



Chartered  
Insurance  
Institute

# E85

## Diploma in Insurance

### Examination element of M85 Claims practice

Based on the 2024/2025 syllabus  
examined from 1 May 2024 until 30 April 2025

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The CII Qualifications accessibility and special circumstances policy and guidance document can be viewed on the CII Rules and Policies page [www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/rules-and-policies/](http://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/rules-and-policies/)

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## E85 – Examination element of M85 Claims practice

Based on the 2024/2025 syllabus examined from 1 May 2024 until 30 April 2025

### Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute to assist students in their preparation for the E85 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their E85 studies before attempting the specimen examination. Students should allow themselves one hour 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. The examination must be successfully passed within 18 months of enrolment on M85.

Although the specimen examination in this guide is typical of an E85 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 M85 reading list, which is located on the syllabus in this examination guide and on the CII website at [www.cii.co.uk](http://www.cii.co.uk).

### Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

- 1) Visit [www.cii.co.uk/learning/qualifications/diploma-in-insurance-qualification/unit-claims-practice-m85/](http://www.cii.co.uk/learning/qualifications/diploma-in-insurance-qualification/unit-claims-practice-m85/)
- 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 M85 syllabus is published on the CII website at [www.cii.co.uk](http://www.cii.co.uk). **Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the 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.

Supporting information for the syllabus which contains a detailed overview of the areas covered can be found on the unit page. Select Supporting information for the 2024-2025 syllabus on the right-hand side of the page.

## Skill Specification

The examination syllabus categorises M85 learning outcomes into attainment levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The syllabus requires that candidates have the ability to understand the subject matter. Each learning outcome begins with the following cognitive skill:

**Understanding** - Candidates 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 E85 examination is 50 multiple choice questions. One hour is allowed for this examination.

The M85 syllabus provided in this examination guide will be examined from 1 May 2024 until 30 April 2025.

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.

E85 examinations test the Financial Conduct Authority and Prudential Regulation Authority rules and regulations.

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 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.

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.

### Before the Examination

Before sitting the examination, please visit the preparation page on the CII website to familiarise yourself with the different requirements for sittings via remote invigilation and at an exam centre [www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/](http://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/).

### 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.

# Claims practice

## Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of how claims are handled.

## Assumed knowledge

It is assumed that the candidate already has knowledge of the fundamental principles of insurance as covered in IF1 Insurance, legal and regulatory or equivalent examinations.

Summary of learning outcomes	Number of questions in the examination*
1. Understand key aspects of claims handling.	25
2. Understand key aspects of handling personal lines claims.	7
3. Understand key aspects of handling property and business interruption claims.	7
4. Understand key aspects of handling third party liability claims.	11

\* 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:
 

Mixed assessment consisting of two components, both of which must be passed. One component is a coursework assignment and one is a multiple choice question (MCQ) examination. The details are:

  1. an online coursework assignment using RevisionMate consisting of 10 questions which sequentially follow the learning outcomes. This must be successfully completed within 6 months of enrolment; and
  2. an MCQ exam consisting of 50 MCQs. 1 hour is allowed for this exam. This exam must be successfully passed within 18 months of enrolment.
- This syllabus will be examined from 1 May 2024 until 30 April 2025.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
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- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  1. Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit from the list provided
  4. Select qualification update on the right hand side of the page

## 1. Understand key aspects of claims handling.

- 1.1 Explain the requirements and application of UK regulation affecting claims handling.
- 1.2 Describe how the existence of cover is determined under the policy.
- 1.3 Identify the importance and uses of claims information, including the underwriting file.
- 1.4 Explain the uses of and importance of claims reserving.
- 1.5 Explain the special requirements for handling international claims.
- 1.6 Describe common indicators of fraudulent claims and how fraud is investigated.
- 1.7 Explain the importance of identifying and pursuing potential recoveries.
- 1.8 Explain the particular requirements in handling reinsurance claims.

