



Chartered
Insurance
Institute

IF4

Certificate in Insurance

Unit 4 – Insurance claims handling process

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

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Published in October 2019 by:

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Unit 4 – Insurance claims handling process

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 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 www.cii.co.uk/learning/qualifications/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 *understand*. Different skill levels lead to different types of question, examples of which follow.

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

Examination Information

The method of assessment for the 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 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.

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 systems	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 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-insurance-claims-handling-process-if4/
 2. 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 Explain how the application of policy conditions can affect the payment of claims
 - 1.4 Explain the duties of an insured after a loss
 - 1.5 Describe what documentary and supporting evidence are required when notifying a claim
 - 1.6 Explain what is meant by proximate cause and how it is applied
- 2. Understand insurance products and associated services**
 - 2.1 Describe the basic features and typical policy cover of motor, health, personal, property, pecuniary, liability and extended warranties insurance
 - 2.2 Describe the exclusions and extensions of cover available for motor, health, personal, property, pecuniary, liability and extended warranties insurance
- 3. Understand claims considerations and administration**
 - 3.1 Describe the role of the claims department and the role of claims personnel
 - 3.2 Explain the importance of service standards and managing customer expectations
 - 3.3 Describe the difference to the insurer between the first, second and third parties
 - 3.4 Explain the consequences and issues that arise for third parties
 - 3.5 Explain the importance of claims estimating and reserving
 - 3.6 Describe the common indicators of fraud and the procedures commonly used to discourage individuals from making fraudulent claims
 - 3.7 Explain the consequences of fraudulent claims for the insurance industry and its customers
 - 3.8 Describe the main purpose and content of the Insurance: Conduct of Business sourcebook (ICOBS) as it relates to claims handling
 - 3.9 Describe the fair treatment of customers
 - 3.10 Describe how disputes and complaints could be resolved
 - 3.11 Describe the role of the Financial Ombudsman Service and their role in dispute resolution
- 4. Understand claims handling procedures and related claims services**
 - 4.1 Explain the claims handling process, including where relevant legal and regulatory protocols for the various types of personal insurance
 - 4.2 Explain the claims handling process, including where relevant legal and regulatory protocols for the various types of commercial insurance
 - 4.3 Describe the variety of services that can be utilised in the claims handling and settlement process inclusive of help lines, authorised repairers, uninsured loss recovery services, legal costs service and risk control/advice
- 5. Understand claims handling systems**
 - 5.1 Describe the key features, structure and objectives of different claims systems
 - 5.2 Describe the claims function as it appears in functional and divisional structures
 - 5.3 Explain the roles of outsourcing companies, loss adjusters, disaster recovery companies, surveyors, solicitors and loss assessors
- 6. Understand claims settlement**
 - 6.1 Describe the way that claims can be settled including payment of money, paying for repairs direct, replacement and reinstatement
 - 6.2 Describe how excesses, franchises and deductibles work
 - 6.3 Describe how the process of reserving operates
 - 6.4 Explain why a claim may be invalid or only partially met
 - 6.5 Explain how insurers can recover claims payments from third parties
 - 6.6 Explain how salvage affects claim payments
 - 6.7 Explain how average can affect claims settlements
 - 6.8 Explain how market agreements affect claims settlements
 - 6.9 Describe the provisions of the Motor Insurers' Bureau agreement for untraced and uninsured drivers
 - 6.10 Describe how arbitration clauses operate and how alternative dispute resolution may be used to settle claims.

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

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

CII study texts

Insurance claims handling process. London: CII. Study text 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.cii.co.uk/search-results?q=journal> (CII/PFS members only).

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

Reference materials

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

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

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

Examination guide

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

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

Exam technique/study skills

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

1. On submission of a claim, an insurer discovers that the insured has breached a condition in their household insurance policy. If the breach is unrelated to the claim and the claim is otherwise valid, what action is the insurer **most likely** to take?
 - A. Avoid the policy.
 - B. Decline the claim.
 - C. Partially settle the claim.
 - D. Settle the claim in full.

