

01	☐ A	☐ B	☐ C	☐ D	☐ E
02	☐ A	☐ B	☒ C	☐ D	☐ E
03	☐ A	☒ B	☐ C	☐ D	☐ E
04	☐ A	☒ B	☐ C	☐ D	☐ E
05	☒ A	☐ B	☐ C	☐ D	☐ E
06	☐ A	☐ B	☐ C	☒ D	☐ E
07	☐ A	☐ B	☐ C	☐ D	☒ E
08	☒ A	☐ B	☐ C	☐ D	☐ E
09	☒ A	☐ B	☐ C	☐ D	☐ E
10	☐ A	☐ B	☐ C	☐ D	☒ E
11	☒ A	☐ B	☐ C	☐ D	☐ E
12	☐ A	☐ B	☐ C	☒ D	☐ E
13	☒ A	☐ B	☐ C	☐ D	☐ E

14	☐ A	☒ B	☐ C	☐ D	☐ E
15	☐ A	☐ B	☐ C	☒ D	☐ E
16	☐ A	☐ B	☒ C	☐ D	☐ E
17	☒ A	☐ B	☐ C	☐ D	☐ E
18	☐ A	☐ B	☐ C	☐ D	☒ E
19	☐ A	☐ B	☒ C	☐ D	☐ E
20	☐ A	☐ B	☐ C	☒ D	☐ E
21	☒ A	☐ B	☐ C	☐ D	☐ E
22	☐ A	☒ B	☐ C	☐ D	☐ E
23	☒ A	☐ B	☐ C	☐ D	☐ E
24	☒ A	☐ B	☐ C	☐ D	☐ E
25	☐ A	☐ B	☐ C	☐ D	☒ E
26	☐ A	☐ B	☒ C	☐ D	☐ E

27	☒ A	☐ B	☐ C	☐ D	☐ E
28	☐ A	☒ B	☐ C	☐ D	☐ E
29	☐ A	☒ B	☐ C	☐ D	☐ E
30	☐ A	☐ B	☐ C	☒ D	☐ E
31	☐ A	☐ B	☐ C	☒ D	☐ E
32	☐ A	☐ B	☒ C	☐ D	☐ E
33	☒ A	☐ B	☐ C	☐ D	☐ E
34	☐ A	☐ B	☒ C	☐ D	☐ E
35	☐ A	☐ B	☐ C	☒ D	☐ E
36	☐ A	☐ B	☐ C	☐ D	☒ E
37	☐ A	☒ B	☐ C	☐ D	☐ E
38	☐ A	☒ B	☐ C	☐ D	☐ E
39	☐ A	☐ B	☒ C	☐ D	☐ E

PRACTICE QUESTIONS

Chartered Insurance Institute (CII)

WZ982K5S

E21 - Commercial insurance contract wording

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for Chartered Insurance Institute (CII) WZ982K5S , each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, WZ982K5S
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1 SINGLE CHOICE

Which section of a commercial insurance contract wording typically contains the operative insuring clause that defines the scope of cover provided?

- ☐ A The Schedule
- ☐ B The Definitions section
- ☒ C The Insuring Clause / Cover section
- ☐ D The Claims Conditions

ANSWER C

WHY The operative insuring clause (often labelled 'Cover', 'Insuring Clause' or 'Indemnity') is the section that actually sets out what the insurer agrees to indemnify the insured against. The Schedule lists the specific particulars of the risk, Definitions defines terminology used throughout the policy, and Claims Conditions set out procedures for making a claim.

QUESTION 2 SINGLE CHOICE

Under English insurance law as reflected in standard commercial wordings, a breach of a warranty in a contract of insurance operates to:

- ☐ A Allow the insurer to refuse the claim only if the breach caused the loss
- ☒ B Discharge the insurer from liability from the time of the breach, regardless of whether the breach caused the loss
- ☐ C Entitle the insurer to reduce the claim by the proportion of the breach
- ☐ D Have no effect unless the insured acted in bad faith

ANSWER B

WHY Under section 10 of the Marine Insurance Act 1906 (still the foundation for non-marine warranties) and confirmed by the Insurance Act 2015, a breach of warranty discharges the insurer from liability from the time of the breach. The insurer is not required to show that the breach caused the loss. The Insurance Act 2015 introduced a remedy for breach of warranty where the breach is remedied before a loss, but the fundamental effect of discharge remains.

