

THE CHARTERED INSURANCE INSTITUTE

**P94**

## Diploma in Insurance

### Unit P94 – Motor insurance

October 2013 examination

#### Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**



## Unit P94 – Motor insurance

### Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 200 marks, as follows:

Part I	14 compulsory questions	140 marks
Part II	2 questions selected from 3	60 marks

- You should answer **all** questions in Part I and two out of the three questions in Part II.
- You are advised to spend no more than two hours on Part I.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show each step in any calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

**PART I****Answer ALL questions in Part I**

**Note form is acceptable where this conveys all the necessary information**

1. List **seven** different perils that would usually be covered under the 'Loss of or Damage to Your Car' section of a motor policy. (7)
2. Liability under the Third Party section of a typical commercial vehicle policy may be limited or unlimited.  
  
Explain why there may be different limits and state the reasons for policy limits being imposed by an insurer. (9)
3. Explain, with reference to case law, the concept of contributory negligence in the following circumstances:
  - (a) where a passenger fails to wear a seat belt, whilst travelling in a vehicle; (6)
  - (b) where a cyclist fails to wear a protective helmet, whilst riding a bicycle. (6)
4. Explain how motor fleet policies are rated and the considerations that a fleet underwriter will use to calculate a new business or renewal premium. (14)
5.
  - (a) Outline **three** different methods the police use to check if the driver of a vehicle is covered to drive by a motor insurance policy. (6)
  - (b) A police officer undertakes the appropriate checks on a vehicle which is parked on a driveway and discovers that it is not insured.
    - (i) Identify the offence that may have been committed. (2)
    - (ii) Outline the steps that the registered keeper of the vehicle should have taken to avoid prosecution. (2)
    - (iii) List **two** exemptions to the offence that may be available. (2)

6. The policy wording of a typical private motor policy may extend the scope of third party liability cover to indemnify parties other than the policyholder.  
Identify **four** persons or classes of persons to whom the extension may be given. (8)
7. (a) Explain briefly how telematics operates as an underwriting tool. (6)  
(b) Identify **six** benefits it may provide to a commercial haulage policyholder. (6)
8. Identify, with reasons, **three** different types of occupation where typical motor underwriters might decline cover or require special terms. (6)
9. A temporary cover note is sometimes used by motor insurers to meet the requirements of the Road Traffic Act 1988.  
(a) State **six** different types of vehicle related information found on a cover note. (6)  
(b) List **four** reasons why a cover note may be issued. (4)
10. A locked vehicle, insured comprehensively on a private motor policy, is struck in the rear whilst parked on the road. At the time, the parked vehicle had defective brakes.  
As a result of the collision to the rear of the vehicle, the boot was damaged and thieves stole the following items.
- A leather jacket worth £250
  - Cash in the jacket £25
  - CDs worth £20
  - Car jack worth £35
  - A railway ticket for a forthcoming trip to London which cost £36
  - A laptop valued at £1,500
- Outline a motor insurer's position in the above situation with reference to relevant policy wordings and guidelines. (12)

Questions continue over the page

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11. (a) Outline **four** different classes of use normally available under a typical private motor policy.
- (b) List **four** standard exclusions to all private motor classes of use. (4)
12. Explain briefly the steps that must be taken by both a policyholder and an insurer when there has been a 'transfer of interest' of the subject matter of a private motor policy. *Your answer should include reasons for the steps taken, where appropriate.* (10)
13. Explain briefly the requirements for private driving tuition to be acceptable under a typical private motor policy. (8)
14. An information record is created following the inception of a new private motor policy.
- State, with examples, the purposes for which this information may be used. (8)

**PART II**

**Answer TWO of the following THREE questions**  
**Each question is worth 30 marks**

15. (a) Explain the significance of vehicle security in the rating of motor vehicles, highlighting the steps taken by motor manufacturers, underwriters and industry bodies to minimise the risk of theft. (14)
- (b) You work in the Claims Department of an insurer and receive a telephone call from a private car policyholder who informs you that his vehicle has been stolen from outside a local shop, whilst he was in the shop making a purchase.
- (i) State **eight** initial enquiries you would make regarding the circumstances of the claim. (8)
- (ii) Outline **two** relevant legal cases which may impact on the outcome of the claim. (8)
16. A policyholder's vehicle is involved in an accident. The vehicle cannot be driven and it requires repair. The vehicle is comprehensively insured.
- (a) Outline the approved repairer process. (10)
- (b) Identify the benefits of the approved repairer process to the policyholder and to the insurer. (12)
- (c) Explain briefly, with reasons, **four** circumstances when it may be inappropriate for a policyholder to use an approved repairer. (8)
17. You work for a motor insurer and have been asked to draft a report for the newly appointed finance director, outlining the measures that are taken to reduce your exposure under the theft section of the private motor policy.
- Explain the measures that are likely to be in place and possible steps that could be taken to minimise theft liabilities, with reference to policy wordings and claims processes. (30)

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