2. During a storm, high winds strip some of the tiles from Pam's roof. As well as submitting a claim to her household insurer, what other essential step would her insurer expect her to take under the terms of her policy?
 - A. Have the roof sheeted up and made safe.
 - B. Instruct her own loss adjuster.
 - C. Move into alternative accommodation.
 - D. Obtain three repair estimates from contractors.

3. Under a liability insurance policy, in what circumstances can liability be admitted to a third party by the insured?
 - A. When the insurer is advised within seven days of the admission being made.
 - B. When the insurer is notified of the intention to claim by the third party.
 - C. When the third party is insured by the same insurer.
 - D. When the insurer has given written consent.

4. Rachel is on holiday abroad when valuables are stolen from her hire car. From whom **must** she obtain a report to support a claim under her travel insurance policy?
 - A. The car hire company.
 - B. The local police.
 - C. The tour operator.
 - D. The travel agent.

5. Which document is **normally** required by insurers when an accidental damage loss is suffered by a householder?
 - A. Alarm maintenance contract.
 - B. Claim form.
 - C. Policy document.
 - D. Renewal receipt.

6. When an event that gives rise to a claim may be excluded under policy conditions, the onus of proof concerning the application of the exclusion falls to the
 - A. insured.
 - B. insurer.
 - C. loss adjuster.
 - D. loss assessor.

7. Under the terms of most household policies, when is a policyholder required to notify his insurer of a claim?
- A. As soon as possible.
 - B. Immediately after the loss repair estimates have been obtained.
 - C. Within 10 days of the loss occurring.
 - D. Within 28 days of the loss occurring.
8. When completing a claim form regarding a substantial theft loss, the insured will have to confirm that they have complied with the police notification condition by supplying the
- A. address of the relevant police station.
 - B. crime report number.
 - C. date and time that the police attended the scene.
 - D. recording officer's identity number.
9. An electrical fault causes a fire to break out in the office above a ground floor and basement stock room. The fire brigade attend and extinguish the fire using considerable volumes of water that accumulate in the basement and damage the stock. What is the proximate cause of the stock damage?
- A. Electrical fault.
 - B. Fire.
 - C. Storage of stock.
 - D. Water.
10. If an insured is placed in the same financial position after a loss that he enjoyed immediately before the loss occurred, this is known as the principle of
- A. average.
 - B. contribution.
 - C. indemnity.
 - D. subrogation.
11. For a valid claim to be considered under an employers' liability insurance policy, when **must** cover be in force?
- A. When the event giving rise to the claim occurs.
 - B. When the policyholder is notified of the event giving rise to the claim.
 - C. When the policyholder makes a claim under the policy.
 - D. As long as the claim is outstanding.
12. In what circumstances does the condition of average operate under a property insurance policy?
- A. When the insured has failed to insure the property for its full rebuilding cost.
 - B. When the insured has failed to pay the premium.
 - C. When there is potential for recovery from a third party.
 - D. When there is more than one policy which provides cover for the same loss.

13. Carla's neighbour accuses Carla's son of breaking a window with a football. Under the conditions of her household insurance policy Carla **must NOT**
- A. admit responsibility.
 - B. deny responsibility.
 - C. provide details of her solicitor.
 - D. provide her insurance details.
14. James is hospitalised in Turkey whilst on holiday with his father, Bob, and they both miss their scheduled flight home to the UK. James' doctor stipulates that he needs assistance when he is discharged, so Bob remains with him and they fly home together. James' travel insurance policy includes medical expenses and repatriation. What expenses will be covered by James' policy?
- A. The hospital expenses only.
 - B. The hospital expenses and James' additional travel costs only.
 - C. The hospital expenses and both James' and Bob's additional travel costs only.
 - D. The hospital expenses, James' and Bob's additional travel costs and Bob's additional accommodation costs whilst James is in hospital.
15. In addition to fire and explosion, what other peril is covered under a commercial fire insurance policy?
- A. Lightning.
 - B. Malicious damage.
 - C. Storm.
 - D. Water damage.
16. What is the **main** benefit to a motor insurance policyholder of an authorised repairer scheme?
- A. It assists with uninsured loss recovery.
 - B. It avoids the need for repair estimates.
 - C. It defers the payment of any excess.
 - D. It protects his no claims discount.
17. Mark is a customer in a pub and sustains an injury when he slips on some beer spilt by a member of staff. Which section of the pub's commercial combined insurance policy will provide indemnity against a claim for damages from Mark?
- A. The employers' liability section.
 - B. The personal accident section.
 - C. The products liability section.
 - D. The public liability section.