## 2. Understand key aspects of handling personal lines claims.

- 2.1 Explain how to investigate a personal lines claim.
- 2.2 Describe how the indemnity will be valued for a personal lines claim.
- 2.3 Describe how a personal lines claim will be settled.
- 2.4 Describe the process for declined personal lines claims that have been disputed by the policyholder.
- 2.5 Apply key aspects of handling personal lines claims to various claims scenarios.

## 3. Understand key aspects of handling property and business interruption claims.

- 3.1 Explain how to investigate a property and business interruption claims.
- 3.2 Describe how the indemnity for a property and business interruption claim will be valued.
- 3.3 Describe how a property and business interruption claim will be negotiated and settled.
- 3.4 Describe the process for declined property and business interruption claims that have been disputed by the policyholder.
- 3.5 Apply key aspects of handling property and business interruption claims to various claims scenarios.

## 4. Understand key aspects of handling third party liability claims.

- 4.1 Explain how to investigate a third party liability claim.
- 4.2 Describe how the indemnity for a third party liability claim will be valued.
- 4.3 Describe how a third party liability claim will be negotiated and settled.
- 4.4 Explain the provisions of the Civil Procedure Rules when dealing with third party liability claims.
- 4.5 Explain the key requirements in handling professional indemnity claims.
- 4.6 Apply key aspects of handling third party liability claims to various claims scenarios.

## 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

Claims practice. London: CII. Study text M85.

Insurance, legal and regulatory. London: CII. Study text IF1.

### Books (and ebooks)

Bingham & Berryman's personal injury and motor claims cases. 16<sup>th</sup> revised ed. Ruth Graham et al (eds). London: LexisNexis, 2023.

Claims handling law and practice. 4<sup>th</sup> ed. Richard West et al. London: Kennedys Law LLP, 2022.

'Claims handling'. Chapter – Insurance theory and practice. Rob Thoys. New York: Routledge, 2010.\*

'Claims under the policy'. Chapter 14 in Bird's modern insurance law. 12<sup>th</sup> ed. John Birds. London: Sweet & Maxwell, 2022.

'Claims procedure'. Chapter – The law of insurance contracts. 6<sup>th</sup> ed. Malcolm A Clarke et al. London: Informa, 2009.

Colinvaux's law of insurance. 13<sup>th</sup> ed. London: Sweet & Maxwell, 2022.

Drafting insurance contracts: certainty, clarity, law and practice. Christopher Henley. London: Leadenhall press, 2010.

Insurance claims. 5<sup>th</sup> ed. Alison Padfield. Bloomsbury Professional, 2021.

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

Subrogation: law and practice. Charles Mitchel et al. Oxford: Oxford University Press, 2007.

'Subrogation'. Chapter – Law of insurance contracts. 6<sup>th</sup> ed. Malcolm A Clarke. London: Informa, 2009.

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



### Online resources

The Insurance Institute of London (IIL) provides access to lectures from leading industry figures and subject experts speaking on current issues and trends impacting insurance and financial services. Available online at [www.cii.co.uk/learning/insurance-institute-of-london](http://www.cii.co.uk/learning/insurance-institute-of-london) (CII/PFS members only).

Civil procedure rules. Alan Peck.

Fraudulent claims. Beverley Lyn.

Subject gateway on insurance claims. Updated regularly. Available online via [www.cii.co.uk/claims](http://www.cii.co.uk/claims).

Further articles and technical bulletins are available at [www.cii.co.uk/learning/elibrary/](http://www.cii.co.uk/learning/elibrary/) (CII/PFS members only).

### Journals and magazines

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

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

Access to further periodical publications is available from the Knowledge website at [www.cii.co.uk/journalmagazines](http://www.cii.co.uk/journalmagazines) (CII/PFS members only).

### 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.

Insurance: Conduct of Business sourcebook (ICOBS). Available via [www.handbook.fca.org.uk/handbook/ICOBS](http://www.handbook.fca.org.uk/handbook/ICOBS).

### Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the MCQ exam component.

