

P94

Diploma in Insurance

Unit P94 – Motor insurance

April 2011 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.**

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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 **eight** of the sections that are found within a typical private motor policy. (8)

2. Road traffic liabilities are restricted by the physical location of where the incident actually occurred.
 - (a) Outline how section 192 of the Road Traffic Act 1988 defines a road. (3)
 - (b) Give **three** case law examples of how this definition has been interpreted. (6)
 - (c) The definition of a road was extended in 2000. Identify the extent of the change, illustrating your answer with a case law example. (3)

3.
 - (a) Outline the meaning of the term 'vicarious liability'. (3)
 - (b) Outline **two** situations where vicarious liability may attach when a vehicle is being used. (4)

4. Outline the procedures that an insurer needs to put into place when delegating authority to a broker for the issue of cover notes. (7)

5.
 - (a) There are three formats to insurance certificates, state the basic information that may be found on Certificate Form "A". (9)
 - (b) Outline when **two** of the formats are most likely to be used. (4)

6. You work as a motor underwriter for an insurer who specialises in "pay-as-you-drive" insurance policies. You receive a telephone call from a prospective policyholder who asks you to:
 - (a) Explain how the product works. (6)
 - (b) Outline the benefits and issues of this type of product. (6)

7.
 - (a) Explain briefly the concept and meaning of Alternative Dispute Resolution (ADR). (4)
 - (b) Outline **four** different types of ADR. (8)

8. (a) State the 'driving other cars' (DOC) extension found on a typical private motor policy. (3)
- (b) Outline **two** reasons why this type of extension may be sought by a policyholder. (4)
9. Explain the policy condition relating to security found in a typical motor insurance policy, which deals with the location of vehicle keys using case law to illustrate your answer. (10)
10. Describe the basis on which trailer cover may be given under a commercial vehicle policy. (12)
11. An underwriter receives an enquiry from the owner of Cobden Driving who operate a private car driving school.
- Describe the underwriting factors that would be taken into account when considering this type of motor insurance risk. (10)
12. Outline the meaning of the term 'market value' in relation to the total loss of a motor vehicle, and explain how it may be assessed. (12)
13. Explain the differences between Road Traffic Act cover and Third Party Only cover under a motor insurance policy. (12)
14. List **six** underwriting factors that may be taken into account when adding a high performance vehicle to a motor fleet policy. *Your answer should exclude any driver related factors.* (6)

Questions continue over the page.

PART II

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

15. (a) State the policy extensions that may be found on a road risk motor trade policy. (10)
- (b) Mr Matthews had comprehensive insurance on his motor trade policy. He lent one of his vehicles to Mr Peters. Mr Peters parked the vehicle outside his house one evening and then discovered that one of the tyres was flat. He decided to change the tyre the next morning. Upon emerging from his house the next day, he found that the vehicle had rolled into a car parked in front, which resulted in damage being sustained to both vehicles. He also discovered that the satellite navigation device had been stolen from Mr Matthews' vehicle.
- Outline the issues raised by the above scenario, the types of claims that may arise, and how the insurer may treat these claims. (20)
16. You work for a newly established motor insurer, and are asked to create a report outlining the measures that could be taken to reduce your exposure under the theft section of the policy.
- Explain the measures that can be taken by the insurer to minimise their theft liabilities, with reference to policy wordings and claims processes. (30)
17. As a motor insurance underwriter you receive a call from a policyholder who has insured his private motor vehicle comprehensively with your company. He has recently purchased a motorcycle and would like to know if you can arrange cover for this on the same basis as his private motor vehicle.
- (a) Explain the differences in cover between a typical comprehensive motor cycle policy, and that offered by a private motor vehicle policy. (15)
- (b) On receipt of the proposal form for the motorcycle insurance, you note that the proposer discloses that he had recently been diagnosed as suffering from epilepsy.
- State the further information you might request and explain the underwriting considerations that may arise, referring to relevant statutes where appropriate. (15)

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