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### NEW QUESTION: 1

A warranty in Emily's personal travel insurance policy states that cash must be kept in a locked safe. Whilst on holiday, a storm destroys her hotel and its contents. When Emily completes a claim form for loss of money, she admits that her cash was NOT locked in the safe. What will be the insurer's likely response to her claim for the lost money?

- A. Pay the claim in full.
- B. Avoid the policy ab initio.
- C. Reject the claim for breach of warranty.
- D. Make an ex-gratia payment.

**Answer: A (LEAVE A REPLY)**

### NEW QUESTION: 2

In a chain of events, the proximate cause of a loss is always the

- A. last event before the loss occurs.
- B. dominant event leading to the loss.
- C. only event contributing towards the loss.
- D. only event which is not excluded by the terms of the policy.

**Answer: B (LEAVE A REPLY)**

### NEW QUESTION: 3

According to statute law, an unfair term in a consumer insurance contract is defined as one which

- A. causes a significant imbalance in the parties' rights to the detriment of the consumer.
- B. has been individually negotiated and is to the detriment of either one of the parties.
- C. does not restrict liability for death or personal injury.
- D. provides insurance where the scope of cover is narrow compared to the premium charged.

**Answer: A ([LEAVE A REPLY](#))**

**NEW QUESTION: 4**

Within what time period, from the date when the damage first began, does the owner of an office block have a right to sue the builder for negligent construction work?

- A. 9 years.
- B. 15 years.
- C. 6 years.
- D. 3 years.

**Answer: D ([LEAVE A REPLY](#))**

**NEW QUESTION: 5**

What is the most common form of corporation?

- A. Corporation sole.
- B. Registered corporation.
- C. Statutory corporation.
- D. Chartered corporation.

**Answer: B ([LEAVE A REPLY](#))**

**NEW QUESTION: 6**

In an insurance policy arranged through an insurance broker the parties to the contract are the:

- A. insured only
- B. insurance broker only
- C. Insurance broker and the insured only
- D. insured and the insurer only

**Answer: ([SHOW ANSWER](#))**

**NEW QUESTION: 7**

For this question more than 1 option is correct. You must select all the correct options to gain the mark.

The Insurance: Conduct of Business sourcebook (ICOBS) rules in respect of claims handling specify that an insurer must

- A. provide reasonable guidance to an insured to help him make a claim.
- B. settle a claim promptly once settlement has been agreed.
- C. not unreasonably reject an insured's claim.
- D. handle a claims notification within 14 days.

**Answer: A,B,C ([LEAVE A REPLY](#))**

**NEW QUESTION: 8**

Julie has agreed to feed Ian's cat whilst he is away on holiday in a remote location. When the cat becomes seriously ill. Julie is unable to contact Ian, so she takes the cat to the vet and also pays the vet's bill. In these circumstances. Julie is best described as:

- A. an implied agent
- B. an agent by estoppel
- C. an agent by necessity
- D. an express agent

**Answer: (SHOW ANSWER)**

#### **NEW QUESTION: 9**

For this question more than 1 option is correct. You must select fill the correct options to gain the mark. In what circumstances would an agency agreement be automatically terminated?

- A. Disclosure of the name of the principal.
- B. Bankruptcy of the agent.
- C. Death of the agent.
- D. Bankruptcy of the principal.

**Answer: C,D (LEAVE A REPLY)**

#### **NEW QUESTION: 10**

Under insurance law, what is the effect of a fraudulent claim on an insurance policy?

- A. The insurer is required to pay the claim regardless of the fraud
- B. The policyholder may still receive a partial payout
- C. The policyholder must repay any claim payments made previously
- D. The insurer may cancel the policy and deny the claim

**Answer: D (LEAVE A REPLY)**

#### **NEW QUESTION: 11**

Which of the following terms in an insurance policy is typically enforceable in a court of law?

- A. Representations
- B. Warranties
- C. Conditions precedent
- D. Exclusions

**Answer: B (LEAVE A REPLY)**

Warranties are conditions in the insurance contract that are considered to be fundamental and must be strictly adhered to. A breach of warranty can result in the insurer being able to avoid liability. Representations are made by the insured but are not legally binding in the same way.

#### **NEW QUESTION: 12**

What is the maximum contingency fee percentage under a damages-based agreement that can be charged by a solicitor for personal injury cases and employment tribunal cases respectively?

- A. 50% for both cases.
- B. 25% for personal injury cases and 35% for employment tribunal cases.
- C. 35% for personal injury cases and 25% for employment tribunal cases.
- D. 35% for both cases.