These are available on the CII website under the unit number before purchasing the unit. They are available under the following link [www.cii.co.uk/qualifications/diploma-in-insurance-qualification](http://www.cii.co.uk/qualifications/diploma-in-insurance-qualification).

These exemplar papers are also available on the RevisionMate website ([ciigroup.org/login](http://ciigroup.org/login)) after you have purchased the unit.

### Exam technique/study skills

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

1. An insurer makes a payment of £9,000 to settle a first party claim after deduction of a £1,000 policy excess. The insurer recovers £6,500 from a negligent third party. What amount is the insurer entitled to retain?
  - A. £5,500
  - B. £5,850
  - C. £6,000
  - D. £6,500
  
2. When the aggregate limit on a commercial property insurance policy is exhausted, it can
  - A. always be reinstated without additional premium and usually for a limited number of reinstatements.
  - B. never be reinstated and a new policy must always be taken out.
  - C. only be reinstated for compulsory classes of business.
  - D. sometimes be reinstated for an additional premium but usually for only a limited number of reinstatements.
  
3. One of the Financial Conduct Authority's principles for businesses which particularly has an impact on an insurer's claims staff is that the insurer **must**
  - A. arrange adequate protection for clients' assets when it is responsible for them.
  - B. conduct its business with due skill, care and diligence.
  - C. only deal with the regulator when required.
  - D. organise and control its affairs in line with data protection legislation.
  
4. When the Financial Ombudsman Service is assessing a complaint from a policyholder in respect of an insurance claim, which forms of redress are available to them?
  - A. A directions award only.
  - B. A money award only.
  - C. A money award and directions award only.
  - D. A money award, directions award and periodic payment order.
  
5. A claimant referred a case to the Financial Ombudsman Service (FOS) and accepted the **maximum** award the FOS is permitted to make. The claimant's total loss was £430,000. What amount, if any, is the claimant now entitled to seek as redress via the courts?
  - A. Nil.
  - B. £30,000
  - C. £40,000
  - D. £80,000

6. An insurer would **NOT** typically reduce the claims reserve on a specific claim to take into account
- A. interim payments made to the insured.
  - B. a policy deductible.
  - C. a policy excess.
  - D. possible subrogation from a negligent third party.
7. Under a proportional reinsurance treaty, how is the validity of a claim considered?
- A. The claim is valid if liability attaches under the original policy and the settlement was arrived at in a professional manner.
  - B. To be valid the claim must be transferred to the reinsurer to handle as per the claims control clause.
  - C. The claim must fall within the terms of the original policy and the reinsurance policy to be valid.
  - D. To be valid the claim can be handled under the original policy but only settled with the reinsurer's agreement.
8. Under the Consumer Insurance (Disclosure and Misrepresentations) Act 2012, what is the remedy when an otherwise valid claim is made but there has been a misrepresentation by the policyholder, despite the policyholder taking all reasonable care?
- A. The insurer can void the policy from inception.
  - B. The insurer may refuse to pay the claim.
  - C. The insurer must pay the claim in full.
  - D. A proportionate redress applies based on what the insurer would have done had it known the facts.
9. A claim is presented by a consumer for the replacement of a fence, which has been damaged in recent storm conditions. The claims handler needs to establish whether the damaged fence will be covered. What course of action should next be pursued?
- A. Offer to pay 50% of the claim.
  - B. Offer to pay the claim in full.
  - C. Refer to the Financial Ombudsman Service.
  - D. Refer to the policy definitions.

