



Chartered  
Insurance  
Institute

# IF2

## Certificate in Insurance

### Unit 2 – General insurance business

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

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## Unit 2 – General insurance business

**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 IF2 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 IF2 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 IF2 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/qualifications](http://www.cii.co.uk/qualifications)
- 2) Select the appropriate qualification
- 3) Select your unit 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 IF2 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 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 IF2 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 IF2 examination is 100 multiple choice questions (MCQs). 2 hours are allowed for this examination.

The IF2 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.

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.

# General insurance business

## Objective

To provide knowledge and understanding of basic insurance products and practice, including underwriting and policy wordings, claims, customer service and information and communication technology.

Summary of learning outcomes	Number of questions in the examination*
1. Know insurance products and associated services for general insurance business	36
2. Understand underwriting and policy wordings for general insurance business	31
3. Know how to apply knowledge of principles of premium calculation of general insurance business to a given set of circumstances	2
4. Understand claims within the context of general insurance business	21
5. Know how to apply knowledge of principles concerning the operation of policy conditions affecting claims for general insurance business to a given set of circumstances	2
6. Understand information and communication technology, security, confidential information and data protection within general insurance business	5
7. Understand customer service within general insurance business	3

\*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: 100 multiple choice questions (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-general-insurance-business-if2/](http://www.cii.co.uk/learning/qualifications/unit-general-insurance-business-if2/)
  2. Select qualification update on the right hand side of the page.

- 1. Know insurance products and associated services for general insurance business**
  - 1.1 Describe the basic features and outline of typical cover of:**
    - motor: private car, motorcycle, commercial
    - health: personal accident, sickness, medical expenses
    - combined comprehensive or packaged policies: household, travel and commercial packages
    - property: fire and special perils, all risks, theft, money
    - pecuniary: legal expenses, business interruption
    - liability: employers', public, products, directors' and officers', professional indemnity, trustees' indemnity
    - extended warranties
    - cyber insurance
  - 1.2 Describe in outline the non-insurance services available, specifically:**
    - help lines and advice
    - authorised repairers and suppliers
    - risk control/advice
    - uninsured loss recovery services
- 2. Understand underwriting and policy wordings for general insurance business**
  - 2.1 Explain why an underwriter wishes to be aware of material circumstances in assessing a risk**
  - 2.2 Explain the significance of moral and physical hazard for underwriters and how they are manifested**
  - 2.3 Describe the statutory provisions relating to the disclosure of material information to insurers and the methods used by underwriters to obtain this information**
  - 2.4 Describe the questions usually asked of proposers**
  - 2.5 Describe the legal and regulatory significance of procedures relating to quotations**
  - 2.6 Explain the legal significance of procedures relating to proposals**
  - 2.7 Explain the legal significance of procedures relating to the issue of insurance documentation including cover notes, insurance contracts, Insurance Product Information Documents and certificates of insurance**
  - 2.8 Explain the relevance of premium payment for valid cover**
  - 2.9 Describe the methods used by insurers to collect premiums**
  - 2.10 Describe the features of Insurance Premium Tax**
  - 2.11 Describe the structure, functions and contents of an insurance contract, including the schedule**
  - 2.12 Explain the meaning and use of common policy conditions and exclusions**
  - 2.13 Explain how excesses and franchises are used**
  - 2.14 Explain the distinction between warranties, conditions, representations and exclusions**
  - 2.15 Explain the legal and regulatory significance of procedures relating to renewals**
  - 2.16 Explain how cancellation clauses operate**
- 3. Know how to apply knowledge of principles of premium calculation of general insurance business to a given set of circumstances**
  - 3.1 Apply knowledge of principles of premium calculation of general insurance business to a given set of circumstances**

#### **4. Understand claims within the context of general insurance business**

- 4.1 Describe the legal requirements for a valid claim
- 4.2 Explain why a claim may be invalid or only partially met
- 4.3 Describe the insured's duties after a loss
- 4.4 Describe the documentary evidence needed relating to claims
- 4.5 Explain how alternative dispute resolutions operate, including arbitration clauses
- 4.6 Explain the ways in which claims can be settled:
  - cash payment to insured
  - repair
  - replacement
  - reinstatement
  - payments to third parties
- 4.7 Describe the role of the Motor Insurers' Bureau and the Employers' Liability Tracing Office (ELTO) in relation to claims
- 4.8 Explain in general terms how the process of reserving operates
- 4.9 Explain the role salvage plays in claims settlement
- 4.10 Describe the means of claims recovery open to insurers
- 4.11 Describe the procedures commonly used to discourage and detect fraudulent claims
- 4.12 Explain the consequences of fraudulent claims on insurers, policyholders and fraudulent claimants

