



THE CHARTERED INSURANCE INSTITUTE

DIPLOMA

OCTOBER 2009 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.

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

1. (a) Outline the purpose of a motor insurance renewal notice. (1)
(b) Outline the information that is usually found on a typical renewal notice. (9)

2. Describe the parties who may be able to demonstrate an insurable interest in the subject matter of a motor insurance policy. (10)

3. Section 144 of the Road Traffic Act 1988 provides an exemption from compulsory motor insurance. Outline this option and identify the types of organisations that may be eligible for this insurance exemption. (10)

4. (a) Outline two types of claims that cannot be considered under the Motor Insurers' Bureau Uninsured Drivers Agreement. (4)
(b) State against whom the right of recovery can be pursued, and in what circumstances. (7)

5. Outline four of the key developments made in order to reduce uninsured driving in the UK, following Professor Greenaway's report on this subject in 2004. (8)

- 6.** Explain briefly the types of standard excesses that can typically be imposed on a comprehensive private motor insurance policy. **(10)**
- 7.** (a) Explain briefly how the Financial Services Authority (FSA) ensures that a consumer policyholder's claim is not unreasonably rejected by an insurer. **(3)**
- (b) Outline the FSA requirements which have to be met to ensure such a claim will not be rejected. **(6)**
- 8.** As an underwriter, you receive a telephone call from a policyholder who has suggested to some colleagues that they 'share' their own cars for travelling to and from work with the passengers contributing towards the cost of travel. The policyholder requires specific advice on the use of the vehicle and the question of contribution to the travelling costs.
- Outline briefly the advice that you would give, referring to any policy wordings and legislation to explain the position. **(12)**
- 9.** Outline the wording of a typical motor insurance policy cancellation condition. **(10)**
- 10.** (a) Outline briefly the objectives of a motor insurer's claims department. **(8)**
- (b) Outline the significance of the claims department from a marketing perspective. **(2)**

- 11.** Mr Brown has caused a serious road traffic accident involving personal injury to a third party. He has been informed that the claim from the injured third party will include an amount for general damages.
- As Mr Brown's motor insurer, outline 'general damages' and describe what these may include. **(10)**
- 12.** List five of the exclusions regarding liability to third parties usually found in a motor insurance policy. **(10)**
- 13.** Outline the typical extensions that may be given on a motor trade road risk insurance policy, and explain briefly the reasons for each. **(9)**
- 14.** As an insurer's member of staff, you have been asked by your manager to compile a report on the 'district of garaging or use' rating factor.
- (a) Outline the reasons why this rating factor is important. **(4)**
- (b) Outline how insurers endeavour to overcome the issues raised when using this rating factor. **(7)**

Part II questions can be found on pages 8 and 9

PART II

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

- 15.** A ‘classic’ vehicle is left on a driveway with the engine running and the immobiliser applied whilst the driver is in his home. A thief overcomes the immobiliser, drives the vehicle away, and is then in collision with another vehicle. Both vehicles are written off.

The third party driver of the other vehicle is injured. The stolen vehicle is insured under a comprehensive agreed value private car insurance policy for £20,000. The actual value at the time of the loss is £16,000. Several items were stolen including cash, a briefcase containing work documents, and CD equipment. These were not recovered at the scene of the accident.

- (a) Identify the factors that the insurer would take into account when considering the claim, in order to determine their potential exposure. **(10)**
- (b) State the likely extent of cover under the agreed value policy in respect of the policyholder’s and the third party’s losses. **(20)**

- 16.** (a) (i) Outline four of the most common mid-term policy alterations that can occur on a motor insurance policy. **(4)**
- (ii) Describe how these may be communicated by the policyholder. **(3)**
- (iii) Outline the potential effects of such alterations. **(10)**
- (b) Mr Jones, who, according to his insurer’s records is a plumber, has a comprehensively insured vehicle. Mid-way through the policy year, he informs the insurer that he was involved in a fault accident a few days earlier, whilst driving that vehicle, in which the third party driver sustained serious personal injury.

It transpires that Mr Jones has been a motor trader since before the last renewal date of his motor insurance policy, but this has not previously been revealed to the insurer.

Outline the enquiries that would usually be undertaken and the potential effect of the change of occupation on both the claim and the insurance policy. **(13)**

17. (a) (i) Outline the five main categories of peril that arise as risks from motor vehicles. (5)

(ii) Using examples, explain the concept of hazard and risk in relation to motor insurance. (4)

(b) Mr Pendle wished to sell his vehicle and was approached by a buyer, Mr Goddard, who agreed to pay the asking price and presented Mr Pendle with a bankers draft. Mr Pendle accepted the payment and allowed Mr Goddard to drive the vehicle away.

It later transpired that the bankers draft was stolen from the issuing bank, and was not honoured by them.

Subsequently, Mr White purchased the vehicle from Mr Goddard in good faith.

By reference to legislation, case law and policy wordings, discuss the position of Mr Pendle and his vehicle insurer. There was a comprehensive insurance policy providing cover at the time of the loss. (21)

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