



Chartered
Insurance
Institute

FIT

Award for the Foundation Insurance Test

Guide to the Foundation Insurance Test

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

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Guide to the Foundation Insurance Test

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

Introduction

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

Ideally, students should have completed the majority of their studies before attempting the specimen test. Students should allow themselves two hours to complete the test. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time.

Although the specimen test in this guide is typical of a Foundation Insurance Test, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular test. To prepare properly for the test, 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 Foundation Insurance Test reading list, which is located on the syllabus in this guide and on the CII website at www.cii.co.uk.

Background Information

Questions included in the Foundation Insurance Test undergo a rigorous writing and editing process before reaching a test. 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 test 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-foundation-insurance-test-fit/
- 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 syllabus for the Foundation Insurance Test is published on the CII website at www.cii.co.uk. **Candidates should note that the test 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 test, but the CII recommends that students consult other reference materials to supplement their studies.

Skill Specification

The skill level tested in each test 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 the Foundation Insurance Test begin with *understand*.

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.

Test Information

The method of assessment for the Foundation Insurance Test is 100 multiple choice questions (MCQs). 2 hours are allowed for this test.

The Foundation Insurance Test syllabus provided in this test guide will be examined from 1 January 2020 to 31 December 2020.

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

The general rule is that legislative and industry changes will not be tested 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 or best response to the problem posed.

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

While no questions involve complex calculations, candidates are permitted to use calculators during the test. 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 test from the examination room.

Test Technique: Multiple Choice Questions

The best approach to multiple choice tests 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 Test

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 test performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the test that were answered correctly.

Foundation Insurance Test

Objective

To provide knowledge and understanding of basic insurance products, principles and practice, within the legal and regulatory framework of the insurance industry.

Summary of learning outcomes	Number of questions in the examination*
1. Understand how the insurance market operates	8
2. Understand risk and insurance in the context of the insurance market	7
3. Understand insurance legal principles	17
4. Understand insurance underwriting procedures and their legal significance	10
5. Understand policy wordings and procedures	8
6. Understand insurance procedures for claims	10
7. Understand the conduct of insurance business and wider legal and regulatory requirements	15
8. Understand personal insurance	18
9. Understand commercial insurance	7

*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 further details of assessment content, along with the latest information on changes to law and practice and when they will be examined:
 1. Visit www.cii.co.uk/learning/qualifications/award-for-the-foundation-insurance-test-qualification/
 2. Select qualification update on the right hand side of the page.

- 1. Understand how the insurance market operates**
 - 1.1 Describe the main features and roles within the insurance market
 - 1.2 Describe the types of intermediaries in the insurance market
 - 1.3 Describe the main functions and responsibilities of underwriters
 - 1.4 Describe the main functions and responsibilities of claims staff
 - 1.5 Describe the main functions and responsibilities of delegated authority arrangements
 - 1.6 Describe the additional services available to policyholders
- 2. Understand risk and insurance in the context of the insurance market**
 - 2.1 Describe what is meant by risk in relation to insurance
 - 2.2 Describe the categories and components of risk
 - 2.3 Describe how insurance operates as a risk transfer mechanism
- 3. Understand insurance legal principles**
 - 3.1 Describe the essentials of a legal contract of insurance
 - 3.2 Describe the methods of creating an agency
 - 3.3 Describe the principle of insurable interest
 - 3.4 Describe the concepts of good faith and the duty of fair presentation
 - 3.5 Describe the principle of indemnity and how it is modified
 - 3.6 Explain the application of clauses incorporated within insurance policies
- 4. Understand insurance underwriting procedures and their legal significance**
 - 4.1 Describe the methods used to obtain information on material circumstances
 - 4.2 Explain moral and physical hazard in relation to underwriting
 - 4.3 Describe the formation of an insurance policy
 - 4.4 Explain the relevance of premium payment methods
 - 4.5 Describe the application of Insurance Premium Tax
- 5. Understand policy wordings and procedures**
 - 5.1 Describe the components of a policy
 - 5.2 Explain the use of typical policy conditions and exclusions and their application
 - 5.3 Describe the procedures and requirements relating to renewals
- 6. Understand insurance procedures for claims**
 - 6.1 Describe the requirements for a claim to be valid
 - 6.2 Explain why a claim may be partially met or invalid
 - 6.3 Describe the insured's duties after a loss
 - 6.4 Describe the methods of claims settlement
 - 6.5 Explain the detection and impact of fraudulent claims
- 7. Understand the conduct of insurance business and wider legal and regulatory requirements**
 - 7.1 Describe the main purpose of the financial services regulators, government bodies and other organisations
 - 7.2 Describe the requirements of the Financial Conduct Authority handbook
 - 7.3 Describe the main provisions of the General Insurance compensation arrangements under the Financial Services Compensation Scheme
 - 7.4 Describe the provisions of data protection legislation
 - 7.5 Describe the main regulatory requirements for financial services industry personnel
 - 7.6 Explain the need for effective complaints-handling procedures and dispute resolution
- 8. Understand personal insurance**
 - 8.1 Describe the basic features and outline of personal lines insurance policy cover
 - 8.2 Describe the types of insurance that are compulsory in the UK
- 9. Understand commercial insurance**
 - 9.1 Describe the basic features and outline of commercial insurance policy cover
 - 9.2 Describe the types of insurance that are compulsory in the UK

