

# THE CHARTERED INSURANCE INSTITUTE

## P85

### Diploma in Insurance

#### Unit P85 – Claims practice

April 2014 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.

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**Answer ALL questions**

**Note form is acceptable where this conveys all the necessary information**

1. Outline **six** possible indicators of fraud in an arson case involving commercial property. (6)
  
2. (a) Name the regulator now responsible for the Financial Ombudsman Service. (2)  
(b) Identify and outline the **three** operational objectives of that regulator. (6)
  
3. Sporty plc, a large multinational leisure operator, has a commercial combined policy with XYZ Insurance plc (XYZ). The policy contains a warranty that all gym equipment will be inspected daily. A customer is injured using faulty gym equipment. XYZ investigate the claim and discover that the equipment had not been inspected for several days.  
(a) Explain briefly the purpose of this warranty. (3)  
(b) Outline the coverage position that XYZ will take. (3)  
(c) Describe briefly how your answer would differ if Sporty plc is a micro enterprise. (4)
  
4. Roger sustains a back injury in an accident at work and brings a claim against his employers, who have employers' liability insurance with TIN Insurance plc (TIN). The liability investigation is complete and TIN has admitted full liability. The claims handler at TIN suspects that whilst Roger did sustain a minor injury, he is exaggerating his symptoms.  
(a) Outline the evidence that TIN will now obtain in the investigation of the claim. (3)  
(b) Explain, with reference to case law, whether TIN would be able to have the claim dismissed due to the exaggeration of the injury. (9)

5. Cathy's parked car is badly damaged when a lorry crashes into it.
- Explain the legal principle by which Cathy's motor insurers can seek to recover their payments from the lorry's insurers. (6)
6. A new claims handler is joining the motor claims team at ABC Insurance plc (ABC).
- Outline the key stages in the First Notification of Loss process for motor claims, explaining the benefits of the process to ABC. (12)
7. Outline **six** checks that a claims handler will make against the policy documents when assessing whether a claim is covered. (6)
8. Describe briefly **three** examples where a personal lines claim could be settled shortly after notification. (6)
9. Wayne has a household policy with CEL Insurance plc (CEL). His home is burgled whilst he is away and he submits a claim including £25,000 for one item of stolen jewellery. The sum insured under Wayne's policy under the relevant section of the policy is £150,000 with a 10% valuables limit.
- (a) Identify how much CEL will pay for Wayne's claim assuming that there is no breach of policy terms or conditions. (1)
- (b) Wayne does not agree with the amount that CEL is willing to pay.
- Explain briefly the process that Wayne will follow to challenge CEL's decision. (3)
- (c) Wayne's proposal form did not mention a previous loss three years ago.
- Identify the **three** types of misrepresentation which may apply and state the effect on the claim of **each** type, under the Consumer Insurance (Disclosure and Representations) Act 2012. (6)

Questions continue over the page

10. DEF plc (DEF) has a commercial property and business interruption policy with KER Insurance plc (KER). One of DEF's factories is badly affected by a chemical spillage at a neighbouring business and the factory has to close. DEF wish to make a claim under the business interruption section of their policy with KER.
- Outline the basis upon which the amount payable under the business interruption policy is calculated, identifying the information required. (12)
11. Explain the difference between losses occurring and claims made policies and provide an example of a class of business written on **each** basis. (10)
12. Identify **three** key features of mediation. (6)
13. SLJ Insurance plc (SLJ) receives a claim from Joan, a member of the public, who was injured in a busy shopping centre owned by Shoptastic, a company carrying public liability insurance with SLJ.
- (a) List **four** pieces of evidence that SLJ will obtain in order to investigate whether Shoptastic are liable to Joan. (4)
- (b) Joan claims that she is unable to return to her pre-accident occupation as a professional dancer.
- Identify **four** heads of claim for which Joan may seek compensation. (8)
14. Katie suffers a minor injury at work on 1 October 2013 and is absent from work for two days.
- (a) Identify the Pre-Action Protocol which would apply to Katie's claim. (2)
- (b) State why this Protocol would apply to Katie's claim. (2)
- (c) Outline the key requirements of this Protocol. (4)
15. Outline the purpose of a claim reserve and state its components. (6)