10. A policyholder, who is a landlord, has notified his insurer of a claim for a break-in and theft. During initial discussions, the claims handler is advised by the landlord that the premises were vacant at the time of the loss. What **must** the claims handler now establish?
- A. The crime reference number for the break-in and theft.
  - B. The length of time the property was unoccupied.
  - C. The name and forwarding address for the previous tenant.
  - D. When the next tenant will be moving into the premises.
11. A claims handler is investigating claims for employers' liability (EL) and public liability (PL) insurances. On what basis are the policies **normally** written?
- A. Claims made for EL and claims occurring for PL.
  - B. Claims occurring for EL and claims made for PL.
  - C. Claims made for both EL and PL.
  - D. Claims occurring for both EL and PL.
12. Within a liability insurance contract, where would you find the expressed promise to pay and a description of the liabilities insured against?
- A. Within the definitions.
  - B. Within the governing law and disputes.
  - C. Within the insuring clause.
  - D. Within the policy schedule.
13. Upon first notification of a claim, it would be **typical** for a claims handler to apply a reserve that includes a reduction to reflect
- A. any contributory negligence.
  - B. the litigation risk.
  - C. the policy excess.
  - D. recovery prospects against another party.
14. A claims handler believes that a commercial customer's fire claim may be fraudulent because of arson. What facts would support the claims handler's belief?
- A. The business was in financial difficulty and all the stock was out of season.
  - B. CCTV was in operation and no forcible entry was in evidence.
  - C. Computer records had not been backed up and the business was losing money.
  - D. The fire alarm was in operation and the business had recently lost a major customer.

15. A claims handler receives notification of a claim from a commercial policyholder and immediately reviews the underwriting file. What is the purpose of this review?
- A. To confirm the existence of any warranties and the outcomes of all historic claims.
  - B. To confirm the policy period and the broker commission.
  - C. To confirm the business activities disclosed and the risk presentation.
  - D. To establish the insured's identity and whether any contribution is required from other existing policies.
16. An insurance broker has presented a claim to the third party administrator (TPA) on behalf of its client, XYZ Ltd. The TPA has a delegated authority to handle claims on behalf of XYZ Ltd's insurer. During the negotiation of the claim, on whose behalf, will the insurance broker act?
- A. For the client only.
  - B. For the TPA only.
  - C. For the TPA and the insurer only.
  - D. Impartially for all parties.
17. A claims handler would **NOT typically** negotiate and settle a claim for
- A. general damages.
  - B. liquidated damages.
  - C. provisional damages.
  - D. special damages.
18. Five days after a claim for a stolen vehicle is made to an insurer, the vehicle is recovered in the local area by the police. What two **main** factors would **most likely** indicate that the insurance claim was potentially fraudulent?
- A. The claim was made in the month the certificate of roadworthiness expired and only one of the vehicle's windows was broken.
  - B. The claimant did not collect the vehicle and there were no signs of forcible entry.
  - C. The only document readily available was the insurance certificate and no petrol remained in the vehicle.
  - D. The vehicle was collected by a nominated third party and they were the spare keyholders.
19. An insured has cover for the same property under two policies. Policy X has a sum insured of £10,000 and policy Y a sum insured of £30,000. If a loss of £20,000 is suffered, what will be the contribution required from policy Y, assuming no excess and using the independent liability method?
- A. £3,333
  - B. £10,000
  - C. £13,333
  - D. £20,000

20. In applying the Insurance: Conduct of Business sourcebook (ICOBS) rules in relation to a particular insurance claim, the insurer is unsure whether the policyholder should be treated as a consumer or as a commercial customer. In accordance with the regulations, the insurer should therefore
- A. assume the policyholder is a commercial customer.
  - B. assume the policyholder is a consumer.
  - C. refer the matter to the Financial Conduct Authority for adjudication.
  - D. refer the matter to the Financial Ombudsman Service for adjudication.
21. When dealing with a first party commercial claim, the **main** reason a claims handler would refer back to the underwriting file is to
- A. ensure relevant information was disclosed.
  - B. establish the renewal date.
  - C. help set the reserve figure.
  - D. identify the proximate cause.
22. To comply with industry guidelines, the claims handler dealing with a particular case was obliged to provide the policyholder with a progress update at least every 20 business days. What does this confirm?
- A. The claims file was referred to the Financial Ombudsman Service.
  - B. The policy was effected in Australia.
  - C. The policy was effected in the UK.
  - D. The policy was effected in the US.
23. An insurer pays £4,500 to settle a first party claim after deduction of the £500 policy excess. The insurer recovers £5,200 from the negligent third party which includes reimbursement of the claim plus £200 due to currency rate fluctuations. How much of the £5,200 should the insurer pay to the policyholder?
- A. Nil.
  - B. £500
  - C. £600
  - D. £700
24. Upon **initial** notification of a claim of significant financial value, a claims handler will need to give specific consideration to
- A. any reinsurance applicable and the process for notifying the reinsurer.
  - B. the appropriate expert or experts required to investigate the claim.
  - C. whether the claim falls within the terms and conditions of the policy.
  - D. whether the claim includes any fraudulent aspects.

