

THE CHARTERED INSURANCE INSTITUTE

P85

Diploma in Insurance

Unit P85 – Claims practice

October 2013 examination

Instructions

- Two hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper **must both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit P85 – Claims practice

Instructions to candidates

Read the instructions below before answering any questions

- **Two hours** are allowed for this paper, which contains 15 short answer questions and carries a total of 130 marks.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show each step in any calculation, even if you have used a calculator.
- 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.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

Answer ALL questions

Note form is acceptable where this conveys all the necessary information

1. List **six** possible indicators of fraud in a first party personal lines claim. (6)

2. Jack Jones, a father of two, is involved in a serious accident on his way to work and dies of his injuries several days later.

Identify and explain briefly the claims that could be brought against the party at fault:
 - (a) under the Law Reform (Miscellaneous Provisions) Act 1934; (4)
 - (b) under the Fatal Accidents Act 1976. (4)

3.
 - (a) Identify the statute under which the Financial Services Authority was replaced in April 2013 and the **two** regulatory bodies which replaced it. (4)
 - (b) State **two** outcomes under the Treating Customers Fairly initiative which relate to claims handling. (4)

4. FGH plc, a large organisation, has made a claim to their insurer, which has been rejected for breach of policy conditions. The complaints procedure has been exhausted and FGH plc wishes to pursue the claim further.
 - (a) Outline the next steps for FGH plc. (6)
 - (b) Explain briefly how your answer might differ if FGH plc were a small limited company. (2)

5. Bob makes a claim on his home contents insurance with XYZ plc for his personal tablet computer, which was stolen from a train whilst he was returning from holiday. The claims adjuster at XYZ plc identifies that Bob also has a travel insurance policy with a different insurer.

State the **five** conditions which need to be fulfilled in order for XYZ plc to seek a contribution from the other insurer explaining the relevance of each to this claim. (10)

6. Jane Smith is making a claim against Bloggs plc after she was injured on their premises. The medical evidence confirms that there is a significant chance that in the future Jane will develop a specific medical condition as a result of this accident. Her lawyers confirm that Jane will be seeking provisional damages.

Explain the concept of provisional damages. (8)

7. You are a claims handler of PQR and have received a series of claims from policyholders whose homes have been flooded by a local river.
Outline **five** key instructions you will provide to the loss adjuster. (10)
8. Describe the key features of the Consumer Insurance (Disclosure and Representations) Act 2012. (10)
9. A restaurant advises their insurer NPV of a serious injury sustained by a customer at their premises. Six months later, NPV advise that their investigations show the restaurant has breached their policy conditions and coverage will be denied. The restaurant's risk manager says he had assumed that the claim is covered, as the claims department have now been dealing with it for six months.
Explain, with reference to case law, the factors that will be relevant in responding to the restaurant. (8)
10. (a) Outline the legal doctrine of *Rylands v Fletcher* (1868). (3)
(b) Identify **five** possible defences to a claim under the *Rylands v Fletcher* (1868) doctrine. (5)
11. Bloggs Ltd run a small clothes shop and are insured with KER Insurance plc. The shop and their stock room are badly damaged in a fire. Bloggs Ltd submit a claim for the damaged clothing which was on sale at the time of the fire, as well as for last season's range which was in the stock room.
Explain the basis upon which the damaged clothing claim is likely to be calculated by KER Insurance plc and any policy terms which could operate to limit the amount recoverable by Bloggs Ltd. (10)
12. A former client of Smith Architects issues court proceedings against Smith Architects in 2013, alleging professional negligence in relation to work carried out by Smith Architects in 2011.
Explain the factors that will determine which policy year's insurers will deal with the claim. (12)
13. Describe the elements which would make up the claim reserve for a third party bodily injury claim. (8)

Questions continue over the page

14. Explain the major changes to the funding of third party claims brought into effect in April 2013 by the Legal Aid, Sentencing and Punishment of Offenders Act 2012.

15. Mr Jones submits a motor claim to his insurer.

Identify **eight** pieces of information that the claims handler will check against the proposal form and policy documents.

(8)