#### **5. Know how to apply knowledge of principles concerning the operation of policy conditions affecting claims for general insurance business to a given set of circumstances**

- 5.1 Apply knowledge of principles concerning the operation of policy conditions affecting claims for general insurance business to a given set of circumstances

#### **6. Understand information and communication technology, security, confidential information and data protection within general insurance business**

- 6.1 Explain how information and communication technology, the internet and social media are used in the insurance industry
- 6.2 Describe the principles of data protection and the types of confidential information
- 6.3 Explain the principles of secure storage and disposal of documents
- 6.4 Explain the need for security and confidentiality of information and the types of cyber attack that may be attempted
- 6.5 Describe the regulations relating to the use of confidential information, its storage and disclosure

#### **7. Understand customer service within general insurance business**

- 7.1 Describe what a customer service standard is
- 7.2 Explain how service standards should be implemented
- 7.3 Describe the legal and regulatory obligations of organisations in the insurance industry in relation to customer service, including the fair treatment of customers

## 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](mailto:knowledge@cii.co.uk).

### CII study texts

General insurance business. London: CII. Study text IF2.

### Books (and ebooks)

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

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

Insurance law: an introduction. Robert Merkin. London: Routledge, 2014.\*

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

Pricing in general insurance. Pietro Parodi. CRC Press, 2015.\*

### 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](http://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).

- Fraudulent claims. Beverley Lyn.
- Recent developments to Solvency II. Brad Baker.
- Principles and trends in general insurance underwriting. Massimo Vascotto.

- The Financial Ombudsman Service and general insurance. Peter Tyldesley, Saira Paruk.
- The regulatory framework. Simon Collins.

Code of ethics explained. Duncan Minty. CII Faculty lecture, 2014. Available online at [www.cii.co.uk/30790](http://www.cii.co.uk/30790)

### 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](http://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](http://www.handbook.fca.org.uk/handbook).

The insurance manual. Sadler, John. Stourbridge, Worcs: Insurance Publishing & Printing Co. Looseleaf updated annually.

Prudential Regulation Authority (PRA) Rulebook Online. Available at [www.prarulebook.co.uk](http://www.prarulebook.co.uk)

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

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

### Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate ([www.revisionmate.com](http://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.

1. Under what type of insurance policy does cover often commence one year after the premium is paid?
  - A. Business interruption.
  - B. Directors' and officers' liability.
  - C. Extended warranty.
  - D. Professional indemnity.
  
2. Under a business interruption insurance policy, the indemnity period is the period of time
  - A. after the date of any loss which is excluded in calculating the loss.
  - B. for which the policy must be in force before a claim can be considered.
  - C. for which the policy reimburses the insured in respect of a claim.
  - D. from the date of loss to the next renewal date.
  
3. Which class of insurance provides cover for injury claims but **NOT** property claims?
  - A. Employers' liability.
  - B. Products liability.
  - C. Public liability.
  - D. Trustees' indemnity.
  
4. Joe has comprehensive motor insurance cover and is involved in an accident which was **NOT** his fault. In relation to this accident, an uninsured loss recovery service will assist in recovering the
  - A. cost of emergency medical treatment.
  - B. cost of repair to the other vehicle.
  - C. excess on Joe's policy.
  - D. legal costs of the third party solicitor.
  
5. A motor vehicle **must** be insured unless
  - A. it is being kept in a garage and not driven on public roads.
  - B. it is kept on a private driveway and is not driven on public roads.
  - C. it is only driven on private roads and is not driven on public roads.
  - D. a Statutory Off Road Notification declaration is made to the Driver and Vehicle Licensing Agency (DVLA).
  