25. The Financial Ombudsman Service will **typically** determine that an onerous or unusual term in a personal lines insurance policy that is **NOT** clearly highlighted at the point of sale will
- A. bind the policyholder.
  - B. not bind the policyholder.
  - C. require independent arbitration.
  - D. require legal interpretation.
26. Bill's new inexpensive camera was dropped and damaged whilst on a family outing. Bill notifies his insurer of a claim via its email notification facility. The claims handler assigned to review the claim will firstly establish
- A. any contributory negligence by Bill.
  - B. if the camera was specified in the policy schedule.
  - C. the terms of any guarantee under which the camera was purchased.
  - D. that a receipt is available as evidence of purchase.
27. A policyholder submits an insurance claim to their insurer. The claim is reviewed by the insurer and declined due to a coverage exclusion. The policyholder pursues a claim against the insurer in court as they consider the coverage decision to be incorrect. The claim against the insurer will be pursued under
- A. contract.
  - B. Financial Conduct Authority requirements.
  - C. guidelines.
  - D. regulation.
28. Meg made a claim for the theft of her watch valued at £5,000. She received a settlement amount which was significantly lower than the replacement value of the watch. What is the settlement **most likely** to reflect?
- A. The application of a pairs and sets clause.
  - B. The existence of a franchise.
  - C. The level of voluntary excess.
  - D. The policy limit on items not specifically insured.
29. Rhodri has a household insurance policy and during a storm, his home suffers damage. After taking action to mitigate the loss, what is the next action he should now take?
- A. Appoint a loss assessor.
  - B. Contact his insurer to report the loss.
  - C. Contact the appropriate weather forecaster to establish exact wind speeds at the time of the storm.
  - D. Engage building contractors directly and immediately to carry out full repairs to all damage.

30. Under a policy covering fine art, a claim for irreparably damaged artwork is **usually** settled at
- A. the agreed value listed on the policy schedule.
  - B. a first loss figure.
  - C. an independent valuation by an expert.
  - D. a negotiated settlement with the policyholder.
31. When considering a claim for an unoccupied property under a personal lines insurance policy, the claims handler be aware that
- A. contents will not be covered.
  - B. a franchise will apply.
  - C. full cover will apply.
  - D. insured perils may be restricted.
32. A personal lines policyholder has his expensive tablet computer stolen and presents a claim to his insurer under his household insurance policy. In the absence of the purchase receipt, the insurer is **most likely** to request
- A. the actual tablet computer box and the charging cable.
  - B. a signed claim form evidencing value.
  - C. a statement of truth regarding the loss.
  - D. witness statements as to the circumstances of the loss.
33. A claims handler investigating a business interruption claim has informed the claimant that a reservation of rights has been withdrawn. What does this indicate?
- A. Additional investigations as to the validity of the claim have satisfied the handler's initial doubts.
  - B. The full validity of the claim has been investigated and a settlement will now be offered in respect of part of the claim only.
  - C. An identified misrepresentation is no longer considered sufficiently serious as to lead to litigation.
  - D. Initial suspicions of underinsurance have been satisfied so the application of average is no longer necessary.
34. A building has a sum assured of £100,000 under a commercial insurance policy. Following a fire, a loss adjuster assesses the rebuild of the damaged property to be £150,000. A reinstatement clause operates within the policy. When considering the settlement of the claim, the insurer is **most likely** to settle on what basis?
- A. Reinstatement with average applied.
  - B. Reinstatement with a franchise applied.
  - C. Full reinstatement value.
  - D. Reinstatement with deduction for wear and tear.