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

Foundation Insurance Test. London: CII. Study text FIT.

Books (and ebooks)

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

A practitioner's guide to the regulation of insurance. 4th ed. John Young (ed). London: Sweet and Maxwell, 2011.

Factfiles and other online resources

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

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

- The regulatory framework. Simon Collins.

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.

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

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 (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. A 24-hour helpline set up to assist policyholders would **normally** be found under what type of insurance business?
 - A. Money.
 - B. Professional indemnity.
 - C. Public liability.
 - D. Travel.

2. Who would **normally** calculate an insured's contribution to the common pool so that it reflects the risk?
 - A. A broker.
 - B. A loss assessor.
 - C. A risk manager.
 - D. An underwriter.

3. What is the **main** role of an intermediary operating in the insurance market?
 - A. To ensure that buyers and sellers of insurance enter into discussion on matters of mutual interest.
 - B. To facilitate the transacting of insurance business between buyers and sellers.
 - C. To prevent buyers of insurance products from contacting insurers direct.
 - D. To regulate the activities of insurers in their dealings with proposers.

4. Which type of insurance policies, if any, are **best** suited for sale through an insurer's website?
 - A. Complex commercial insurance policies.
 - B. Complex liability insurance policies.
 - C. Large motor fleet insurance policies.
 - D. Straightforward personal insurance policies.

5. Most of the financial backing for Lloyd's syndicates is provided by
 - A. corporate members of Lloyd's.
 - B. the Corporation of Lloyd's.
 - C. Lloyd's brokers.
 - D. Lloyd's managing agents.

6. A direct insurer **usually** sells insurance by dealing directly with
 - A. banks and building societies.
 - B. independent intermediaries.
 - C. Lloyd's brokers.
 - D. members of the public.

7. If a company is intending to purchase an insurance policy, why might it use an intermediary?
- A. To acquire protection against the insolvency of the insurer.
 - B. To avoid paying the insurer's fee for dealing directly with the insurer.
 - C. To ensure that the premium can be paid in instalments.
 - D. To obtain advice on the type of policy that best suits its needs.
8. A person appointed by an insurer to liaise with an insured in the process of settling a claim is known as a
- A. loss adjuster.
 - B. loss assessor.
 - C. risk manager.
 - D. surveyor.
9. How does the provision of insurance help the cash flow of a business?
- A. It lessens the need for the business to keep cash reserves.
 - B. It prevents losses occurring which could interrupt the operation of the business.
 - C. It provides for the payment of cash if the business makes a trading loss.
 - D. It underwrites the debts owed by the business.
10. An insurance company delegates its pricing of a new insurance product to an intermediary, regulatory responsibility rests with the
- A. Association of British Insurers.
 - B. insurance company.
 - C. intermediary.
 - D. Prudential Regulation Authority.
11. In relation to insurance, risk can be described as the
- A. evaluation of the effect of a loss on the insured.
 - B. event that causes a loss to occur.
 - C. measure of financial loss caused by an event.
 - D. uncertainty as to the occurrence of a loss.
12. In the general insurance market, which type of risk is always **uninsurable**?
- A. A financial risk.
 - B. A non-financial risk.
 - C. A particular risk.
 - D. A pure risk.