6. What is the **minimum** legal limit of indemnity in respect of third party property damage under a commercial vehicle insurance policy?
  - A. £100,000
  - B. £250,000
  - C. £500,000
  - D. £1,200,000

7. Under a motorcycle policy, accessories are only covered if stolen
- A. from a locked garage.
  - B. from the motorcycle.
  - C. using force and violence.
  - D. with the motorcycle.
8. What cover is omitted from a comprehensive commercial vehicle insurance policy which would be provided under a comprehensive private car insurance policy?
- A. Foreign use.
  - B. Legal costs in defence of a claim.
  - C. Personal accident benefits.
  - D. Towing of a disabled vehicle.
9. A policyholder is considering theft and money insurance policies to protect himself against theft of money due to employee fraud. Which of these policies, if either, will provide some protection against this loss?
- A. Both policies.
  - B. Only the theft policy.
  - C. Only the money policy.
  - D. Neither policy.
10. A medical expenses policy will generally **NOT** pay the cost of
- A. ambulance fees.
  - B. anaesthetist's fees.
  - C. long-term residential care.
  - D. surgical dressings.
11. In order for a death claim to be made under a personal accident insurance policy, death **must** occur within how many months of the accident?
- A. 12 months.
  - B. 18 months.
  - C. 24 months.
  - D. 36 months.
12. In certain areas of the UK, riot damage may be covered under which type of insurance policy?
- A. Money.
  - B. Property.
  - C. Public liability.
  - D. Travel.

13. Under which section of a travel insurance policy would a fixed benefit be paid in the event of a claim?
- A. Medical expenses.
  - B. Personal accident.
  - C. Personal liability.
  - D. Personal possessions.
14. What is the **normal** excess applicable to subsidence cover under a household buildings insurance policy?
- A. £250
  - B. £500
  - C. £750
  - D. £1,000
15. A standard household insurance policy for a house near the sea would **NOT normally** cover damage to the house arising from
- A. coastal erosion.
  - B. ground heave.
  - C. a hurricane force wind.
  - D. tidal flooding.
16. A shop owner has a commercial insurance policy which includes cover for plate glass. An employee accidentally breaks the shop window and wooden frame. Which of the damaged items, if either, is covered?
- A. Neither of them.
  - B. The window only.
  - C. The wooden frame only.
  - D. Both of them.
17. A failed suicide attempt results in temporary partial disablement. What benefit, if any, can **normally** be claimed under a personal accident and sickness insurance policy?
- A. The cost of medical expenses.
  - B. A fixed weekly benefit until recovery.
  - C. A lump sum.
  - D. No benefit can be claimed.
18. When a commercial insurance policy includes an all risks section, this **usually** means that cover is provided
- A. away from the risk address.
  - B. including electrical breakdown.
  - C. on an agreed value basis.
  - D. with no excess.

19. Money insurance provides cover for
- A. cash, cheques and credit and debit cards.
  - B. cash, cheques and postage stamps.
  - C. cash, postage stamps and credit and debit cards.
  - D. cheques, postage stamps and credit and debit cards.
20. A building is covered under a fire and special perils insurance policy. When the building becomes unoccupied as defined in the policy, the cover will **normally** exclude theft, storm, escape of water and which other peril?
- A. Fire.
  - B. Flood.
  - C. Impact.
  - D. Malicious damage.
21. Under which class of insurance are proposers **usually** asked questions at the proposal stage regarding how they would react in the event of a claim?
- A. Business interruption.
  - B. Commercial vehicle.
  - C. Employers' liability.
  - D. Public liability.
22. A commercial legal expenses insurance policy would **NOT normally** provide cover for
- A. employment disputes.
  - B. patents and copyright disputes.
  - C. property disputes.
  - D. public liability disputes.
23. Who may be held personally responsible for negligence in the running of a limited company?
- A. Auditors only.
  - B. Company directors only.
  - C. Ordinary shareholders only.
  - D. Preferential shareholders only.
24. A secretary develops repetitive strain injury caused by her working conditions which permanently prevents her from continuing her existing employment. Under which of her employer's insurance policies could compensation be paid?
- A. Employers' liability.
  - B. Legal expenses.
  - C. Professional indemnity.
  - D. Public liability.