35. A manufacturer suffers damage to stock under a standard fire policy. In support of the claim, a series of figures are submitted to the insurer as follows

Damaged raw materials	£1,500,000
Damaged work in progress	£1,000,000
Undamaged work in progress	£500,000
Cost to complete work in progress	£200,000
Damaged finished goods:	
At wholesale price	£1,500,000
At retail price	£2,500,000

The claims handler for the insurer has verified the individual amounts. What total amount would be paid to the manufacturer as indemnity for the loss?

- A. £4,000,000
  - B. £4,200,000
  - C. £5,000,000
  - D. £5,200,000
36. As a result of investigating a fire damage claim submitted by the owner of a new business, the loss adjuster discovers that the owner is a recently discharged bankrupt. However, business records appear to be in order. Following this discovery, what is the next logical step a claims handler is **most likely** to take?
- A. Investigate the business records more deeply.
  - B. Refer the claim to the insurer's fraud department.
  - C. Review the details supplied at policy proposal stage.
  - D. Search industry databases for evidence of historic claims.
37. Following a dispute over a commercial insurance claim, both parties have agreed to alternative dispute resolution in the form of early neutral evaluation. From the insured's perspective, it is important to recognise that
- A. both parties must agree in advance to be bound by the decision, but significant court costs can be saved.
  - B. the case cannot now be heard in court.
  - C. the result is not binding on either party but would give an indication as to the likely outcome if the claim continues to court.
  - D. should the evaluation result be disputed, the insurer's costs may have to be paid.

38. A commercial policyholder has a deductible of £20,000 and an aggregate deductible limit of £100,000. The policyholder suffers six losses in the policy year as follows

Claim 1	£33,000
Claim 2	£2,000
Claim 3	£18,000
Claim 4	£26,000
Claim 5	£22,000
Claim 6	£17,000

What is the insurer's total outlay and the erosion of the aggregate respectively?

- A. £18,000 and £100,000.  
B. £21,000 and £97,000.  
C. £97,000 and £21,000.  
D. £100,000 and £18,000.
39. A commercial company has a fire insurance policy, which is subject to an average clause. Company stock insured to the value of £2,000,000 is destroyed in a fire. The company has paid £3,000,000 to replace the destroyed stock. In these circumstances, the amount the company will receive from its insurers for the stock will be
- A. £1,333,333  
B. £1,500,000  
C. £2,000,000  
D. £3,000,000
40. A claims handler is reserving an employers' liability claim. When considering the number of years on which future loss of earnings is **normally** reserved, the multiplier takes into account the number of years from the date of
- A. injury to anticipated retirement age based on the claimant's normal occupation.  
B. injury to State Pension age and ongoing ability to work in any job.  
C. injury to anticipated retirement age based on the claimant's normal occupation.  
D. injury to State Pension age and ongoing ability to work in any job.

41. A large firm of property management consultants has a professional indemnity insurance policy with an insurer. The firm submits a professional indemnity claim relating to its alleged negligence in the construction of a commercial building. In these circumstances, the insurer's first action will be to
- A. establish if the policy definition of professional services includes the activity that is subject to the claim.
  - B. instruct an expert to determine the level of professional expertise that the firm should have adhered to.
  - C. request copies of all correspondence between the policyholder and the claimant.
  - D. seek witness statements from partners and senior managers in the firm.
42. Mary works voluntarily at her local stables every Sunday under the guidance of the stable owner. Recently Mary slipped and fell in the stable grounds due to ice, suffering a broken arm and damaging her glasses. Mary instructs a solicitor to pursue a claim in negligence against the stable owner. Which policy will Mary's claim be against?
- A. Commercial property.
  - B. Employers' liability.
  - C. Personal accident.
  - D. Public liability.
43. The claims procedure condition in a commercial liability policy allows the defence or settlement of a claim to be controlled by
- A. the insured only.
  - B. the insurer only.
  - C. both the insurer and the insured.
  - D. both the insurer and the insured after detailed agreement.
44. The **maximum** financial award allowable, if any, under the Law Reform Act 1934 for pain, suffering and loss of amenity following an instant fatality is always
- A. nil.
  - B. £12,980.
  - C. determined by a judge.
  - D. determined by a jury.
45. An expert witness in a litigated personal injury case has an overriding duty to the
- A. claimant.
  - B. Court.
  - C. insurer.
  - D. Judge.