**Answer: B ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 13**

Insurance agencies are usually created by way of

- A. implied agreement.
- B. unilateral agreement.
- C. express agreement.
- D. deed of agreement.

**Answer: ([SHOW ANSWER](#))**

#### **NEW QUESTION: 14**

Which of the following is a key principle of insurance that ensures that a policyholder is not overcompensated for a loss?

- A. Utmost good faith
- B. Indemnity
- C. Subrogation
- D. Insurable interest

**Answer: ([SHOW ANSWER](#))**

The principle of indemnity ensures that the policyholder is compensated only to the extent of the loss suffered and does not profit from an insurance claim. This principle is essential to prevent overcompensation.

#### **NEW QUESTION: 15**

Which body represents the solicitors' profession in England and Wales?

- A. The Faculty of Advocates.
- B. The Solicitors Regulation Authority.
- C. The Law Society.
- D. Bar Council.

**Answer: ([SHOW ANSWER](#))**

The Law Society represents the solicitors' profession in England and Wales. It is the professional body for solicitors, providing support, setting standards, and promoting the interests of its members.

The Solicitors Regulation Authority (SRA) is responsible for regulating solicitors, but it is not the representative body.

**NEW QUESTION: 16**

Which of the following is NOT an exclusion under a typical homeowners insurance policy?

- A. Earthquake damage
- B. Fire damage caused by lightning
- C. Theft by a family member
- D. Flood damage

**Answer: C (LEAVE A REPLY)**

Most homeowners policies exclude damage caused by floods or earthquakes, but theft by a family member is typically not excluded under such policies. However, theft by an external party is generally covered.

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**NEW QUESTION: 17**

What are the main objectives of the principle of insurable interest?

- A. To reduce physical hazard and to discourage wagering.
- B. To reduce moral hazard and to discourage profiteering.
- C. To reduce physical hazard and to discourage profiteering.
- D. To reduce moral hazard and to discourage wagering.

**Answer: D (LEAVE A REPLY)**

**NEW QUESTION: 18**

Which of the following is true regarding the insurable interest in life insurance?

- A. The policyholder must have a financial interest in the life of the person insured
- B. The policyholder must have a financial interest in the property of the person insured
- C. Insurable interest is required only at the time the policy is issued
- D. Insurable interest is not required for life insurance policies

**Answer: A (LEAVE A REPLY)**

Explanation: For life insurance, insurable interest refers to the requirement that the policyholder must have a legitimate financial or emotional stake in the life of the person insured. This must be present at the time of death, not just when the policy is issued.

**NEW QUESTION: 19**

What is the legal effect of a warranty in an insurance contract?

- A. A warranty is a condition precedent to liability.
- B. A warranty allows the insurer to increase premiums.
- C. A warranty makes the contract voidable by the insured.
- D. A warranty must be fulfilled by the insurer.

**Answer: A (LEAVE A REPLY)**

A warranty is a condition precedent to liability.

#### **NEW QUESTION: 20**

Under the provisions of the Contracts (Rights of Third Parties) Act 1999, the right to enforce a contractual term arises if a third party.

- A. appoints an agent to carry out the contract provisions.
- B. is one of a general class of persons identified in the contract as benefitting from the contract.
- C. is the agent who arranged the contract.
- D. proves that the parties to the contract intended to limit his rights.

**Answer: B (LEAVE A REPLY)**

#### **NEW QUESTION: 21**

A married couple have equal shares in a property and are insured under a buildings insurance policy. What is the likely position in law of a breach of good faith by one party, which was unknown to the other party?

- A. Cover for both parties would be invalidated as the cover is likely to be a joint policy.
- B. Cover would be maintained in full for the innocent party as the cover is likely to be a composite policy.
- C. Cover for both parties would be invalidated as the cover is likely to be a composite policy.
- D. Cover would be maintained in full for the innocent party as the cover is likely to be a joint policy

**Answer: A (LEAVE A REPLY)**

#### **NEW QUESTION: 22**

Bill owned a painting which was insured under a policy containing a first refusal clause. The painting was stolen and Bill's claim was settled, but several months later the painting was recovered by the police. As a consequence, what is Bill's position under his insurance policy?

- A. Bill must return the claim settlement in exchange for the painting.
- B. Bill may exercise an option to buy the painting back.
- C. Bill must buy the painting back.
- D. Bill may keep the claim settlement and also keep the painting.

**Answer: B (LEAVE A REPLY)**

**NEW QUESTION: 23**

Which divisional court of the High Court includes a Commercial Court?

- A. Chancery Division.
- B. Queen's Bench Division.
- C. Partnership Division.
- D. Family Division.