18. Which type(s) of insurance policy would **typically exclude** cover for failure to comply with a manufacturer's instructions?
- A. Employers' liability and gadget insurance.
 - B. Extended warranty and gadget insurance.
 - C. Extended warranty and product liability.
 - D. Gadget insurance and product liability.
19. Under which type of policy is it common practice for insurers to provide an extension to assist policyholders in the recovery of uninsured losses?
- A. Comprehensive motor.
 - B. Household, buildings and contents.
 - C. Personal accident.
 - D. Travel.
20. A standard products liability insurance policy provides cover in respect of claims for
- A. bodily injury or property damage arising out of a product sold, manufactured, supplied or distributed by the insured.
 - B. bodily injury or property damage arising out of the use of a product by an employee in the course of his employment.
 - C. the cost to redevelop a product whose defective design makes it unsuitable for the purpose for which it was designed.
 - D. the cost of repairing, renovating, replacing or recalling an unsuitable or defective product.
21. The two **main** exclusions in a typical health insurance policy are in respect of
- A. acute conditions and pre-existing conditions.
 - B. chronic conditions and pre-existing conditions.
 - C. chronic conditions and specialist fees.
 - D. pre-existing conditions and specialist fees.
22. A third party only motor policy **usually** provides cover for when the vehicle is being driven in which geographical locations?
- A. England only.
 - B. United Kingdom only.
 - C. United Kingdom, the Republic of Ireland and the Channel Islands only.
 - D. All countries which are members of the EU and authorised signatories.
23. Ahmed has a dispute with his employer over his contract of employment and wants to take legal action as a result. Which type of insurance policy might have an extension that would cover him for his costs?
- A. An employers' liability insurance policy.
 - B. A household insurance policy.
 - C. A professional indemnity insurance policy.
 - D. A public liability insurance policy.

24. Jeremy has comprehensive motor insurance. Whilst driving his car with a small trailer attached, he is involved in a collision on the motorway. What cover would apply to the trailer?
- A. Comprehensive cover.
 - B. Road Traffic Act only cover.
 - C. Third party only cover.
 - D. Third party, fire and theft cover.
25. Which type of insurance policy would **normally** provide a medical emergency service?
- A. An employer's liability insurance policy.
 - B. A medical malpractice insurance policy.
 - C. A property insurance policy.
 - D. A travel insurance policy.
26. For contracts entered into on or after 1 August 2017, the Insurance Conduct of Business sourcebook (ICOBS) states that, rejection of a consumer policyholder's claim for breach of a condition is unreasonable unless the
- A. circumstances of the claim are connected to the breach.
 - B. claim is in respect of third party liability.
 - C. policy has been in force for less than 14 days.
 - D. sum insured is less than the value of the claim submitted.
27. Michael submits insurance claims for household contents, motor and personal injury and the insurer is suspicious. Which of these claims can the insurer usefully check with the Claims and Underwriting Exchange?
- A. Only the household contents and personal injury claims.
 - B. Only the motor claim.
 - C. Only the personal injury claim.
 - D. All of the claims.
28. The **main** reason an insurer needs to maintain adequate reserves is to
- A. calculate future premiums.
 - B. earn more interest on the reserves.
 - C. meet current and future claims.
 - D. minimise reinsurance premiums.
29. What do insurers **usually** do at the underwriting stage to discourage policyholders from making a fraudulent claim?
- A. By arranging a face-to-face interview with the insured.
 - B. By incorporating an arbitration clause into the insurance policy.
 - C. By including a formal declaration of truth on the claim form.
 - D. By undertaking a check with the police computer system.