13. In terms of frequency and severity, the risk of an oil rig explosion is classed as
- A. high frequency and high severity.
 - B. high frequency and low severity.
 - C. low frequency and high severity.
 - D. low frequency and low severity.
14. By insuring against financial loss, the risk associated with that loss is
- A. decreased.
 - B. deferred.
 - C. eliminated.
 - D. transferred.
15. The basic principle of insurance is that the losses of the few are met by the contributions of the many. This is known as
- A. investing.
 - B. pooling.
 - C. reserving.
 - D. underwriting.
16. Whilst on holiday, Bernie loses a camera which is covered under his travel insurance policy. He then realises that the camera is also covered under the personal possessions section of his household contents insurance policy. This is an example of
- A. coinsurance.
 - B. dual insurance.
 - C. reinsurance.
 - D. underinsurance.
17. When an insurer is able to recover a proportion of a claim payment from another insurer covering the same risk, the principle involved is known as
- A. contribution.
 - B. indemnity.
 - C. subrogation.
 - D. fair presentation.
18. What is the insured's consideration in an insurance contract?
- A. All circumstances have been disclosed.
 - B. Any warranties imposed will be complied with.
 - C. Only valid claims will be made.
 - D. The premium charged will be paid.

19. At what point does an insurer become the broker's principal?
- A. When the broker advises the client on making a claim.
 - B. When the broker collects the premium from the client.
 - C. When the broker discusses renewal terms with the client.
 - D. When the broker recommends the insurance policy to the client.
20. Insurable interest is an essential requirement of an insurance contract because it
- A. enables the insurer to add compensation payments to the claim.
 - B. enables the insurer to reinsure more than one risk.
 - C. ensures that the proposer has a legal right to insure.
 - D. prevents more than one person benefiting from the policy.
21. For a claim to be valid under a household insurance policy, when **must** insurable interest exist?
- A. At inception only.
 - B. At the time of the loss only.
 - C. Both at inception and at the time of the loss.
 - D. Either at inception or at the time of the loss.
22. Which insurance principle requires a proposer to disclose all material circumstances when specific questions are asked on a proposal form?
- A. Contribution.
 - B. Insurable interest.
 - C. Subrogation.
 - D. Good faith.
23. In relation to an insurance contract, a material circumstance is one which is **likely** to influence the
- A. assessment of a proposed risk.
 - B. contractual capacity of the proposer.
 - C. proximate cause of an insured loss.
 - D. subrogation rights of the insurer.
24. Who, if anyone, has a duty of fair presentation when an insurance policy is renewed?
- A. Both the insurer and the policyholder.
 - B. The insurer only.
 - C. The policyholder only.
 - D. Neither the insurer nor the policyholder.
25. In what circumstances can an insurer refuse to pay a claim and cancel the insurance policy from inception?
- A. If the claim results from a loss caused by a peril not covered under the policy.
 - B. If the claim amount is less than the excess.
 - C. If the insurer discovers that the insured deliberately failed to disclose material information.
 - D. If the insurer discovers that the insured is unknowingly substantially underinsured.