**Answer: A (LEAVE A REPLY)**

**NEW QUESTION: 24**

A nurse working shifts is regularly disturbed by her neighbour giving brass instrument lessons in the evenings.

She is tired and losing concentration at work but is NOT at risk of losing her job. What remedy can be provided by equity as an alternative source of law to common law?

- A. Specific performance
- B. Punitive damages.
- C. General damages.
- D. An injunction.

**Answer: (SHOW ANSWER)**

In this case, the nurse is facing a disturbance from her neighbor, which is affecting her concentration and well-being. An injunction is an equitable remedy that could be used to stop the neighbor from causing the disturbance, either temporarily (a temporary injunction) or permanently (a permanent injunction). This is often used to prevent ongoing nuisance or harm, like in this situation where the noise is impacting the nurse's ability to work.

Specific performance (A) would typically apply to compelling someone to fulfill a contractual obligation, not for stopping a nuisance. Punitive damages (B) and general damages (C) are not equitable remedies but are more common in common law for compensating harm or punishment.

**NEW QUESTION: 25**

Which of the following is considered an exclusion in a standard property insurance policy?

- A. Loss caused by a fire
- B. Theft by a third party
- C. Loss due to war or civil unrest
- D. Damage caused by accidental breakage

**Answer: (SHOW ANSWER)**

Many property insurance policies exclude certain high-risk events such as war, civil unrest, and terrorism.

These exclusions limit the insurer's exposure to catastrophic losses.

**NEW QUESTION: 26**

A manufacturer was under contract to pay a supplier £1,000 on receipt of the delivery of raw materials.

However, the supplier failed to deliver and the manufacturer had to purchase identical materials from another supplier for £1,200. What amount of damages is the manufacturer legally entitled to claim from the supplier who failed to deliver?

- A. £1,000
- B. £200
- C. £2,200
- D. £1,200

**Answer: (SHOW ANSWER)**

#### **NEW QUESTION: 27**

For this question more than 1 option is correct. You must select all the correct options to gain the mark.

A proposer for private motorcycle insurance carelessly states the motorcycle's engine capacity as 500cc when in fact it is 1500cc. A policy is issued by the insurer on this basis. In the event of a valid claim causing damage to the motorcycle, what potential remedies are available to the insurer under the Consumer Insurance (Disclosure and Representations) Act 2012?

- A. Reject the claim, but maintain the policy.
- B. Avoid the contract, refuse all claims and keep the premium.
- C. Reduce the claim amount in proportion to the premium it would have charged.
- D. Apply any terms it would have applied if the misrepresentation had not taken place.

**Answer: C,D (LEAVE A REPLY)**

#### **NEW QUESTION: 28**

Which of the following is true about insurable interest?

- A. The policyholder must have a financial stake in the property or event insured at the time of loss
- B. The policyholder must have an interest in the property at the time of policy purchase but not at the time of loss
- C. Insurable interest is only required for life insurance policies
- D. Insurable interest must always be proven at the time the policy is issued

**Answer: (SHOW ANSWER)**

interest refers to the requirement that the policyholder must stand to suffer a financial loss from the event insured. In most cases, this must be proven at the time of loss, not just when the policy is issued.

#### **NEW QUESTION: 29**

How can an agency relationship be best described?

- A. A person has transferred his obligations under a contract to another party.

**B.** A person, who has paid another party under a contract, has the right to stand in the place of that other party and avail himself of the rights and remedies of that party.

**C.** A person has the authority to act on behalf of another party.

**D.** A person has ratified another party's action.

**Answer: C (LEAVE A REPLY)**

#### **NEW QUESTION: 30**

In the context of an insurance claim, what does the principle of subrogation refer to?

**A.** The insured's right to receive compensation up to the value of their loss

**B.** The insurer's right to pursue a third party responsible for the loss

**C.** The insurer's right to reduce the claim payout

**D.** The insured's obligation to provide all relevant documents to the insurer

**Answer: B (LEAVE A REPLY)**

Subrogation is the principle that allows the insurer to step into the shoes of the insured and pursue any third party responsible for causing the loss. This helps the insurer recover the claim amount paid out to the insured.

#### **NEW QUESTION: 31**

Ambiguous terms in a household insurance contract are generally construed against the

**A.** policyholder due to the noscitur a sociis rule.

**B.** policyholder due to the literal rule.

**C.** insurer due to the contra proferentem rule.

**D.** insurer due to the ejusdem generis rule.

**Answer: C (LEAVE A REPLY)**

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#### **NEW QUESTION: 32**

Which of the following regulatory bodies oversees the conduct of insurance firms in the UK?