25. A claim under an architect's professional indemnity policy is **usually** settled by
- A. a cash payment to the insured.
  - B. payment to the insured's contractors.
  - C. payment to the insurers' contractor.
  - D. payment to a third party.
26. Products liability is often found as an extension to which type of insurance policy?
- A. Employers' liability.
  - B. Professional indemnity.
  - C. Public liability.
  - D. Trustees' indemnity.
27. An insurer provides a 24-hour helpline to provide emergency assistance to its policyholders. How would this helpline be funded?
- A. By a grant from the Association of British Insurers.
  - B. By Insurance Premium Tax on individual policies.
  - C. The cost would be built into a policyholder's standard premium.
  - D. The Insurance Ombudsman's office meets all costs.
28. A household insurer will **usually** provide a different helpline number for policyholders with a domestic emergency to those requiring legal advice because
- A. the domestic emergency number will need to direct the caller immediately to a contractor.
  - B. the domestic emergency service requires a 24-hour helpline.
  - C. the legal advice service will often be outsourced.
  - D. policyholders requiring legal advice may need to make a claim on the public liability section of their policy.
29. David makes a claim under his motor insurance policy for repairs to his vehicle. How would David benefit from using his insurer's authorised repairer?
- A. The cost to David will be lower.
  - B. The garage will be local.
  - C. A reduced excess will apply.
  - D. There is no need to obtain repair estimates.
30. What type of commercial property insurance claim would **usually** involve an approved repairer?
- A. Business interruption.
  - B. Glass.
  - C. Products liability.
  - D. Theft.

31. When an insurer recommends that the policyholder upgrades his burglar alarm, this is an example of the insurer
- A. carrying out a demands and needs analysis.
  - B. imposing a warranty.
  - C. making the policyholder a co-insurer.
  - D. providing risk control advice.
32. If Matthew has third party only motor cover, which non-insurance service may he use to pursue a claim for damage to his vehicle incurred in an accident for which he was **NOT** at fault?
- A. Authorised repairer.
  - B. Insurance helpline.
  - C. Risk control.
  - D. Uninsured loss recovery.
33. Under what type of insurance policy would an individual be able to claim for a defect that occurred with his dishwasher after the original guarantee expired, assuming he paid for such cover?
- A. All risks.
  - B. Extended warranty.
  - C. Household contents.
  - D. Products liability.
34. A hotel owner wishing to insure his business against third party injury and property claims is **most likely** to require insurance covering
- A. employers' liability.
  - B. professional indemnity.
  - C. public liability.
  - D. trustees' indemnity.
35. A charity arranges trustees' indemnity cover in order to protect themselves against claims arising from
- A. injury to employees.
  - B. injury to third parties.
  - C. personal liability.
  - D. third party property damage.
36. Henry purchased a television from a high street chain store and it stopped working after 14 months. What type of insurance product would his claim for a replacement television be considered under?
- A. All risks.
  - B. Extended warranty.
  - C. Legal expenses.
  - D. Products liability.

37. Under the cancellation clause of a personal insurance policy, what **minimum** period of time **must** an insurer give the policyholder when sending the required registered letter to the policyholder's last known address?
- A. 7 days.
  - B. 10 days.
  - C. 21 days.
  - D. 30 days.
38. An underwriter needs to be aware of the relevant information relating to a risk because it
- A. establishes the frequency of any loss that will occur.
  - B. establishes the severity of any loss that will occur.
  - C. identifies the event which will give rise to any loss that may occur.
  - D. may affect the decision regarding accepting and rating the risk.
39. After Mark asks for a quotation to cover his house, the insurer provides one that is valid for 30 days. Who, if anyone, is bound by this 30-day period if there are no changes to the risk?
- A. Mark only.
  - B. The insurer only.
  - C. Both Mark and the insurer.
  - D. Neither Mark nor the insurer.
40. A proposer approaches an insurer for a quotation for household insurance and discloses that the property is built on a flood plain. The insurer would consider this to be
- A. a moral hazard.
  - B. a physical hazard.
  - C. a specific peril.
  - D. an uninsured peril.
41. For which type of liability business **must** a certificate of insurance be issued?
- A. Employers' liability.
  - B. Products liability.
  - C. Professional indemnity.
  - D. Public liability.
42. When Insurance Premium Tax is charged on a household insurance premium of £200, the amount of tax payable is
- A. £12
  - B. £24
  - C. £35
  - D. £40