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26. Which principle seeks to place the insured in the same financial position after an insured loss as existed immediately before it?
- A. Contribution.
 - B. Indemnity.
 - C. Subrogation.
 - D. Good faith.
27. What is the **main** factor which distinguishes a first loss insurance policy from other policies?
- A. Any no claims discount is lost once the insurer makes a payment in respect of a second claim.
 - B. The insurer makes a payment in respect of a claim once an agreed figure is exceeded.
 - C. The insurer makes a payment in respect of a claim once the insured has borne an agreed amount.
 - D. The sum insured is an amount agreed at inception which is less than the full value of the subject matter.
28. In relation to a contract of insurance, a premium is the amount paid to an insurer **primarily** for
- A. cover for a higher than average risk.
 - B. an enhanced level of service.
 - C. extensions to standard cover to be provided.
 - D. insurance cover to be provided.
29. An insurer enters into a commission agreement with an intermediary which states the level of commission payable on insurance placed with the insurer. This agreement is agency by
- A. consent.
 - B. delegated authority.
 - C. necessity.
 - D. ratification.
30. An insurer pays a claim for fire damage which has been negligently caused by a contractor. Under which principle may the insurer attempt to recover its outlay from the contractor?
- A. Average.
 - B. Contribution.
 - C. Salvage.
 - D. Subrogation.
31. To have an insurable interest in an object the insured **must**
- A. have paid for the object in full.
 - B. have paid the premium in full.
 - C. have placed the insurance cover through a broker.
 - D. suffer financially if the object is lost or damaged.

32. A proposer accepts an insurer's terms and quotation at renewal, he agrees to pay the premium, but before he is able to do so he suffers a loss two days after the renewal date and makes a claim. What is the status of the insurance contract?
- A. Invalid.
 - B. Valid.
 - C. Void.
 - D. Voidable.
33. Under which basis of insurance does the standard condition of average apply?
- A. Coinsurance.
 - B. Dual insurance.
 - C. Reinsurance.
 - D. Underinsurance.
34. In motor insurance an example of a moral hazard is the
- A. age of the driver.
 - B. criminal history of the driver.
 - C. type of the vehicle.
 - D. use of the vehicle.
35. The **main** function of a proposal form is to
- A. collect information for cross-selling.
 - B. comply with the requirements of the Association of British Insurers.
 - C. form a legally binding contract.
 - D. obtain information about the risk to be insured.
36. An insurer would **NOT** be bound by an insurance quotation it had issued if
- A. a lower quotation became available elsewhere.
 - B. a mistake was made in preparing the quotation.
 - C. the premium rates increased after the quotation had been issued.
 - D. there was a change to the circumstances on which the quotation had been based.
37. When Suzanne signs the declaration on her insurance proposal form, she is declaring that
- A. she has read and understood the insurance policy document.
 - B. she requires no further advice from the insurer.
 - C. the information supplied is correct to the best of her knowledge.
 - D. the insurance contract has come into effect and she is on risk.

38. How is the likelihood of a loss occurring **usually** affected by the existence of a good physical hazard?
- A. It remains constant only.
 - B. It may remain constant or increase.
 - C. It may remain constant or decrease.
 - D. It may increase or decrease.
39. Craig buys a car and asks an intermediary to arrange insurance. The policy document will **NOT** be available for two weeks so the intermediary issues a cover note. From when does the policy become effective?
- A. When Craig accepts the quotation.
 - B. From the time and date shown on the cover note issued by the intermediary.
 - C. When the cover note is received by Craig.
 - D. When Craig receives the policy document.
40. What amount of Insurance Premium Tax will be added to a UK household contents insurance policy with a premium of £100?
- A. £3
 - B. £6
 - C. £12
 - D. £20
41. What is the **main** reason why a policyholder may arrange a direct facility with his insurer?
- A. To pay fees charged by the insurer for arranging mid-term policy amendments.
 - B. To pay the insurance premium in full at the policy inception date.
 - C. To pay the insurance premium in instalments.
 - D. To permit payments of claims.
42. What does an insurer **normally** include in an insurance policy to prevent paying for losses caused by war?
- A. A condition.
 - B. An exclusion.
 - C. A franchise.
 - D. A warranty.
43. Lucy wishes to cancel her household insurance policy within the right to cancel period. What proportion of the premium, if any, will be refunded by her insurer if no claims have been made?
- A. Nil.
 - B. 50%
 - C. 75%
 - D. 100%