**A.** Financial Conduct Authority (FCA)

**B.** Prudential Regulation Authority (PRA)

**C.** Bank of England

**D.** Insurance Ombudsman Service

**Answer: (SHOW ANSWER)**

Financial Conduct Authority (FCA)

**NEW QUESTION: 33**

Fraudulent claims invalidate the policy and the insurer is entitled to cancel the policy and deny any claims associated with it. Fraud is a serious violation under the principle of utmost good faith.

What is the purpose of the Doctrine of Insurable Interest in insurance contracts?

- A. To protect the insurer from excessive claims
- B. To prevent the insured from profiting from a loss
- C. To ensure that the policyholder has a financial stake in the insured item or person
- D. To protect the policyholder's right to make a claim regardless of their involvement

**Answer: (SHOW ANSWER)**

The Doctrine of Insurable Interest ensures that the policyholder has a legitimate financial or emotional interest in the person or property being insured. This helps to prevent fraudulent claims.

**NEW QUESTION: 34**

Fred knew Susie wanted to sell her car. On behalf of Susie, Fred agreed the sale of the car to Tina for £5,000.

That evening, Susie ratified Fred's agreement with Tina. The next day, Tina decided NOT to proceed with the purchase. What is Susie's legal position in these circumstances?

- A. She can sue Fred for breach of agency agreement.
- B. She has no legal right to sue.
- C. She can sue Tina for breach of contract.
- D. She can sue both Fred and Tina jointly for breach of good faith.

**Answer: (SHOW ANSWER)**

**NEW QUESTION: 35**

The principle of subrogation prevents a policyholder from profiting from

- A. submitting a full claim recovery under more than one insurance policy.
- B. claiming under both his insurance policy and against any negligent third party.
- C. retaining salvaged property.
- D. assigning abandonment rights to the insurer.

**Answer: (SHOW ANSWER)**

**NEW QUESTION: 36**

Which of the following is a typical remedy for an insurer when the insured breaches a warranty?

- A. The insurer must continue to provide coverage, but with an increased premium
- B. The insurer may cancel the contract or refuse to pay a claim

- C. The insurer can sue the insured for breach of contract
- D. The insurer is obligated to reduce the payout amount based on the breach

**Answer: B (LEAVE A REPLY)**

A breach of a warranty is considered a serious violation in an insurance contract, and the insurer may have the right to cancel the contract or refuse to pay a claim based on the breach.

#### **NEW QUESTION: 37**

Fran is self-employed and works from home. She uses her spare bedroom as an office and separately insures her computer, photocopier and other items of office equipment. She occasionally uses the equipment for personal use. Under the Consumer Insurance (Disclosure and Representations) Act 2012, in relation to insuring this equipment, she would be defined as a

- A. non-consumer because the items covered are not household items.
- B. consumer because she is working from home rather than on business premises.
- C. consumer because she is an individual.
- D. non-consumer because her insurance cover is mainly for business use.

**Answer: C (LEAVE A REPLY)**

#### **NEW QUESTION: 38**

Dan made a financial arrangement on behalf of Liz. However, Liz had the arrangement set aside by the court on the basis that she had been unduly influenced by Dan. To establish undue influence, the court must have specifically identified Dan as

- A. a person holding a senior position at Liz's bank.
- B. a person holding a dominant position over Liz.
- C. Liz's independent financial adviser.
- D. Liz's husband.

**Answer: (SHOW ANSWER)**

#### **NEW QUESTION: 39**

Which of the following is a key principle of insurance law that requires the insured to disclose all material facts?

- A. Contribution
- B. Indemnity
- C. Utmost good faith
- D. Subrogation

**Answer: (SHOW ANSWER)**

The principle of utmost good faith (or uberrimae fidei) requires both parties to an insurance contract to disclose all material facts truthfully. Non-disclosure or misrepresentation of material facts may result in the contract being void.

**NEW QUESTION: 40**

Why may an insurer insert a continuing warranty into an insurance policy?

- A. To maintain the annual aggregate limit of liability throughout the policy period.
- B. To encourage good risk management by the insured throughout the policy period.
- C. To ensure that underinsurance is avoided at all times.
- D. To enable an insurer to charge an additional premium if the warranty is continually breached.

**Answer: ([SHOW ANSWER](#))**

**NEW QUESTION: 41**

Which of the following is an essential element in the formation of an insurance contract?

- A. A formal written agreement
- B. The payment of a premium
- C. A valid claim history
- D. A signed declaration by the policyholder

**Answer: ([SHOW ANSWER](#))**

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