

Examiner's Comments  
CILA C2 Application of the Principles of Insurance - October 2015

Overview

The exam comprises 5 out of a total of 6 questions of equal marks.

From a review of the examination scripts the examiner recommends that candidates:

- Take account of the allocated marks and provide an appropriate level of detail and information in their answer.
- Avoid the tendency to evidence their knowledge and understanding of topics with which they are most familiar.
- Clearly identify the requirements of the question and ensure that the answer covers all of the requirements and is answered in the context of the question.

It was encouraging to see that a number of candidates answered the questions in their preferred order rather than the set order of the examination. This suggests that candidates have reviewed the exam paper and answered the questions in the order which they felt most confident.

In general the examination paper was well answered allowing candidates to draw on their experience by detailing the enquiries they would undertake in relation to particular situations.

The higher performing candidates were able to evidence the practical application of technical aspects including reference to relevant statute and case law.

Comments on specific questions

The comments below give an indication of the approach and topics that should be included in an answer to achieve a pass in the exam.

The comments in this report do **not** represent complete or model answers.

Question 1

Question 1 comprised 5 parts all with 8 marks available.

Candidates were required to explain various terms in relation to insurance claims and include reference to relevant case law and/or statute.

Candidates who could not detail relevant case law and /or statutes achieved limited marks.

Many candidates were unclear regarding the terms of the reinstatement condition which relates to the right of an insurer to reinstate. Many candidates referred incorrectly to the reinstatement memorandum.

Few candidates were aware of the details of the Arbitration condition and the Reservation of Rights. It is important that candidates are familiar with the purpose and terms of policy conditions.

A comprehensive answer for Q1 A) Flood would refer to the common law definition e.g. Rohan v Cunningham 1998 and discuss current definitions and challenges such as flood plains and rising water tables.

Question 2

The question comprised 4 questions with an equal allocation of 10 marks.

Candidates were required to review a scenario and answer questions in the context of the question.

The question examined the candidate's technical knowledge and understanding and ability to apply this to a practical situation.

Q 2a and Q 2b asked candidates to focus upon the immediate measures and enquiries they would make. This requires a candidate to explain their thought process with reference to the question.

For example:

Q2a. related to mitigation measures for both material damage and business interruption elements of a claim.

Q2b. referred to warranties and the enquiries require to determine the compliance with each warranty. Many candidates showed a knowledge of the individual warranties but did not detail the enquiries they would undertake.

Q2c. tested a candidate's knowledge of the definition of and difference between tenant's improvements and landlord's fixtures and fittings. Many candidates did not explain how or why they would classify an item.

Q2 d. related to the local authorities clause and required candidates to evidence their knowledge of both the extent and limitations of the cover provided by the clause. Some candidates were also able to consider the suitability of the original specification and design of the exhaust extraction equipment and how this may effect policy liability and/or recovery considerations.

### Question 3

Candidates should be aware of the variation in the number of marks allocated to each element of eth question which ranged from 3 to 12 marks.

This question covered a number of technical elements of claims handling detailed within the syllabus.

Q3a & Q3b referred to business ethics and the stages of ethical decision making in the context of managing a claim.

Many candidates were unable to provide an adequate answer suggesting a lack of knowledge of this topic.

Q3c. The examiner required candidates to provide a brief explanation of stock reconciliation and a balance of both advantages and disadvantages of the process.

Q3d. A straight forward 6 mark question.

Q3e. The question tested the candidate's knowledge and experience of dealing with a stock claim. The examiner required candidates to identify the basis of settlement, the documentation required to support the quantum and extent of damage. Some candidates made reference to other key issues such as redundant stock, branded goods etc.

### Question 4

The question had 4 sections each awarding 10 marks for a correct answer.

This is another scenario based question related to a household insurance claim.

It is important that candidates carefully review the details in the scenario and base their answers upon the context of the scenario.

The questions require candidates to explain their "rationale" or thought process in relation to the scenario. This requires details of the enquiries to be made and also the reasons why the enquiries would be made and potential outcomes.

For example Q4a. The focus would be on the relationship between Ms Havell and Mr Honeywell evidenced by Ms Havell's residential status referenced by the electoral role, does she occupy or have an interest in another property. Does she have her insurance cover at the risk address or elsewhere etc?

#### Question 5

There was equal allocation of marks for each of the 4 parts of this question.

The question required candidates to have a knowledge and understanding of underinsurance conditions and Average.

The examiner was also testing the candidate's ability to apply their knowledge by providing worked example, a sample calculation, of each type of average.

Three examples of Average are: Special Condition of Average, Pro Rata Average and Reinstatement Condition of Average

Each of the 3 sections of this question were generally well answered.

#### Question 6

This is another question which has a range of marks allocated to each section.

Q 6 a. and Q 6 b. required candidates to evidence their knowledge and understanding of the principle of Subrogation and apply their knowledge by drafting a letter to their principal explaining the reimbursement of recovered funds.

Candidates who did not include the relevant case law or did not answer Q6 b. in the style of a formal a letter achieve more limited marks.

Q 6c. Focussed upon the principle of contribution. Candidates who could not detail the relevant case law achieved more limited marks.

Q 6 d. generally an insurance policy would exclude payment for a warranty as these are considered to be a consequential loss.

A recommendation could however be made for the Insured to arrange for the transfer of the remaining period of the warranty to the replacement item.

Q6 e. The question asked candidates to "outline" or provide a list/summary of obligations such as salvage, protection, provide reasonable access etc.