44. An undertaking by the insured which is stated in the insurance policy as something that will or will **NOT** be done is known as a
- A. condition.
 - B. material circumstances.
 - C. representation.
 - D. warranty.
45. In which section of an insurance policy is the premium **usually** shown?
- A. The conditions.
 - B. The operative clause.
 - C. The recital clause.
 - D. The schedule.
46. What is the **main** reason that a market exclusion is included in an insurance policy?
- A. To enable the insurer to offer additional cover for an additional premium.
 - B. To restrict the insured's activities whilst remaining insured under the policy.
 - C. To withdraw cover for a risk which is commonly agreed cannot be insured.
 - D. To withdraw cover for a risk which the insurer considers too hazardous for a particular insured.
47. What method is **usually** employed by an insurer to encourage an insured to renew an existing insurance policy?
- A. The excess is increased.
 - B. A renewal notice is issued.
 - C. Special additions to cover are offered.
 - D. Underwriting loadings are waived.
48. Under a cancellation clause, when may an insurer **normally** cancel an insurance policy?
- A. Only at inception of the policy.
 - B. Only at renewal of the policy.
 - C. At any time during the policy period.
 - D. Only after a claim has occurred under the policy.
49. What additional information concerning the premium **must** an insurer provide to a motor policyholder at renewal?
- A. The premium that would be charged excluding commission paid to an agent or broker.
 - B. The premium that would be charged including commission paid to an agent or broker.
 - C. The premium that was charged in the previous year.
 - D. The premium increase which would apply with a reduced excess.

50. The principle proximate cause relates to the
- A. application of contribution.
 - B. disclosure of material circumstances.
 - C. event that leads to an insured loss.
 - D. legal requirements for a simple contract.
51. A business decides to bear the first £250,000 of any loss. After a fire insurance claim of £500,000 the insurer pays the claim in full at £500,000. This amount is referred to as
- A. average.
 - B. contribution.
 - C. a deductible.
 - D. a franchise.
52. A factory is insured against property damage for a sum insured of £250,000. It is later discovered that the factory is worth £350,000. What is this an example of?
- A. Coinsurance.
 - B. Dual insurance.
 - C. Reinsurance.
 - D. Underinsurance.
53. When a claim is settled by reinstatement, who is **ultimately** responsible for ensuring that the work is carried out?
- A. The company responsible for the reinstatement.
 - B. The insured.
 - C. The insurer.
 - D. The loss adjuster.
54. What is the direct consequence of fraudulent claims for **all** policyholders?
- A. Higher premiums.
 - B. Increased excesses.
 - C. Lower claims settlements.
 - D. Reduced cover.
55. Which document is **usually** required from an insured to support a claim under a personal lines insurance policy?
- A. A completed claim form.
 - B. A loss assessor's report.
 - C. The latest renewal receipt.
 - D. The original policy document.

56. A legal requirement for all valid claims is that the
- A. claim must be made in writing.
 - B. loss must be fortuitous to the insured.
 - C. policy must have been issued.
 - D. premium payment must have been made.
57. What is the effect of underinsurance on the settlement of property claims in the majority of instances?
- A. An additional premium is deducted from the settlement.
 - B. A higher than normal excess is applied to the settlement.
 - C. A pro rata reduction is made in settlement.
 - D. No settlement is made whatsoever.
58. What implied duty rests on the insured following a loss?
- A. To act to minimise the extent of the loss.
 - B. To complete a claim form within 10 days.
 - C. To notify any third party that a claim will be made against him.
 - D. To provide at least 2 witnesses to the loss.
59. What method is **usually** employed by an insurer to make it more difficult for the insured to make a fraudulent claim?
- A. The application of the arbitration clause to establish whether or not liability exists.
 - B. The application of a warranty previously written into the insurance policy.
 - C. The requirement for the completion of a detailed claim form.
 - D. The requirement for the insured to return the insurance policy document when making a claim.
60. What is the Claims and Underwriting Exchange?
- A. The building in which claims and underwriting business is transacted.
 - B. The committee in which insurers exchange claims information.
 - C. A database containing personal lines claims data.
 - D. An information system which produces statistics for insurers on overall claims and underwriting.
61. When an insurer uses the replacement method to indemnify an insured for damaged goods, what does the insured receive?
- A. Cash to purchase a replacement for the damaged goods.
 - B. Replacement goods while the damaged goods are being repaired.
 - C. Replacement of the damaged goods.
 - D. Replacement of the damaged components of the goods from the original manufacturer.

