Conduct Authority.

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. Gadget insurance will **usually** cover theft of a mobile phone unless it is
- A. being used by an immediate family member.
 - B. in glove compartment of a locked but unattended car.
 - C. left unattended outside the home.
 - D. taken in a violent attack or robbery.
15. 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.
16. All risks insurance covers the insured against the risk of destruction or damage to physical property as long as it is **NOT** caused deliberately by the insured and
- A. it is not specifically excluded.
 - B. the insured peril is specifically named in the policy.
 - C. it is caused by a gradually operating peril.
 - D. a claim cannot be made against a negligent third party.
17. Which type of 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. Products liability.
 - C. Professional indemnity.
 - D. Public liability.
18. The purpose of a specified suppliers extension to the business interruption section of a commercial property insurance policy is to indemnify
- A. the policyholder in respect of a loss of profit arising as a consequence of insured damage at a named supplier's premises.
 - B. 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. a named supplier in respect of a loss of profit arising as a consequence of insured damage at the policyholder's premises.
 - D. 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.

19. 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 household 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.
20. 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.
21. What level of cover does an insured have under a driving other cars extension of a comprehensive motor insurance policy?
- A. Comprehensive.
 - B. Road Traffic Act only.
 - C. Third party only.
 - D. Third party, fire and theft.
22. Assam's 12-year-old freezer is damaged due to refrigerant fumes escaping. He has a household 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 Assam's claim will be covered by the freezer extension?
- 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.
23. 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.

24. Following a loss, what is the **maximum** amount an insurer will pay under a **typical** comprehensive motorcycle policy for a three-year-old motorcycle?
- A. 70% of the original purchase price.
 - B. 100% of the original purchase price.
 - C. The market value at time of the loss.
 - D. The market value at time of loss less a sum for wear and tear.
25. To comply with the Road Traffic Act 1988 the minimum cover for loss of or damage to third party property required under a motor insurance is
- A. £600,000
 - B. £1,200,000
 - C. £1,500,000
 - D. £2,000,000
26. 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.
27. 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.
28. From the 1 April 2020 what is the **maximum** binding award that the Financial Ombudsman Service can make against an insurer?
- A. £50,000
 - B. £250,000
 - C. £355,000
 - D. £385,000
29. 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.

30. An insurer will only raise the common law defence of contributory negligence when defending a claim made by which parties in an insurance claim?
- A. First parties.
 - B. First parties and second parties.
 - C. Second parties and third parties.
 - D. Third parties.
31. When 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. 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.
33. In addition to the general claims handling rules, the Insurance: Conduct of Business sourcebook provides specific guidance for claims arising from which class of business?
- A. Household buildings and contents.
 - B. Motor liability.
 - C. Personal accident and sickness.
 - D. Travel.
34. The arbitration clause in a commercial property contract can be invoked in the event of a dispute concerning
- A. the amount of a claim.
 - B. the amount of the premium.
 - C. policy renewal terms.
 - D. subrogation.
35. Which department is responsible for setting individual case reserves?
- A. Actuarial.
 - B. Claims.
 - C. Finance.
 - D. Internal audit.

36. Why are 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. A motor insurer uses factor reserving for its small own motor damage claims. This means that claims handlers should
- A. assess the reserve for each claim individually on a realistic basis.
 - B. maintain a single entry block reserve for all claims.
 - C. assess the reserve for each claim individually on a worst case basis.
 - D. reserve the same for each claim based on an actuarially derived average amount.
38. 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.
39. Many household insurers 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 reserves.
 - C. To reduce fraud.
 - D. To speed up the claims settlement process.
40. Which part 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.
41. 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. The Motor Insurers' Bureau.
 - D. An uninsured loss recovery company.

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. Rosie drops her mobile phone 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 arrange for repair.
44. 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. Public liability.
45. Janice visits the vet for her dog to have routine treatment and vaccinations. Later in the year she returns when her dog becomes pregnant and again on a separate occasion for a new and unrelated illness. Janice's pet insurance will only cover a claim in connection with the
- A. pregnancy.
 - B. new illness.
 - C. routine treatment.
 - D. vaccinations.
46. 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.
47. Insurers need to be aware of pre-action protocols when dealing with
- A. complaints.
 - B. the Financial Ombudsman Service.
 - C. replacement and reinstatement.
 - D. third party claims.