30. Where a claim settlement involving a third party is subject to an excess, who will **normally** be liable for the excess under the terms of the policy?
- A. The insured only.
 - B. The insurer only.
 - C. The third party only.
 - D. Both the insured and the third party, in proportion to liability.
31. An insurer decides to set service standards for its property claims department. One of the service standards is that any written enquiry or claim form will be responded to within three working days. What is the aim of this type of service standard?
- A. To increase customer satisfaction.
 - B. To decrease operating costs.
 - C. To increase staff turnover.
 - D. To decrease leakage.
32. If fraudulent claims are **NOT** detected, what will be the **ultimate** consequence for the insurer?
- A. A decrease in claims costs.
 - B. A decrease in claims notifications.
 - C. A decrease in profits.
 - D. An increase in profits.
33. In order to discourage fraud, what evidence of ownership will the insurer **normally** require when dealing with a theft claim?
- A. A catalogue picture of a similar item.
 - B. The original purchase receipt.
 - C. A police loss report.
 - D. A replacement receipt.
34. A company, which has a turnover of £7,000,000 per annum, has been in dispute with its insurer for four months regarding a claim for stock valued at £45,000. The dispute **CANNOT** be referred to the Financial Ombudsman Service because
- A. referral is not an option for any commercial policyholders.
 - B. the minimum disputed sum for a commercial policyholder is £50,000.
 - C. the policyholder is a business with annual turnover in excess of £6,500,000 per annum.
 - D. the dispute is more than three months old.
35. Sharon and her insurer **CANNOT** agree the cause of some damage to her computer system. Both are willing to be bound by the decision of an independent expert. This agreement is a form of
- A. alternative dispute resolution.
 - B. contribution.
 - C. litigation.
 - D. subrogation.

36. In terms of insurance who or what would a third party be deemed to be?
- A. Anyone not party to the contract of insurance.
 - B. All parties to the insurance contract.
 - C. The insured.
 - D. The insurer.
37. An underwriter wishes to renew a policy, but would like to see a report showing full details of all losses that have been paid or reserved. Which department would be responsible for producing this information?
- A. Accounts.
 - B. Actuarial.
 - C. Claims.
 - D. Risk surveying.
38. Consumer outcome six of the Financial Conduct Authority's guidance on the fair treatment of customers requires that insurers
- A. always pay claims submitted by customers unless there is evidence of fraud.
 - B. do not put up unreasonable post-sale barriers when a customer submits a claim.
 - C. give customers the right to appeal any offer of settlement which the customer feels is too low.
 - D. pay all valid claims within three months of supporting documentation being submitted by the insured.
39. Under the personal injury pre-action protocol, within what **maximum** timescale **must** an insurer give a decision on liability following acknowledgement of a letter regarding a claim?
- A. One month.
 - B. Two months.
 - C. Three months.
 - D. Four months.
40. Andrew has damaged his carpet. He has **never** made a claim under his household insurance policy, which is insured on a direct basis, and does **NOT** know what to do. Who should he contact for advice on submitting the claim?
- A. An authorised repairer.
 - B. A loss adjuster.
 - C. His insurer's helpline.
 - D. His insurer's uninsured loss recovery service.
41. An employee wants to bring a claim against her employer for damages arising out of injuries sustained in the course of her employment. What **must** she prove in order to be successful?
- A. That the injury occurred on the employer's premises.
 - B. That the employer has been negligent and the negligence was the cause of her injuries.
 - C. That she had been working for the insured full time at the time of the accident.
 - D. That she has lost at least two week's wages as a result of her incapacity.

