

THE CHARTERED INSURANCE INSTITUTE

P94

Diploma in Insurance

Unit P94 – Motor insurance

April 2014 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. Outline **five** different types of excess that may be applied by a motor insurer. (10)

2. The Road Traffic Act 1988 as amended refers to liabilities arising out of the use of a vehicle on a 'road or public place'.
 - (a) State how Section 192 of the Road Traffic Act 1988 defines a 'road'. (2)
 - (b) Identify **four** different locations that may be regarded as either a 'road' or a 'public place' in accordance with the Act. (4)

3.
 - (a) Outline **four** common forms of fraud found in motor insurance, providing an example of **each**. (8)
 - (b) A policyholder's vehicle is in collision with another vehicle and the insurer suspects fraudulent activity.

State **six** types of enquiry that could be undertaken in order to investigate fraud. (6)

4. A motor trader innocently buys a vehicle from a seller who had acquired that vehicle by theft. The motor trader then sells the vehicle to a customer.
 - (a) With reference to relevant case law, outline the position with regard to ownership of the vehicle. (4)
 - (b) Explain briefly the potential extent of cover for the motor trader for claims from the original owner of the vehicle and the new purchaser. (4)

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5. (a) Describe briefly the cover under the personal accident section of a typical private motor car policy. (4)
- (b) Outline **two** exclusions to this cover. (4)
6. A policyholder, driving his own vehicle, collides with the rear of another vehicle. The policyholder's vehicle is comprehensively insured.
- Explain briefly the no claim discount (NCD) position in **each** of the following situations:
- (a) Where the policyholder has four years NCD. (3)
- (b) Where the policyholder has a protected NCD. (3)
- (c) Where the policyholder has a guaranteed NCD. (3)
7. (a) Explain briefly the **three** main rating methods applied to a motor trade road risks policy. (9)
- (b) List **three** other general factors which may affect the rating of this type of risk. (3)
8. (a) Identify **six** pieces of risk information found on a motor fleet experience form. (6)
- (b) Explain briefly the term 'burning cost' in relation to fleets. (4)
9. Explain the meaning and operation of **each** of the following motor insurance policy clauses, with reference to the principle of indemnity.
- (a) Non-proprietary parts clause. (4)
- (b) Replacement car clause. (6)
- (c) Medical expenses clause. (4)

Questions continue over the page

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10. Identify **eight** reasons why motor insurers generally find self-drive hire risks to be unattractive. (8)
11. (a) Outline the operation of the suspension of cover clause found in a typical motor policy. (4)
- (b) List **four** reasons why the policyholder may request this cover. (4)
12. (a) Outline **three** key developments introduced by statute, insurance organisations or the police used to tackle the problem of uninsured driving. (6)
- (b) State **four** types of information held on the Motor Insurance Database. (4)
13. The Consumer Insurance (Disclosure and Representations) Act 2012 introduced three different types of misrepresentation.
- Identify the **three** types of misrepresentation and state the remedies available to insurers for **each** type. (9)
14. Explain the duties placed upon a policyholder under the policy conditions following an accident with a third party. (14)

PART II

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

15. (a) State **five** types of information that may be found on a motor insurance certificate. (5)
- (b) Joe Brown of Brown's Haulage Ltd has comprehensive cover on his commercial fleet policy, issued with a blanket motor insurance certificate by ABC Insurance Company. An employee is due to deliver parcels on behalf of Brown's Haulage Ltd. However, the company vehicle will not start and as a result the employee has to use his own car to make the delivery.
- Whilst driving, the employee loses control of his car and collides with an oncoming third party vehicle. Both vehicles are damaged and the third party driver suffers injuries.
- Following an investigation into the accident, the employee's own vehicle was found to have defective brakes.
- (i) Discuss the issues raised by the above scenario. (20)
- (ii) Identify **five** third party heads of claim that may arise. (5)
16. Motor insurers collect personal information about policyholders and named drivers for underwriting purposes.
- Identify the information that is collected and explain why it is required. Your answer should include reference to any statutory requirements. (30)
17. (a) XYZ Insurance Company offer alternative vehicles to their policyholders whilst the policyholders' own vehicles are being repaired.
- Explain the options the insurer may use to provide an alternative vehicle and the limitations of such options, with reference to policy wordings where appropriate. (14)
- (b) Explain briefly **eight** factors that may benefit from a close working relationship between the claims and underwriting department of a motor insurer, with reference to specific examples where appropriate. (16)

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