

Examiner's comments
CILA C2 Application of the Principles of Insurance - April 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. See comments below regarding question 3.
- 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.
- 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 in 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

Question 1 comprised 4 parts all with 10 marks available.

This question required candidates to detail the enquiries they would make and the advice they would give to insurers on specific issues.

Some candidates however provided a detailed definition of flood or included core handling elements of a claim e.g. premium payment, business description. These aspects were not a requirement of the question.

Some candidates described in detail how they would manage the Business Interruption claim. Whilst this should be referenced the scenario explained that the BI was insured elsewhere and therefore the focus of the answers should relate to the material damage aspects.

Some examples of the information are:

Q1a.)

Details of a typical Stillage Warranty

Enquiries to determine compliance with the warranty including; physical inspection, photographs, tide marks etc

Outline the implications of non compliance

Q1b.)

Detail of cover provided by a local authorities clause

Enquiries to include: scope of repairs, substantiation of costs, evidence of requirements to confirm they are mandatory rather than recommended and when requirement for improvements notified.

Validate scope of cover e.g. limits, check specific wording,

Q1

Q2 The question was divided into 6 parts worth 5 or 10 marks.

The question examined the candidate's technical and practical understanding of the principle of subrogation.

Q2a.) The question (5 Marks) required candidates to detail in note form the provisions of the subrogation condition including: insurer pays the costs, insurer can take legal action in the name of Insured prior to settlement etc.

Q2bii) The question related to the assessment of quantum and the difficulties when repairing a fire damaged mid terrace listed building.

In terms of quantum the challenges relate to increased costs in view of the need for specialist trades, additional fees for approval of works, requirement for surveyor to supervise and prepare specification/tenders, reference to owners/insurers of adjoining properties to share costs and achieve economies of scale, potential cost of alternative accommodation etc.

Examples of difficulties include: availability of materials, drying old timbers, delays in seeking permissions, access to site etc.

Q2iv) The question required candidates to draft a formal letter.

Noting the purpose of the letter candidates were required to write the letter in a professional style and include specific details such as;

- Their role and who they represent
- Details of the incident
- Basis for the allegation
- Indication of quantum
- Requirement for an acknowledgment in specific time scale
- Recommendation to pass to liability insurers

This is a two part question.

Part a.) required candidates to explain the difference between the policyholder and the insurer electing to reinstate:

The areas that could be included are the effect upon:

- The sum insured and/or limits
- Contractual obligations
- Responsibility for timescales, standard of works, CDM and Health and Safety requirements

Part b.)

Required candidates to "list" the enquiries they would make into storm damage to various components of a commercial property.

This was well answered and required candidates to evidence their experience of such claims. For example enquiries regarding the flat felt roof could include: weather conditions on the incident date, age and construction of roof covering, condition of roof covering, maintenance programme etc

Q3

The question required candidates to have a knowledge and understanding of fraud and the Fraud Act 2006.

Q4

Particular areas where candidates could improve are:

Q4b.) Many candidates achieved limited marks as they listed the indicators of fraud but failed to explain why each indicator is a potential fraud and/or describe the enquiries that should be made.

Q4c.) Some candidates provided a limited answer to the question relating to potential legal pitfalls when investigating fraudulent claims. Areas that could be included are:

- Level of proof required
- Onus of proof is with the insurer
- Enquiries must be completed fairly and impartially
- Comply with Data Protection and Human Rights legislation
- Maintain record of documents received and be clear about the reason documents have been requested
- Evidence must be legally obtained
- Reference FOS
- Case law e.g. AXA v Goltleib 2005

This was a three part question relating to the calculation of Value at Risk and the principle of contribution.

Q5a) The question referred to 5 categories of insured items and required candidates to evidence their practical handling of a claim and points of reference/evidence they would use to determine the value at risk.

This was well answered however some candidates provided a very detailed answer which was beyond the requirements of the allocated 4 marks per item.

As an example for buildings the candidate could include: measurements, method of construction, location, refer to accredited rebuilding cost scales, previous professional valuations, include all elements of the policy definition of buildings etc

Q5b) The question was well generally well answered, testing the candidate's knowledge and understanding of Contribution.

Q5c) The question required candidates to show the workings of a contribution calculation. Marks were awarded for the calculation. Many candidates omitted or incorrectly dealt with the deduction of the £500 excess applicable to policy A.

Q 5

This question comprised 4 scenarios requiring candidates to demonstrate the ability to apply their knowledge and understanding. Where required the examiner was also requiring candidates to demonstrate their rationale/thought process.

Q6

The elements of the question candidates found the most challenging were:



Q6a) The question required the candidate to detail the evidence of the nature and extent of damage, interpretation of insurer's instructions and an awareness of the CIL A Code of Conduct, integrity & trust and FCA TCF regime.

Q6c) This was an interesting claim where candidates were required to demonstrate knowledge and understanding of Insurable Interest and the cover provided under both a domestic and a small business policy.

The issues to be considered included; requirements of insurable interest, domestic policy cover on business items, commercial policy cover on personal items, identification of primary use, and recognition of the separate legal entities of the parties involved .