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62. In what circumstances could confidential information obtained by an insurer from a policyholder be passed on to a third party?
- A. If it is for credit check purposes.
 - B. If the information has been held for more than two years.
 - C. If the policyholder agrees.
 - D. If the third party makes a valid request.
63. Under current data protection legislation, one of the **most** basic principles is that personal data should be
- A. available to all who have reasonable interest in the information.
 - B. deleted after being held for three years.
 - C. processed fairly and lawfully.
 - D. stored in an encrypted form.
64. The interests of which part of the general insurance market are represented by the ABI?
- A. Brokers.
 - B. Insurers.
 - C. Loss adjusters.
 - D. Loss assessors.
65. The Insurance: Conduct of Business sourcebook (ICOBS) applies to general insurance in terms of the
- A. authorisation procedure only.
 - B. administration procedure only.
 - C. sales procedure only.
 - D. sales and administration procedure.
66. If it is discovered that a policyholder has taken out an insurance policy in an attempt to legitimise money obtained illegally they will likely be prosecuted under the
- A. data protection legislation.
 - B. Financial Services and Markets Act 2000.
 - C. Proceeds of Crime Act 2002.
 - D. Theft Act 1968.
67. When a client's identity has been verified under the current Money Laundering Regulations, for what **minimum** period **must** the records of that verification be kept?
- A. Three years.
 - B. Four years.
 - C. Five years.
 - D. Six years.

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68. When acting to resolve a dispute, what is the **maximum** award that the Financial Ombudsman Service can make that is binding on the insurer?
- A. £50,000
 - B. £200,000
 - C. £350,000
 - D. £500,000
69. A **key** aim of the Financial Conduct Authority is to
- A. help consumers achieve a fair outcome.
 - B. offer a range of qualifications to its members.
 - C. protect the personal data held on individuals by others.
 - D. represent the interests of insurance brokers.
70. What is the **primary** function of the British Insurance Brokers' Association?
- A. To agree standard policy wordings.
 - B. To conduct professional examinations.
 - C. To provide an independent claims settlement service.
 - D. To represent and promote the interests of its members.
71. The general insurance compensation arrangements under the Financial Services Compensation Scheme are intended to protect against
- A. the financial failure of an insurer.
 - B. fraud perpetrated by an insurance broker.
 - C. the repudiation of liability by an insurer.
 - D. unreasonable policy terms and conditions applied by an insurer.
72. One of the **main** purposes of data protection legislation is to protect
- A. computer software developers from software pirates and hackers.
 - B. computer systems manufacturers against misuse of its products by third parties.
 - C. corporate entities which hold data concerning clients on a computerised or manual system.
 - D. individuals on whom data is held on computer and manual systems.
73. Data which can be accessed by anyone requiring access to it is classified as
- A. corporate data.
 - B. personal data.
 - C. private data.
 - D. public data.

74. How might an effective complaints-handling service benefit an insurer?
- A. It allows the insurer to identify and decline customers who may be difficult to insure.
 - B. It avoids the need to make changes when the customer is satisfied with the way in which their complaint has been handled.
 - C. It may provide information that can be used to prevent future complaints occurring.
 - D. It will prevent customers prone to complaining from renewing policies with the insurer.
75. The **principal** function of the Financial Ombudsman Service is to
- A. act as a liaison between the insurance industry and the Government.
 - B. act as a spokesperson for the insurance industry.
 - C. adjudicate in the event of a dispute between an insurer and an insured.
 - D. issue codes of practice with which insurers must comply.
76. An insurer needs to record all gifts given and received in a central log. This is required to identify a
- A. breach of data security.
 - B. potential conflict of interest.
 - C. potential fraud.
 - D. potential money laundering offence.
77. Debbie is taken into a private hospital for four weeks due to an insured illness. Which insurance policy will pay the hospital fees arising from her stay?
- A. A long-term care insurance policy.
 - B. A medical expenses insurance policy.
 - C. A personal accident insurance policy.
 - D. A sickness insurance policy.
78. A legal expenses insurance policy provides cover for the
- A. costs incurred as a result of attending jury service.
 - B. financial consequences of providing negligent advice for a fee.
 - C. fines and penalties imposed on the insured by a UK court.
 - D. solicitor's costs incurred in defending a claim against the insured.
79. Under a standard motor insurance policy providing third party only cover, within which territorial limits does cover operate?
- A. On a road within the UK only.
 - B. Anywhere within the UK only.
 - C. Anywhere within the EU only.
 - D. Anywhere in Europe.