43. An insurer sends the insured a document detailing the relevant information disclosed. This is known as
- A. contract certainty.
  - B. the proposal form.
  - C. the schedule of insurance.
  - D. the statement of facts.
44. A statement that a quotation is issued by an insurer, subject to the completion of a proposal form, is an example of
- A. a representation.
  - B. a condition.
  - C. an endorsement.
  - D. a warranty.
45. In order for an insurance contract to be legally valid, either a premium **must** be paid or a
- A. cover note must be issued.
  - B. declaration must be signed.
  - C. policy must be issued.
  - D. promise to pay must be made.
46. Who carries the credit risk when a premium is paid in instalments using third party premium financing?
- A. The broker.
  - B. The finance company.
  - C. The insurer.
  - D. The policyholder.
47. An insurer will **normally** accept premium payment in monthly instalments by
- A. credit card.
  - B. debit card.
  - C. direct debit.
  - D. standing order.
48. Daniel telephones an insurer asking for a private motor insurance quotation. The insurer quotes Daniel £500, which he rejects. A week later he calls the insurer back saying that he now wishes to accept the quote, but is told that the price has risen to £600. What option, if any, is now available to Daniel?
- A. He can insist on paying £500 for the insurance policy.
  - B. He is no longer entitled to an insurance policy at £500.
  - C. He may complain to the Motor Insurers' Bureau.
  - D. He may refer the dispute to arbitration.

49. Where in an insurance policy does it **usually** state that the insurer will **NOT** be liable to pay a fraudulent claim?
- A. The general conditions.
  - B. The general exclusions.
  - C. The operative clause.
  - D. The schedule.
50. In a general insurance policy, details of the insured and the subject matter of the insurance are given in the
- A. operative clause.
  - B. policy conditions.
  - C. policy schedule.
  - D. recital clause.
51. With regard to aircraft, what is **specifically excluded** under the general exceptions found in a buildings insurance policy?
- A. Impact by an aircraft.
  - B. Impact by items falling from an aircraft.
  - C. Reduction in value following local siting of a new airport.
  - D. Sonic bangs.
52. Market exclusions are used by insurers to
- A. detail the insurance market(s) in which excluded risks can be placed.
  - B. exclude cover for a type of risk which it is commonly agreed cannot be insured.
  - C. exclude risks which insurers are forbidden to write under UK law.
  - D. prevent selection against the insurers.
53. Bryn has an insurance policy with a franchise of £100. He suffers a loss of £250 by an insured peril. How much, if anything, would he be able to claim?
- A. Nil.
  - B. £100
  - C. £150
  - D. £250
54. What is an excess?
- A. The additional premium following an adjustment to a policy.
  - B. The amount payable by the insured in the event of a claim occurring.
  - C. The amount reserved for a claim.
  - D. The return of premium to the insured if overpayment is made.

55. What key financial information will an underwriter ask a proposer in order to rate a professional indemnity risk?
- A. Gross profit.
  - B. Gross revenue.
  - C. Net profit.
  - D. Wage roll.
56. During the course of negotiating a business insurance contract, a proposer may make statements concerning the nature of the risk. This type of statement is known as a
- A. presentation.
  - B. representation.
  - C. submission.
  - D. warranty.
57. Details of relevant information are **usually** obtained by an underwriter by asking direct questions to the
- A. actuary.
  - B. claims handler.
  - C. previous insurer.
  - D. proposer.
58. A theft insurance policy contains a stipulation that the insured premises are protected by a burglar alarm. What does this stipulation constitute?
- A. A condition precedent to contract.
  - B. An express warranty.
  - C. An implied warranty.
  - D. A representation.
59. A manufacturer overlooks the renewal of his buildings insurance policy and pays the premium 5 days after the renewal date. There have been no claims during this period. What effect will this **normally** have on his insurance?
- A. Cover will cease at the renewal date.
  - B. Cover will only commence from the date of premium payment.
  - C. Cover will continue unbroken.
  - D. Cover will continue, but only for third party claims.
60. When an insurer issues a renewal notice to a policyholder, what legal process does this represent?
- A. Acceptance of an offer.
  - B. Consideration.
  - C. An offer.
  - D. Ratification.