42. What is the **maximum** timescale **normally** noted in a shop policy for notification to an insurer of damage as a result of a riot?
- A. 7 days.
 - B. 14 days.
 - C. 21 days.
 - D. 30 days.
43. Which insurance-related service is **most likely** to assist a policyholder in pursuing a third party for damages?
- A. An authorised repairer.
 - B. A disaster recovery company.
 - C. A legal costs service.
 - D. A loss adjuster.
44. As part of the standard claims-handling procedure following the submission of a claim, Malcolm is required to provide proof that he is **NOT** working, as well as evidence of his payment liabilities. Under what type of insurance policy is he claiming?
- A. A business interruption insurance policy.
 - B. A creditor insurance policy.
 - C. A personal accident insurance policy.
 - D. A professional indemnity insurance policy.
45. What is the **major** benefit to a policyholder of an insurer providing a helpline facility?
- A. It eliminates the need for estimates.
 - B. It is free.
 - C. It offers immediate advice or action.
 - D. Premiums will be lower.
46. Meera is involved in a motor accident that is **NOT** her fault. As a result, she suffers a serious spinal injury leaving her with permanent disabilities and unable to return to her job as a surgeon. When she brings proceedings against the negligent driver her claim will **most likely** be allocated to the
- A. claims portal.
 - B. fast claims track.
 - C. multi-claims track.
 - D. small claims track.
47. Roger has an accident in his vehicle which was caused by a third party's negligence. Roger's insurer pays his claim less the excess and he now needs to recover this from the third party. Which insurance-related service is available to assist him?
- A. An authorised repairer.
 - B. A loss assessor.
 - C. A risk manager.
 - D. An uninsured loss recovery service.

48. A claims handler receives telephone notification of a major fire loss from a policyholder which may include a business interruption loss. What action should the claims handler **initially** take?
- A. Advise the policyholder to instruct a loss assessor to present his claim.
 - B. Instruct a loss adjuster to contact the policyholder as soon as possible.
 - C. Request a completed report form from the policyholder with repair estimates.
 - D. Instruct the insurer's accountants to check the financial status of the policyholder.
49. When a claim is submitted in connection with the fatal accident cover provided under a personal accident insurance policy, what **key** piece of documentation **must** be provided in addition to the claim form and the policy document?
- A. The insured's birth certificate.
 - B. The police report.
 - C. The insured's death certificate.
 - D. The autopsy report.
50. An insurer is considering instructing an expert to visit a policyholder's premises. It requires the expert to advise the policyholder on ways of reducing accidents and losses and to minimise the effect should they occur. Whom should they instruct?
- A. A loss adjuster.
 - B. A loss assessor.
 - C. A risk surveyor.
 - D. An underwriter.
51. Which facility, **normally** provided by an insurer, allows an existing policyholder to obtain assistance 24 hours a day?
- A. An authorised repairer.
 - B. A risk control surveyor.
 - C. A telephone helpline.
 - D. An uninsured loss recovery service.
52. An insurer's claims system will be used **most frequently** for which key objective?
- A. To facilitate the processing and recording of claims.
 - B. To provide backup to the insurer's underwriting department.
 - C. To satisfy the insurer's auditors that an effective system is in place.
 - D. To satisfy the Financial Conduct Authority that an effective system is in place.
53. When an insurance policy is due for renewal, the insurer's claims department will need to provide a claims experience to the
- A. accounts department.
 - B. actuary.
 - C. risk manager.
 - D. underwriter.

