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37	A	B	C	D	E
38	A	B	C	D	E
39	A	B	C	D	E

PRACTICE QUESTIONS

Chartered Insurance Institute (CII)

M8ABXGC2

E86 - Personal insurances

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for Chartered Insurance Institute (CII) M8ABXGC2 , 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, M8ABXGC2
- the question number
- the email address on your order

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

QUESTION 1

SINGLE CHOICE

Under the Insurance Act 2015 (UK), which duty is placed on the insured when arranging an insurance contract?

- ☐ A A duty to guarantee the insurer will not suffer any loss on the contract
- ☐ B A duty to pay the first premium in full before cover commences
- ☒ C A duty of fair presentation, disclosing every material circumstance the insured knows or ought to know
- ☐ D A duty to insure all insurable interests under a single combined policy

ANSWER C

WHY The Insurance Act 2015 replaced the old duty of utmost good faith (in respect of pre-contract disclosure) with a statutory 'duty of fair presentation' under which the insured must disclose every material circumstance they know, or ought to know, that would influence the insurer's judgement. The other statements do not reflect the statutory duty.

QUESTION 2

SINGLE CHOICE

Which type of intermediary acts on behalf of the customer in seeking insurance, rather than on behalf of the insurer?

- ☐ A An appointed representative
- ☐ B A tied agent
- ☒ C An independent (broker) intermediary acting on the customer's behalf
- ☐ D A Lloyd's 'name'

ANSWER C

WHY A broker is an intermediary who, by the legal nature of the role, acts on behalf of the customer (the proposer) in placing insurance, not on behalf of the insurer. Appointed representatives and tied agents typically act for, or under contract with, a specific insurer, and Lloyd's 'names' are members of the Lloyd's market providing underwriting capacity.

QUESTION 3

MULTIPLE CHOICE

Which of the following are recognised consequences of breach of the duty of fair presentation under the Insurance Act 2015? (Choose two.)

- ☐ **A** The insurer is automatically barred from any remedy and the contract continues on the terms disclosed
- ☒ **B** If the breach is deliberate or reckless, the insurer may avoid the contract and retain any premium paid
- ☐ **C** The insurer may treat the contract as cancelled from inception with no return of premium in all cases
- ☒ **D** For a non-deliberate, non-reckless breach, the insurer's liability is reduced proportionally (or the contract is treated as if placed on fair terms)

ANSWER B - D

WHY Under the Insurance Act 2015, where there is a deliberate or reckless breach of the duty of fair presentation the insurer may avoid the contract and keep any premium. For a non-deliberate, non-reckless (i.e. careless) breach, the insurer's remedy is limited: it cannot avoid the contract but its liability is reduced proportionately (or, at the insured's option, the contract is treated as on fair terms). A and C misrepresent the statutory remedies.

QUESTION 4

SINGLE CHOICE

In a property insurance claim, what is the purpose of the principle of indemnity?

- ☒ **A To put the insured in the position they would have been in had the loss not occurred, no better and no worse**
- ☐ B To allow the insured to recover the full replacement cost of any damaged item
- ☐ C To enable the insurer to recover from any third party responsible for the loss
- ☐ D To ensure the insurer always makes a profit from every claim paid

ANSWER A

WHY The principle of indemnity is a fundamental principle of insurance requiring that, following a loss, the insured is restored to substantially the same financial position as immediately before the loss occurred - neither better nor worse. It does not guarantee replacement cost, nor is it about subrogation (C) or insurer profit (D).

QUESTION 5

SINGLE CHOICE

In personal lines insurance, when must an insured normally have an insurable interest in the subject matter of the contract?

- ☐ A Only at the time the policy is renewed
- ☐ B Only at the time of any claim
- ☒ **C At the time the insurance contract is entered into (and, for indemnity contracts, also at the time of loss)**
- ☐ D Only at the time the first premium is paid

ANSWER C

WHY For indemnity contracts (such as property and most personal lines insurances), the insured must have an insurable interest both at inception of the policy and at the time of the loss. For non-indemnity (contingency) contracts, insurable interest is required at inception only. The principle supports the rule that insurance should not be a wager.

QUESTION 6

SINGLE CHOICE

Under a standard 'buildings' section of a household policy, which of the following is typically covered as part of the structure of the home?

- ☐ A Movable household furniture and personal possessions
- ☒ B Garages, outbuildings and permanent fixtures forming part of the property
- ☐ C Personal money and credit cards
- ☐ D Pets belonging to the household

ANSWER B

WHY The buildings section of a household policy covers the permanent structure of the home - the dwelling itself, permanent fixtures and fittings, and ancillary structures such as garages and outbuildings. Contents (A), money/credit cards (C) and pets (D) fall under other sections or are excluded.

QUESTION 7

SINGLE CHOICE

Which class of motor insurance cover is compulsory for most motor vehicles used on a public road in the UK under the Road Traffic Act 1988?

- ☐ A Third party, fire and theft only
- ☐ B Comprehensive cover only
- ☒ C Third party liability cover at a minimum
- ☐ D No insurance is required if the vehicle is taxed

ANSWER C

WHY The Road Traffic Act 1988 requires that motor vehicles used on a public road (or in any other place to which the public have access) are covered at minimum against third party liability - that is, liability for death or injury to other persons and damage to their property. Comprehensive and third party, fire and theft are voluntary upgrades above this legal minimum.

QUESTION 8 SINGLE CHOICE

Which of the following best describes the typical scope of cover provided under a standard UK private medical insurance (PMI) policy?

- ☐ A All medical conditions, including chronic and pre-existing conditions, are covered in full from inception
- ☒ B Cover for the costs of acute conditions requiring hospital treatment and/or specialist care, with chronic and most pre-existing conditions typically excluded
- ☐ C Only emergency accident and emergency (A&E) treatment is covered
- ☐ D All NHS charges and primary care (GP) visits, but no private hospital cover

ANSWER B

WHY Standard PMI is designed to fund the private treatment of acute conditions - those that respond to treatment and lead to recovery - usually on a hospital/specialist basis. Most policies exclude or restrict cover for chronic conditions and pre-existing conditions, and do not replace the NHS for routine or primary care.

QUESTION 9 MULTIPLE CHOICE

Which of the following typically form part of the standard cover provided under a UK personal travel insurance policy? (Choose two.)

- ☒ A Cancellation or curtailment charges following injury or illness of the insured or a close relative
- ☒ B Loss of, or damage to, baggage and personal effects during the trip
- ☐ C The full cost of any business losses sustained by the insured's employer while the insured is abroad
- ☐ D Compensation for the insured being required to retire early due to ill health

ANSWER A - B

WHY Standard travel insurance typically includes cancellation/curtailment cover (e.g. following unforeseen illness of the insured or a close relative) and cover for loss of or damage to baggage and personal effects during the trip. The cost of the employer's business losses (C) and retirement-ill-health payments (D) are not part of personal travel insurance cover.