61. An underwriter calculates a basic insurance premium of £300 for a vehicle, but charges £336 to the insured. The difference of £36 is **most likely** to represent
- A. commission.
  - B. a fee.
  - C. Insurance Premium Tax.
  - D. Value Added Tax.
62. What is an employer required to do with an employers' liability certificate within 30 days of inception of the policy?
- A. Confirm receipt to the insurer.
  - B. Forward a copy to the Department for Business, Energy & Industrial Strategy.
  - C. Make it available for employees to view.
  - D. Take a copy and retain it for 40 years.
63. A proposer with a recent criminal conviction for money laundering approaches an insurer for theft insurance. The underwriter would consider this to be
- A. a moral hazard.
  - B. a physical hazard.
  - C. a special peril.
  - D. an uninsured peril.
64. A proposer for business insurance **must** make a fair presentation of the risk insured so that an underwriter can
- A. assess the risk.
  - B. differentiate between moral and physical hazards.
  - C. issue a certificate of insurance.
  - D. provide risk control advice.
65. To what does a market exclusion **usually** apply?
- A. Specific areas of one type of insurance policy only.
  - B. All areas of one type of insurance policy.
  - C. Specific areas of all general insurance policies only.
  - D. All areas of all general insurance policies.
66. An underwriter reviewing a trader's combined insurance policy proposal form may **NOT** be able to assess the risk fully from the information contained within it. From whom is he **most likely** to obtain further relevant information?
- A. The Financial Ombudsman Service.
  - B. A loss adjuster.
  - C. A salvage adjuster.
  - D. A surveyor.

67. A motor insurer issues a recorded delivery seven day notice of cancellation to a client on 1 May. The letter is received by the client on 3 May. From what date will the cancellation become effective?
- A. 1 May.
  - B. 3 May.
  - C. 8 May.
  - D. 10 May.
68. An underwriter is asked to rate a building with a sum insured of £300,000. The rate is £0.125% and a discount of 20% is allowable. What is the premium **before** Insurance Premium Tax?
- A. £30
  - B. £300
  - C. £375
  - D. £3,000
69. An adjustable money insurance policy is rated on annual carryings at a rate of £0.10% with an inception premium of £500. At the end of the first year, the insured declares annual carryings of £750,000. The **additional** premium adjustment, excluding tax, will be
- A. £250
  - B. £500
  - C. £750
  - D. £7,500
70. In what circumstances would the Motor Insurers' Bureau pass a claim to the insurer concerned for settlement?
- A. For third party injury claims only.
  - B. For third party property damage claims only.
  - C. Where policy terms have been breached.
  - D. Where the uninsured driver was not at fault.
71. Stephen, aged 32, suffers a broken leg as a direct result of a car accident. What is the **maximum** period of time after the accident during which he may initiate legal proceedings for compensation in respect of his personal injury?
- A. One year.
  - B. Three years.
  - C. Five years.
  - D. Six years.

72. What **key** effect does application of the average clause have in connection with a claim submitted under a property insurance policy?
- A. It allows the insurer to exercise its contribution rights.
  - B. It allows the insurer to exercise its subrogation rights.
  - C. It increases the size of the settlement.
  - D. It reduces the size of the settlement.
73. When an insured retains salvage, how is the claim payment affected?
- A. The insurer pays the total loss value only.
  - B. The insurer pays the salvage value only.
  - C. The insurer pays the difference between the total loss value and the salvage value.
  - D. The insurer pays the sum of the total loss value and the salvage value.
74. Who **must** prove that the insured has suffered a valid loss under a property insurance policy in order to validate a claim?
- A. The broker.
  - B. The insured.
  - C. The insurer.
  - D. The loss adjuster.
75. With a commercial motor insurance policy, what specific documentation is **always** required from the insured when the vehicle is deemed a total loss?
- A. Driver's licence.
  - B. Insurance certificate.
  - C. Police report.
  - D. Vehicle registration certificate.
76. The ABI Domestic Subsidence Claim Handling Agreement exists between two household insurers. When would a subsidence claim from a policyholder who has changed insurer **first** be passed completely to the new insurer?
- A. At the time of changing insurer.
  - B. 6 months after changing insurer.
  - C. 12 months after changing insurer.
  - D. 24 months after changing insurer.
77. Following full settlement of a claim under a property insurance policy, an insurer has written to some other insurers with details of the claim. What is the **most likely** reason for this?
- A. To ask the other insurers to share the claims payment.
  - B. To assist the policyholder in recovering an uninsured loss.
  - C. To make the other insurers aware that the claim was fraudulent.
  - D. To request that the other insurers participate in arbitration.