54. A third party claimant issues legal proceedings against John. Who would John's insurer be **most likely** to instruct to accept service of the proceedings?
- A. A barrister.
 - B. A loss adjuster.
 - C. A loss assessor.
 - D. A solicitor.
55. What is the **main** reason that an insurer would appoint a disaster recovery company following a major fire at a premises for which the insurer provides both the property and business interruption insurance?
- A. To liaise with the insurer's claims handler.
 - B. To minimise the business interruption claim.
 - C. To prevent further damage to the property.
 - D. To safeguard the public.
56. An insurer has a portfolio of business involving the handling of high frequency, low severity property claims, however, there are insufficient staff to deal with the claims in-house. Which type of company is **most likely** to be able to provide assistance to the insurer?
- A. A disaster recovery company.
 - B. A firm of solicitors.
 - C. A loss assessor company.
 - D. An outsourcing company.
57. When there is a dispute as to whether or not an insurance policy was intended to cover a loss following a particular event, the claims handler involved will **normally** seek the opinion of the
- A. Financial Ombudsman Service.
 - B. insured.
 - C. insured's broker.
 - D. underwriter.
58. In order for a household insurer to claim a contribution from a travel insurer under the ABI Personal Effects Contribution Agreement, the amount paid out by the householder insurer **must** exceed what **minimum** amount?
- A. £100
 - B. £200
 - C. £300
 - D. £400

59. Joseph is injured in a hit and run incident and neither the driver nor the vehicle have been traced. Which body will deal with Joseph's claim for compensation?
- A. The Association of British Insurers.
 - B. The Financial Ombudsman Service.
 - C. MIAFTR².
 - D. The Motor Insurers' Bureau.
60. Household and property insurers can have a right of recovery against the local Police Authority following a loss resulting from which peril?
- A. Arson.
 - B. Malicious damage.
 - C. Riot.
 - D. Vandalism.
61. An oil painting insured on an indemnity basis for £25,000 is damaged beyond repair and the insurer agrees to settle the claim as a total loss. The policyholder wishes to retain the frame for sentimental reasons and the loss adjuster values the painting at £20,000 for the canvas, plus £1,500 for the frame. What sum will the policyholder receive?
- A. £18,500
 - B. £20,000
 - C. £21,500
 - D. £23,500
62. When reporting outstanding claim liabilities on their end of year accounts, an insurer of commercial property business will include incurred but not reported (IBNR) figures and
- A. the average of the previous year's accounts.
 - B. the estimated value of each individual claim.
 - C. the expected loss ratio to earned premiums.
 - D. a statistical analysis carried out by an actuary.
63. Under a commercial fire insurance policy, a policyholder suffers fire damage and makes a claim to his insurer for the sum of £20,000, although the sum insured was £10,000 when the loss occurred. How would the insurer react to the claim?
- A. The claim would be invalid and the policy would be cancelled.
 - B. The claim would be invalid, but the policy would remain in force.
 - C. The claim would be paid in full, but an additional premium would be required.
 - D. The claim would only be partially met.
64. Which parties, if any, can challenge an arbitration decision relating to a determination of fact?
- A. both the insurer and the insured.
 - B. the insured only.
 - C. the insurer only.
 - D. neither the insured nor the insurer.

65. An insurance policy schedule indicates that claims below a set amount will **NOT** be paid, but claims above this amount will be met in full. This is known as the policy
- A. excess.
 - B. franchise.
 - C. indemnity.
 - D. value.
66. What is the **most common** method of settlement for the non-excess element of a motor repair bill?
- A. The insured pays the repairer and is reimbursed by the insurer.
 - B. The insured pays an independent third party and is reimbursed by the insurer.
 - C. The insurer settles the bill directly with the repairer.
 - D. The insurer settles the bill via an industry-wide repair fund.
67. Which type of clause in the policy conditions would permit a property insurance settlement to be less than the original claim due to underinsurance?
- A. Average.
 - B. Contribution.
 - C. Salvage.
 - D. Subrogation.
68. In relation to claims, incurred but not reported (IBNR) refers to
- A. disputed losses which can be referred to a third party to determine settlement.
 - B. identifying losses which can be shared with another insurer.
 - C. losses that have been found to be not recoverable under a particular insurance policy.
 - D. losses that have occurred, but have not been notified to the insurer.
69. Who has overall responsibility for controlling the day-to-day costs of loss adjusters and motor engineers for an insurer?
- A. The actuary.
 - B. The claims manager.
 - C. The financial director.
 - D. The underwriting manager.
70. A valid property damage claim is submitted with replacement costs estimated by the insured of £2,500,000. The loss adjuster reports that repairs can be effected for £2,000,000. The loss adjuster's fee is £100,000. What amount would **most likely** be entered as a reserve, ignoring any deductible?
- A. £100,000
 - B. £2,000,000
 - C. £2,100,000
 - D. £2,500,000