48. 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 Financial Ombudsman Service requirements.
 - B. To facilitate accurate application of the policy excess.
 - C. To speed up the claims settlement process.
 - D. To validate the claim amount.
49. 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.
50. Susan calls her medical expenses insurer to request authorisation to see a private doctor for treatment for diabetes which she has had since childhood. What will Susan **most likely** be told by the claims handler?
- A. She needs to obtain a letter from her GP confirming that the treatment is not available on the NHS.
 - B. She can book an appointment with any specialist on the insurer's pre-approved list.
 - C. Treatment for pre-existing conditions is not covered.
 - D. Treatment for pre-existing conditions does not require prior authorisation.
51. Melanie slipped and fell in her local supermarket suffering injuries requiring hospital treatment. She wants to claim £40,000 in compensation. Why does Melanie's claim **NOT** qualify for submission through the Ministry of Justice Portal?
- A. Public liability claims cannot be submitted to the Ministry of Justice Portal.
 - B. The amount Melanie wants to claim is too large for the Ministry of Justice Portal.
 - C. It is only possible to bring claims against individuals and small business in the Ministry of Justice Portal.
 - D. The amount Melanie want to claim is too small for the Ministry of Justice Portal.
52. 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.

53. 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.
54. 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.
55. 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.
56. 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.
57. 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.
58. Jodie's travel policy details are entered into the insurers claims system. The information includes the details of the holiday, her previous claims experience, her ethnicity and occupation Under the Data Protection Act 2018. The data that would be classified as sensitive is
- A. the details of the holiday.
 - B. the previous claims history.
 - C. her ethnicity.
 - D. her occupation.

59. A functional structure is better suited to which types of insurance companies?
- A. Small companies with a limited range of products.
 - B. Small companies with a wide range of products.
 - C. Large companies with a limited range of products.
 - D. Large companies with a wide range of products.
60. 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
61. A flood occurs at Josh's home damaging his television beyond repair. He buys a replacement television with a larger screen and higher resolution. What is the **most likely** reason that his household insurer will not pay the full costs of the new television?
- A. Average.
 - B. Betterment.
 - C. Contribution.
 - D. Subrogation.
62. 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.
63. 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.

64. An insurer's right to recover its outlay from a negligent third party is known as
- A. arbitration.
 - B. contribution.
 - C. mediation.
 - D. subrogation.
65. Which organisation was established to provide compensation in the event of a road traffic accident when compensation **CANNOT** be obtained from another source?
- A. The Association of British Insurers.
 - B. The Financial Conduct Authority.
 - C. MIAFTR².
 - D. The Motor Insurers' Bureau.
66. 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.
67. 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.
68. 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
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. 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.
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 Financial Ombudsman Service.
 - 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 5		
1	D	1.2	26	B	3.4	52	B	5.3
2	D	1.4	27	D	3.3	53	D	5.3
3	A	1.3	28	C	3.7	54	A	5.1
4	B	1.2	29	C	3.5	55	B	5.3
5	A	1.2	30	D	3.3	56	B	5.3
6	A	1.1	31	B	3.2	57	B	5.3
7	C	1.2	32	C	3.1	58	C	5.2
8	D	1.2	33	B	3.6	59	A	5.4
9	C	1.4	34	A	3.8	8 Questions		
10	D	1.2	35	B	3.1			
11	B	1.2	36	C	3.5	Learning Outcome 6		
12	A	1.2	37	D	3.4	60	B	6.2
12 Questions			38	A	3.1	61	B	6.3
			39	C	3.5	62	A	6.2
Learning Outcome 2			40	D	3.4	63	B	6.1
13	C	2.5	15 Questions			64	D	6.3
14	C	2.2				65	D	6.4
15	A	2.1	Learning Outcome 4			66	A	6.2
16	A	2.3	41	D	4.1	67	C	6.3
17	C	2.4	42	C	4.3	68	D	6.2
18	A	2.3	43	D	4.2	9 Questions		
19	B	2.2	44	C	4.4			
20	C	2.3	45	B	4.2	Learning Outcome 7		
21	C	2.1	46	C	4.3	69	B	7.2
22	A	2.2	47	D	4.6	70	C	7.4
23	C	2.3	48	D	4.2	71	A	7.1
24	C	2.1	49	C	4.1	72	B	7.1
25	B	2.1	50	C	4.5	73	C	7.2
13 Questions			51	B	4.7	74	C	7.4
			11 Questions			75	B	7.3
						7 Questions		