78. Alice owns a house with a rebuilding value of £1,000,000 and with a sum insured of £700,000. It is completely destroyed by a fire. The insurer is **most likely** to settle the claim by
- A. cash payment.
  - B. reinstatement.
  - C. repair.
  - D. replacement.
79. Where a wooden door frame is damaged during a break-in, the **most likely** way an insurer will deal with the damage is by
- A. cash payment to the insured.
  - B. issuing a cheque to the insured.
  - C. repair.
  - D. replacement.
80. A modern watch covered under a household contents insurance policy is stolen and the insurer agrees to settle the claim in full. The watch is of a type supplied by a jeweller with whom the insurer has negotiated preferential prices. What method of settlement would the insurer **normally** offer?
- A. The full market value of the watch.
  - B. The original cost of the watch.
  - C. The original cost of the watch less an allowance for wear and tear.
  - D. A replacement watch from the specified jeweller.
81. When a listed building is damaged by an insured peril, the claim settlement is **most likely** to be by
- A. a cash payment to the insured.
  - B. an indemnity payment.
  - C. payment of a previously agreed amount.
  - D. reinstatement.
82. A person sustaining an injury following a motor accident caused by an untraced motorist would be compensated by which body?
- A. The Association of British Insurers.
  - B. The Financial Ombudsman Service.
  - C. The Financial Services Compensation Scheme.
  - D. The Motor Insurers' Bureau.
83. When an insurer is notified of a claim, it sets aside an amount to pay the claim in the future. This is known as
- A. arbitration.
  - B. contribution.
  - C. reserving.
  - D. subrogation.

84. An insurer pays a third party in full under the terms of a public liability insurance policy. Another party is partially responsible, but has **NOT** contributed to the settlement. What action is the insurer **most likely** to take?
- A. Instruct a loss adjuster to enquire into the circumstances of the claim.
  - B. Invoke the arbitration clause.
  - C. Place the matter into the hands of the insured's solicitor.
  - D. Write to the other party requesting payment towards its outlay.
85. An insurer suspects a property claim to be fraudulent. Whom is the insurer **most likely** to appoint to investigate the claim?
- A. An arbitrator.
  - B. A loss adjuster.
  - C. A loss assessor.
  - D. A surveyor.
86. What is the **most likely** consequence of insurance fraud for all policyholders?
- A. Increased premiums.
  - B. A more detailed renewal questionnaire.
  - C. Slower claims settlement.
  - D. Withdrawal of instalment facilities.
87. The **easiest** way for a museum to check whether a painting, which it has been offered, is **NOT** genuine is for them to contact
- A. the Art Loss Register.
  - B. the Claims and Underwriting Exchange.
  - C. the Serious Fraud Office.
  - D. a specialist fine art insurer.
88. How is the Motor Insurers' Bureau funded?
- A. By a levy on its members.
  - B. By Insurance Premium Tax.
  - C. By the Financial Services Compensation Scheme.
  - D. By the government.
89. When an insurer accepts salvage this will
- A. decrease the insurer's total outlay.
  - B. discourage fraudulent claims.
  - C. encourage fraudulent claims.
  - D. increase the insurer's total outlay.

90. Helen's wall is damaged by a vehicle and she wishes to claim from the driver responsible. What is the **maximum** length of time she has to make her claim?
- A. 3 years.
  - B. 5 years.
  - C. 6 years.
  - D. 10 years.
91. A commercial insured suffers a flood to an office, following a storm that had been predicted. Which policy condition would require the insured to mitigate their exposure to the consequences of the predicted flood?
- A. Average.
  - B. Contribution.
  - C. Reasonable precautions.
  - D. Subrogation.
92. Louise makes a claim under her motor insurance policy and the claim is repudiated by her insurer. She requests that the claim now proceeds to arbitration. Why would this **NOT** be appropriate?
- A. All disputes must first be referred to the ombudsman.
  - B. Arbitration relates only to disputes regarding the amount of the claim.
  - C. Louise has already subrogated her rights to her insurer.
  - D. Only the insurer may refer the claim to arbitration.
93. In relation to a personal computer, what is a CPU?
- A. Central Processing Unit.
  - B. Colour Printing Utility.
  - C. Computer Protection Utility.
  - D. Core Programming Unit.
94. An insurer holds sensitive personal data on its health insurance policyholders. Owing to staffing problems it needs to transfer this data outside the UK for processing. Under the Statutory Data Protection Principles, where, if at all, can the data be transferred without first checking the level of protection?
- A. Anywhere in the European Economic Area.
  - B. India and South Africa only.
  - C. The United States and Canada only.
  - D. This type of transfer is not allowed.
95. The disposal of private and confidential files from an insurance company should be carried out by
- A. authorised personnel.
  - B. Data Protection Officers.
  - C. full-time employees.
  - D. senior management.