QUESTION 3

SINGLE CHOICE

What is the function of the 'Schedule' within a commercial insurance contract wording?

- ☐ A To set out the general terms and exclusions applicable to the policy
- ☒ B To record the specific details of the insured, the risk, sums insured, excesses and premium particular to the contract
- ☐ C To define technical terms used throughout the policy wording
- ☐ D To state the claims notification procedure

ANSWER B

WHY The Schedule is the contract-specific part of the policy that records the named insured, the risk location and description, the operative dates, sums insured, excesses, premium and any endorsements. It personalises the standard wording to the particular risk.

QUESTION 4

TRUE FALSE

In a commercial insurance contract wording, the 'Definitions' section has the effect of binding the insurer and insured to the precise meaning assigned to defined terms wherever those terms appear elsewhere in the policy.

- ☒ A True
- ☐ B False

ANSWER A

WHY True. Definitions sections in commercial policies use boilerplate wording such as 'wherever the following words appear in this policy they shall have the meaning shown below', giving those defined terms a binding and consistent meaning throughout the contract.

QUESTION 5 SINGLE CHOICE

A 'condition precedent to liability' in a commercial policy wording has what effect on the insured's claim if it is not complied with?

- ☐ A The insurer must still pay the claim but may reduce it proportionately
- ☒ B The insurer has no liability under the claim concerned
- ☐ C The insurer is discharged from all future liability under the policy
- ☐ D The breach is automatically waived if the loss was caused by an unrelated peril

ANSWER B

WHY A condition precedent to liability is a term that must be strictly complied with for the insurer to have any liability in respect of a particular claim. Non-compliance (for example, failure to notify a loss within the time stated, or failure to produce requested documentation) entitles the insurer to refuse that specific claim. The Insurance Act 2015 has affected how terms are construed but conditions precedent to liability remain enforceable.

QUESTION 6 SINGLE CHOICE

Under the Insurance Act 2015, an insurer cannot rely on a 'basis of contract' clause that converts pre-contractual statements into warranties unless:

- ☐ A The insurer has obtained a court order
- ☒ B The insurer demonstrates that the insured's misrepresentation was deliberate or reckless
- ☐ C The insured has signed a separate deed of variation
- ☐ D The clause has been approved by the Financial Conduct Authority

ANSWER B

WHY Section 6 of the Insurance Act 2015 abolished 'basis of contract' clauses that previously turned answers to proposal form questions into warranties. Under the Act, a statement made by the insured does not have effect as a warranty unless the insurer demonstrates that the statement was made deliberately or recklessly.

QUESTION 7 SINGLE CHOICE

Which of the following best describes the function of an exclusion in a commercial insurance contract wording?

- ☐ A It widens the scope of cover by adding additional perils
- ☒ B It removes cover for specified perils, losses or circumstances, narrowing the scope of indemnity provided under the operative insuring clause
- ☐ C It sets out the procedure for notifying a claim
- ☐ D It defines the geographical limits of cover

ANSWER B

WHY Exclusions carve out specific perils, losses or circumstances from the cover otherwise provided by the operative insuring clause. They narrow the scope of indemnity and are construed strictly against the insurer where ambiguity exists.

QUESTION 8 SINGLE CHOICE

The 'Endorsements' (or 'Memoranda') attached to a commercial policy wording serve what purpose?

- ☐ A To translate the policy into other languages for international insureds
- ☒ B To amend, add to or exclude parts of the standard wording to tailor the cover to the specific risk or to reflect agreed variations
- ☐ C To provide contact details for the claims handler
- ☐ D To record the broker's commission

ANSWER B

WHY Endorsements amend, extend or restrict the printed wording to reflect the specific terms agreed for the insured. They form part of the contract and override any inconsistent provision in the main wording (per the general hierarchy of policy construction).

QUESTION 9

MULTIPLE CHOICE

Which TWO of the following are typically found within a standard commercial insurance contract wording? (Choose two.)

- ☒ **A** The operative insuring clause
- ☐ **B** The insured's annual report and accounts
- ☒ **C** Definitions of key terms
- ☐ **D** The insurer's reinsurance treaty terms

ANSWER A • C

WHY A standard commercial insurance contract wording will typically include the operative insuring clause and a definitions section, along with exclusions, conditions, schedule and endorsements. The insured's annual report and the insurer's reinsurance treaty terms are not contractual components of the policy.