

01	☐ A	☐ B	☐ C	☐ D	☐ E
02	☐ A	☐ B	☐ C	☐ D	☐ E
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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)

JGLW6KXN

PL3 - Introduction to home insurance

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for Chartered Insurance Institute (CII) **JGLW6KXN**, 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, **JGLW6KXN**
- the question number
- the email address on your order

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

QUESTION 1

MULTIPLE CHOICE

Which of the following are typically included within a standard home insurance policy document? (Choose two.)

- ☒ **A** The policy schedule, which sets out specific details such as the insured's name, property address and sums insured
- ☐ **B** A market valuation report prepared by an independent surveyor
- ☒ **C** The policy wording, which sets out the cover provided, exclusions, conditions and claims procedure
- ☐ **D** The insurer's annual financial statements

ANSWER A - C

WHY A home insurance policy is made up of the policy schedule (the personalised details of the cover, including the named insured, sums insured and property address) together with the policy wording (the standard terms, cover, exclusions, conditions and claims procedure). The market valuation report and the insurer's financial statements are not part of the policy contract.

QUESTION 2

MULTIPLE CHOICE

Under a standard home insurance policy, which of the following are commonly insured perils under a 'buildings' section? (Choose two.)

- ☒ **A** Damage to fitted kitchens and bathroom suites caused by a burst pipe
- ☐ **B** Loss of jewellery stolen from the home following forcible and violent entry
- ☒ **C** Damage to the roof caused by storm, flood or subsidence
- ☐ **D** Theft of a portable television set from the dwelling

ANSWER A - C

WHY The buildings section typically covers the structure of the home, including permanent fixtures and fittings such as fitted kitchens and bathrooms, against perils such as fire, storm, flood, escape of water and subsidence. Jewellery and portable items such as televisions are insured under the contents section, normally subject to security conditions and theft cover requirements.

QUESTION 3

TRUE FALSE

An insured has a legal duty to disclose every material fact to the insurer before a home insurance contract is concluded, and a failure to do so could entitle the insurer to void the policy from inception.

☒ **A** True☐ B False**ANSWER A**

WHY True. Under the principle of utmost good faith (uberrima fides) the insured must disclose all material facts that would influence the insurer's decision to accept the risk and on what terms. A material non-disclosure or misstatement may entitle the insurer to void the policy, meaning the insured is treated as if cover never existed.

QUESTION 4

SINGLE CHOICE

What is the generally accepted basis for setting the buildings sum insured under a standard home insurance policy?

☐ A The market value of the property at the date of loss☒ **B The full cost of rebuilding the property, including professional fees and debris removal**☐ C The value of the property as shown on the most recent council tax banding☐ D The original purchase price of the property**ANSWER B**

WHY The buildings sum insured should reflect the full cost of reinstating the property (the 'rebuilding cost'), including demolition, debris removal and professional fees such as architects' and surveyors' fees. Insuring for market value or purchase price would commonly result in under-insurance, potentially leading to proportional claim settlement under an average condition.

QUESTION 5

SINGLE CHOICE

If a dwelling is insured for a buildings sum that is only 50% of its full rebuilding cost, and a partial loss equal to 40% of the rebuilding cost occurs, how would an insurer typically apply the average condition?

- ☐ A The insurer would pay the full cost of repair, ignoring the under-insurance
- ☒ B The insurer would pay 50% of the repair cost
- ☐ C The insurer would pay 80% of the repair cost
- ☐ D The insurer would refuse the claim in full

ANSWER B

WHY Under the average condition, the claim is reduced in proportion to the under-insurance. The insured is treated as their own insurer for the uninsured proportion, so the payment is calculated as the loss (40%) multiplied by the ratio of the sum insured to the full value (50/100), giving 20% of the full rebuilding cost. Equivalently, the insurer pays 50% of the actual repair cost. The insurer does not refuse the claim outright where the policy includes average, and it does not pay the full cost.

QUESTION 6

SINGLE CHOICE

A claim is made for £3,000 under a contents policy that has a compulsory excess of £100 and a voluntary excess of £200. How much will the insurer pay?

- ☐ A £3,000
- ☐ B £2,900
- ☐ C £2,800
- ☒ D £2,700

ANSWER D

WHY Both excesses apply, so the total excess deducted from the claim is £100 (compulsory) + £200 (voluntary) = £300. The insurer therefore pays £3,000 – £300 = £2,700. Accepting a higher voluntary excess normally reduces the premium but increases the amount the insured must pay in the event of a claim.

QUESTION 7

SINGLE CHOICE

Under the principle of indemnity in home insurance, the insured should be restored to approximately the same financial position as immediately before the loss, but should not make a profit. Which of the following best illustrates this principle?

- ☐ A A six-year-old television is stolen and the insurer pays the cost of a brand-new equivalent model
- ☒ B A six-year-old television is stolen and the insurer pays its current market value as a second-hand item
- ☐ C A six-year-old television is stolen and the insurer pays the original purchase price plus interest
- ☐ D A six-year-old television is stolen and the insurer pays the sum insured in full, regardless of the value of the loss

ANSWER B

WHY Indemnity means the insured is compensated for the actual loss suffered, not more. For contents items, depreciation is applied to reflect age, wear and tear, so a six-year-old television is normally settled on a current second-hand/market-value basis (or replacement with an equivalent second-hand item). Paying the cost of a brand-new replacement, the original price plus interest, or the full sum insured would place the insured in a better position than before the loss.

QUESTION 8

SINGLE CHOICE

Which of the following is most likely to be excluded under a standard home insurance policy?

- ☐ A Damage to the home caused by fire
- ☒ B Damage caused by wear and tear, rot, corrosion or gradual deterioration
- ☐ C Theft of contents following forcible entry to the home
- ☐ D Damage to the home caused by a burst pipe

ANSWER B

WHY Wear and tear, rot, corrosion and gradual deterioration are standard exclusions under home insurance policies because the insurer only covers sudden and unforeseen events; the insured is expected to maintain the property in good condition. Fire, theft following forced entry and escape of water from a burst pipe are all typically insured perils under buildings and/or contents cover.

QUESTION 9

SINGLE CHOICE

A contents policy includes a 'new for old' replacement basis. What does this mean for the insured?

- ☐ A The insurer will deduct depreciation from any claim settlement
- ☒ B The insurer will replace lost or damaged items with new equivalents of the nearest current model without deduction for wear and tear
- ☐ C The insurer will only pay the second-hand market value of the items
- ☐ D The insurer will only pay the original purchase price of the items

ANSWER B

WHY 'New for old' cover means the insurer replaces lost or damaged items with brand-new equivalents of the nearest current make and model, with no deduction for age or wear and tear. This is more generous than a strict indemnity basis, which would settle on current second-hand value. New for old cover is more expensive and is not always available for certain categories such as clothing and linen.