96. From whom should confidential personal details held on a computer system be protected?
- A. Authorised data users.
  - B. Authorised third parties.
  - C. Computer hackers.
  - D. Individuals to whom the data pertains.
97. The **main** purpose of the Data Protection Act 2018 is to protect
- A. computer software developers from hackers.
  - B. computer systems manufacturers against misuse of their products by third parties.
  - C. corporate entities which hold data on a computer system concerning clients.
  - D. individuals on whom data is held.
98. For what purpose do insurers introduce customer service standards?
- A. To fulfil the criteria required to operate within the EU.
  - B. To maintain and increase their customer base.
  - C. To reduce the incidence of fraudulent claims from dissatisfied customers.
  - D. To satisfy their statutory obligations.
99. Customer service standards should **always** be realistic, understandable and
- A. competitive.
  - B. manageable.
  - C. measurable.
  - D. staff-founded.
100. The regulatory obligations to provide improved customer service throughout the lifecycle of an insurance product are overseen by the
- A. Association of British Insurers.
  - B. Chartered Insurance Institute.
  - C. Financial Conduct Authority.
  - D. Financial Ombudsman Service.

## 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 Outcome 4</b>		
1	C	1.1	37	A	2.16	70	C	4.7
2	C	1.1	38	D	2.1	71	B	4.1
3	A	1.1	39	B	2.5	72	D	4.2
4	C	1.2	40	B	2.2	73	C	4.9
5	D	1.1	41	A	2.7	74	B	4.3
6	D	1.1	42	B	2.10	75	D	4.4
7	D	1.1	43	D	2.6	76	C	4.5
8	C	1.1	44	B	2.5	77	A	4.10
9	C	1.1	45	D	2.8	78	A	4.6
10	C	1.1	46	B	2.9	79	C	4.6
11	A	1.1	47	C	2.9	80	D	4.6
12	B	1.1	48	B	2.5	81	D	4.6
13	B	1.1	49	A	2.11	82	D	4.7
14	D	1.1	50	C	2.11	83	C	4.8
15	A	1.1	51	D	2.12	84	D	4.10
16	D	1.1	52	B	2.12	85	B	4.11
17	D	1.1	53	D	2.13	86	A	4.12
18	A	1.1	54	B	2.13	87	A	4.11
19	B	1.1	55	B	2.4	88	A	4.7
20	D	1.1	56	B	2.14	89	A	4.9
21	A	1.1	57	D	2.3	90	C	4.1
22	D	1.1	58	B	2.14	<b>21 Questions</b>		
23	B	1.1	59	C	2.15			
24	A	1.1	60	C	2.15	<b>Learning Outcome 5</b>		
25	D	1.1	61	C	2.10	91	C	5.1
26	C	1.1	62	C	2.7	92	B	5.1
27	C	1.2	63	A	2.2	<b>2 Questions</b>		
28	C	1.2	64	A	2.1			
29	D	1.2	65	D	2.14	<b>Learning Outcome 6</b>		
30	B	1.2	66	D	2.3	93	A	6.1
31	D	1.2	67	C	2.16	94	A	6.2
32	D	1.2	<b>31 Questions</b>			95	A	6.3
33	B	1.1				96	C	6.4
34	C	1.1	<b>Learning Outcome 3</b>			97	D	6.5
35	C	1.1	68	B	3.1	<b>5 Questions</b>		
36	B	1.1	69	A	3.1			
<b>36 Questions</b>			<b>2 Questions</b>			<b>Learning Outcome 7</b>		
						98	B	7.1
						99	C	7.2
						100	C	7.3
						<b>3 Questions</b>		