



THE CHARTERED INSURANCE INSTITUTE

DIPLOMA

APRIL 2010 EXAMINATION PAPER

**UNIT P94
MOTOR INSURANCE**

INSTRUCTIONS

- Three hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on 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 booklet and this question paper must be handed in personally by you to the invigilator before you leave the examination. Failure to do this may result in your paper not being marked and you may be prevented from entering this examination in future.**

READ THE INSTRUCTIONS OVERLEAF CAREFULLY BEFORE ANSWERING ANY QUESTIONS.

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P94 – Motor insurance

CANDIDATE INSTRUCTIONS

READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS.

Three hours are allowed for this paper. You should answer all questions in Part I and two out of the three questions in Part II.

The paper 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 are advised to spend no more than two hours on Part I.

The number of marks allocated to each question part is shown next to the question and you should spend your time in accordance with that allocation.

Answer each question on a new page. If a question has more than one part, leave several lines blank after each part.

It is important to show each step in any calculation, even if you have used a calculator.

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.

PART I

Answer ALL questions in Part I.

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

1. A policyholder's vehicle is involved in an accident and the vehicle requires repair. The vehicle is comprehensively insured. Outline the authorised repair process, highlighting the benefits of this to the policyholder. **(10)**

2.
 - (a) Summarise 'transfer of interest' in relation to motor insurance. **(5)**

 - (b) Following a transfer of interest, outline how insurers may be exposed to liabilities, and identify how they may limit their exposure. **(4)**

3.
 - (a) Outline the two types of offences found within section 143 of the Road Traffic Act 1988. **(2)**

 - (b)
 - (i) List the different circumstances when a motor insurance policy may be inoperative, giving a supporting example for each circumstance. **(5)**

 - (ii) Identify where cover may still operate, even where there has been an oversight on the part of the policyholder. **(2)**

4. Mr Potts, who owns his own business, had an accident in his comprehensively insured company car, which was rendered a total loss. There is a dispute as to the amount to be paid for the vehicle, which cannot be resolved with the insurer.

Outline the three options available to Mr Potts. **(9)**

5. By specific reference to the pre-action protocols, outline the contents of a claims notification condition, and explain why it is imperative that the policyholder complies with such a condition. **(10)**

6. Describe five benefits of a corporate claims philosophy. **(10)**

7. You are an insurance broker, and are approached by a 25-year-old proposer for a motor insurance policy. The proposer advises you, his insurance broker, that he has a three-year-old conviction for fraud which resulted in him serving a jail sentence of three months.
 - (a) Explain briefly what factors need to be taken into account when deciding whether the conviction needs to be disclosed to the proposer's insurers. **(6)**
 - (b) List four options open to the prospective insurers following disclosure of the offence. **(4)**

8. The level of risk in motor insurance is assessed in terms of frequency and severity of loss. Describe the meaning of frequency in relation to fleet risks, and identify the elements used to calculate the premium for a medium-sized fleet. **(11)**

9. Communication between underwriting and claims departments is important. Identify four key areas where the exchange of information is vital and the reasons why. **(8)**

10. Following a claim made under a motor insurance policy, identify and explain four of the insurance principles that can be applied, giving an example of the application of each. **(12)**

- 11.** Explain the factors that a motor insurer should take into account, when considering their insurance policy position in each of the following circumstances.
- (a) Alec, the policyholder, returns home to discover that his vehicle has been taken overnight by his 18-year-old nephew, Jimmy. The vehicle is discovered in a ditch with somebody seated in the passenger seat, who has suffered face and neck injuries. There is no sign of the driver, Jimmy. (5)
- (b) Harry drives home and parks his van outside his house. He hands the vehicle keys to his friend, Bruce, who is seated in the passenger seat and then Harry goes inside his house. Whilst waiting Bruce opens his car door. A pedal cyclist collides with the car door and suffers a knee injury. (7)
- 12.** With reference to the relevant section of the Road Traffic Act (RTA) 1988, explain how the RTA deals with payment for emergency treatment of road traffic casualties. (10)
- 13.** You are an insurance intermediary, and are approached by a private client who wishes to travel around Europe in his vehicle.
- (a) Describe briefly the cover options available, and the steps necessary to ensure the appropriate cover is in force. (5)
- (b) Outline the typical cover and restrictions provided by foreign use extensions. (5)
- 14.** Simon is working at the top of an overhead crane attachment which is mounted on a lorry. He is fixing an overhead light, when he drops the light, and it strikes a passer-by who subsequently submits an injury claim to the insurers of the lorry.
- (a) Outline the indemnity issues that arise from the incident. You should ignore any liability issues which might arise out of tort. (5)
- (b) Identify five heads of claim that are likely to be pursued by the injured person. (5)

PART II

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

- 15. (a)** As an insurance broker, you receive a call from a client, who enquires about the standard benefits of UK breakdown cover. Outline the options available, detailing the cover offered with each option. **(20)**
- (b)** Gracie is driving her vehicle home when it suddenly veers off the road and suffers damage. It transpires that one of the tyres had a puncture.
- As the vehicle is comprehensively insured, the insurers are asked to consider indemnity. It is discovered that the vehicle does not have an MOT certificate.
- Outline the technical and document checks that the insurers would undertake in order to determine their position, and identify any other factors that they would take into account. **(10)**
- 16.** As an insurance company manager, you are given responsibility for reviewing your company's policy towards combating fraud. Outline the databases and software that are available to your company, and the type of information that can be gathered from each. **(30)**
- 17.** Describe the insurer's renewal process for a typical motor insurance policy. You should include reference to the company's systems and procedures. Explain how the Road Traffic Act 1988 may be used to effect the process. **(30)**