80. The three standard sections of cover under a caravan insurance policy are caravan and equipment, liability and
- A. clothing and personal effects.
 - B. hire and reward.
 - C. storm damage to an awning.
 - D. wear and tear.
81. What is the **minimum** limit of indemnity that **must** be provided under a private motor insurance policy for loss or damage to property belonging to third parties?
- A. £1,200,000
 - B. £2,200,000
 - C. £5,000,000
 - D. £10,000,000
82. Under a buildings insurance policy, cover is **usually** provided for liability incurred by the insured as
- A. occupier of the property.
 - B. owner of the property.
 - C. regular visitor to the property.
 - D. tenant of the property.
83. Under to a personal accident insurance policy, what is the **maximum** number of weeks for which temporary total disablement benefit is **usually** paid?
- A. 4 weeks.
 - B. 26 weeks.
 - C. 52 weeks.
 - D. 104 weeks.
84. Which type of insurance policy provides cover for the mechanical breakdown of domestic appliances?
- A. An all risks insurance policy.
 - B. An engineering insurance policy.
 - C. An extended warranty insurance policy.
 - D. A household contents insurance policy.
85. Under a household buildings insurance policy, what cover is **usually** subject to a **substantial** excess?
- A. Escape of oil.
 - B. Falling trees.
 - C. Impact.
 - D. Subsidence.

86. Under the cancellation section of a travel insurance policy, cover in relation to which event is **normally** subject to an **exclusion**?
- A. Becoming permanently disabled.
 - B. Death of a close relative.
 - C. Jury service.
 - D. Pregnancy.
87. Tom is involved in a motor accident that is **NOT** his fault, and pays a £200 excess. Tom successfully recovers the excess from the other driver by using his
- A. comprehensive motor policy.
 - B. home insurance policy.
 - C. legal expenses policy.
 - D. personal accident policy.
88. What is **usually excluded** under a private medical insurance policy?
- A. Ambulance fees.
 - B. Anaesthetist's fees.
 - C. Conditions which require surgical procedures.
 - D. Conditions treated in the five years prior to policy inception.
89. Under a personal accident and sickness insurance policy, standard cover **normally** provides for payment of
- A. all medical expenses.
 - B. nursing care fees.
 - C. regular income whilst unable to work.
 - D. the cost of outpatient treatment.
90. Under a travel insurance policy, what is the **minimum** amount of time before a customer can make a valid claim under the travel delay section of their policy?
- A. 6 hours.
 - B. 12 hours.
 - C. 18 hours.
 - D. 24 hours.
91. Under a legal expenses insurance policy, cover is **NOT** provided in relation to actions brought under
- A. criminal law.
 - B. employment law.
 - C. private law.
 - D. public law.