46. A complex claim is estimated to be £20,000 but the trial is expected to take more than two days. In accordance with the Civil Procedure Rules, to which track is the court **most likely** to allocate this claim?
- A. Fast track.
  - B. Multi-track.
  - C. Small claims track.
  - D. Standard track.
47. A claims handler investigating a third party personal injury claim has obtained an up-to-date Compensation Recovery Unit certificate in respect of the third party. Why was this necessary?
- A. To confirm the total cost of NHS treatment and the loss of earnings.
  - B. To establish the ongoing costs of treatment and the level of any compensation due from other sources.
  - C. To review the reserve and identify the potential need for a periodical payment order.
  - D. To set the reserve and establish any payment due to the Department for Works and Pensions in respect of State benefit payments.
48. A claimant's solicitor in a third party liability case valued above £25,000, nominated an expert in the original letter of claim. Within what **maximum** total number of days from the date of posting the original letter **must** the defendant register any objection to the named expert?
- A. 14 days.
  - B. 21 days.
  - C. 28 days.
  - D. 35 days.
49. An employee claims to have developed an industrial disease. He was first exposed to the risk in May 2006, first noticed symptoms in April 2019, was formally diagnosed in March 2021 and submitted a claim in June 2023. If the employers' liability insurer for his company frequently changed, market practice dictates that the claim will **normally** be co-ordinated by whoever was the insurer in
- A. May 2006.
  - B. April 2019.
  - C. March 2021.
  - D. June 2023.

50. A claim proceeded to litigation without going through a mediation process and an adverse costs order was awarded against one party. What are these circumstances **most likely** to indicate has happened?
- A. The judge awarded a lower settlement than could have been achieved through mediation.
  - B. The judge considered this party's case to be weak.
  - C. This party suggested entering into mediation part way through the litigation process.
  - D. This party was considered to have been unreasonable in refusing to enter into mediation.

## Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
<b>Learning Outcome 1</b>			<b>Learning Outcome 2</b>			<b>Learning Outcomes 4</b>		
1	D	1.7	26	D	2.1	40	C	4.2
2	D	1.2	27	A	2.4	41	A	4.5
3	B	1.1	28	D	2.2	42	B	4.6
4	C	1.1	29	B	2.5	43	B	4.1
5	A	1.1	30	A	2.3	44	A	4.2
6	D	1.4	31	D	2.1	45	B	4.1
7	A	1.8	32	A	2.1	46	B	4.4
8	C	1.1	<b>7 Questions</b>			47	D	4.3
9	D	1.2				48	D	4.4
10	B	1.2	<b>Learning Outcome 3</b>			49	D	4.6
11	D	1.2	33	A	3.1	50	D	4.3
12	C	1.2	34	A	3.3	<b>11 Questions</b>		
13	C	1.4	35	A	3.3			
14	A	1.6	36	C	3.1			
15	C	1.3	37	C	3.4			
16	A	1.1	38	B	3.2			
17	B	1.2	39	C	3.5			
18	B	1.6	<b>7 Questions</b>					
19	C	1.7						
20	B	1.6						
21	A	1.3						
22	B	1.5						
23	D	1.7						
24	A	1.7						
25	B	1.1						
<b>25 Questions</b>								