71. What is the **main** role of an insurer's claims manager?
- A. To ensure that procedures are in place to reserve accurately, make payment and minimise leakage.
 - B. To forecast incurred but not reported (IBNR) accurately and to audit the corporate accounts.
 - C. To maintain good relations with the insured during the conduct of claims.
 - D. To maximise profitability by influencing policy rates and conditions.
72. In the context of managing the claims process, what is leakage?
- A. Overspend which can be avoided.
 - B. Reduced profits due to higher than expected claim volumes.
 - C. Reserve reduction made in order to meet claims.
 - D. Unavoidable expenses not directly associated with the claims payment.
73. What is the difference between soft leakage and hard leakage?
- A. Soft leakage is easier to identify.
 - B. Soft leakage is a smaller amount.
 - C. Hard leakage is easier to identify.
 - D. Hard leakage is a smaller amount.
74. Which body can influence a motor insurer's net profitability by requiring an adjustment to the level of claims reserves?
- A. The Association of British Insurers.
 - B. HM Revenue & Customs.
 - C. The Motor Insurers' Bureau.
 - D. The Prudential Regulation Authority.
75. In calculating claims reserves, a motor insurer will make the **most** allowance for incurred but not reported (IBNR) claims under the heading of
- A. own vehicle damage.
 - B. first party personal injury.
 - C. third party personal injury.
 - D. third party property damage.

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			Learning Outcome 3			Learning Outcome 6		
1	D	1.2	26	A	3.8	58	B	6.8
2	A	1.4	27	D	3.6	59	D	6.9
3	D	1.2	28	C	3.5	60	C	6.5
4	B	1.5	29	C	3.6	61	B	6.6
5	B	1.5	30	A	3.4	62	B	6.3
6	B	1.1	31	A	3.2	63	D	6.4
7	A	1.4	32	C	3.7	64	D	6.10
8	B	1.5	33	B	3.6	65	B	6.2
9	B	1.6	34	C	3.11	66	C	6.1
10	C	1.2	35	A	3.10	67	A	6.7
11	A	1.1	36	A	3.3	10 Questions		
12	A	1.2	37	C	3.1			
13	A	1.3	38	B	3.9	Learning Outcome 7		
13 Questions			13 Questions			68	D	7.4
						69	B	7.1
Learning Outcome 2			Learning Outcome 4			70	C	7.4
14	D	2.1	39	C	4.2	71	A	7.1
15	A	2.1	40	C	4.3	72	A	7.2
16	B	2.1	41	B	4.2	73	C	7.2
17	D	2.1	42	A	4.2	74	D	7.3
18	B	2.2	43	C	4.3	75	C	7.4
19	A	2.1	44	B	4.1	8 Questions		
20	A	2.1	45	C	4.3			
21	B	2.2	46	C	4.2			
22	D	2.1	47	D	4.3			
23	B	2.1	48	B	4.2			
24	C	2.1	49	C	4.1			
25	D	2.1	50	C	4.3			
12 Questions			51	C	4.3			
			13 Questions					
			Learning Outcome 5					
			52	A	5.1			
			53	D	5.2			
			54	D	5.3			
			55	B	5.3			
			56	D	5.3			
			57	D	5.2			
			6 Questions					