92. Under an extended warranty insurance policy, what is the **usual maximum** period of cover?
- A. One year.
 - B. Two years.
 - C. Three years.
 - D. Five years.
93. A company designs and manufactures shoes and employs 100 members of staff. Which type of insurance is compulsory by law?
- A. Employer's liability insurance.
 - B. Products liability insurance.
 - C. Professional indemnity insurance.
 - D. Public liability insurance.
94. Under the Employers' Liability (Compulsory Insurance) Regulations 1998, what is the required **minimum** level of employers cover, if any?
- A. £2,000,000
 - B. £5,000,000
 - C. £10,000,000
 - D. There is no minimum level.
95. Under a commercial vehicle insurance policy, what is the **minimum** number of seats that a vehicle **must** have to be defined as a coach?
- A. 8 seats.
 - B. 9 seats.
 - C. 12 seats.
 - D. 14 seats.
96. A customer trips and injures himself in Anthony's shop. Which type of insurance policy would provide Anthony with cover for the customer's injuries?
- A. An employers' liability insurance policy.
 - B. A personal accident insurance policy.
 - C. A professional indemnity insurance policy.
 - D. A public liability insurance policy.
97. An accountant gives negligent advice to a client who subsequently loses a considerable amount of money. Under which type of insurance policy would the accountant be protected against a claim made by this client for being misadvised?
- A. A consequential loss insurance policy.
 - B. A money insurance policy.
 - C. A professional indemnity insurance policy.
 - D. A public liability insurance policy.

98. Following an insured loss, which insurance policy **specifically** covers the insured's loss of profits?
- A. A business interruption insurance policy.
 - B. A legal expenses insurance policy.
 - C. A money insurance policy.
 - D. A professional indemnity insurance policy.
99. Under a money insurance policy, what is **NOT usually** defined as money?
- A. Luncheon vouchers.
 - B. National Insurance stamps.
 - C. Postage stamps.
 - D. Supermarket discount vouchers.
100. A driver injures a passer-by whilst unloading a commercial vehicle in the street. If the passer-by submits a claim against the driver's employer, the claim will be handled by the employer's
- A. commercial vehicle insurance policy.
 - B. employers' liability insurance policy.
 - C. personal accident insurance policy.
 - D. public liability insurance policy.

Specimen Test Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			Learning Outcome 4			Learning Outcome 7		
1	D	1.6	34	B	4.2	62	C	7.4
2	D	1.3	35	D	4.1	63	C	7.4
3	B	1.2	36	D	4.3	64	B	7.1
4	D	1.1	37	C	4.3	65	D	7.2
5	A	1.1	38	C	4.2	66	C	7.5
6	D	1.1	39	B	4.3	67	C	7.5
7	D	1.2	40	C	4.5	68	C	7.6
8	A	1.4	41	C	4.4	69	A	7.1
9	A	1.1	8 Questions			70	D	7.1
10	B	1.5				71	A	7.3
10 Questions			Learning Outcome 5			72	D	7.4
			42	B	5.2	73	D	7.4
Learning Outcome 2			43	D	5.2	74	C	7.6
11	D	2.1	44	D	5.2	75	C	7.6
12	B	2.2	45	D	5.1	76	B	7.5
13	C	2.2	46	C	5.2	15 Questions		
14	D	2.3	47	B	5.3			
15	B	2.3	48	C	5.2	Learning Outcome 8		
16	B	2.3	49	C	5.3	77	B	8.1
6 Questions			8 Questions			78	D	8.1
						79	C	8.2
Learning Outcome 3			Learning Outcome 6			80	A	8.1
17	A	3.6	50	C	6.1	81	A	8.2
18	D	3.1	51	D	6.2	82	B	8.1
19	B	3.2	52	D	6.2	83	D	8.1
20	C	3.3	53	C	6.4	84	C	8.1
21	C	3.3	54	A	6.5	85	D	8.1
22	D	3.4	55	A	6.3	86	D	8.1
23	A	3.4	56	B	6.1	87	C	8.1
24	A	3.4	57	C	6.2	88	D	8.1
25	C	3.4	58	A	6.3	89	C	8.1
26	B	3.5	59	C	6.5	90	B	8.1
27	D	3.5	60	C	6.5	91	A	8.1
28	D	3.1	61	C	6.4	92	D	8.1
29	A	3.2	12 Questions			16 Questions		
30	D	3.6						
31	D	3.3				Learning Outcome 9		
32	B	3.1				93	A	9.2
33	D	3.6				94	B	9.2
17 Questions						95	B	9.1
						96	D	9.2
						97	C	9.2
			98	A	9.1			
			99	D	9.1			
			100	A	9.1			
			8 Questions					