

P94

Diploma in Insurance

Unit P94 – Motor Insurance

October 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.**

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. State **six** types of excess typically found in a motor insurance policy, and outline the purpose of each type of excess. (12)

2. Outline the circumstances in which a motor insurer would issue an agreed value policy and the reasons for doing so. (6)

3. Outline **four** types of a claim which cannot be paid under the Motor Insurers Bureau Uninsured Drivers Agreement. (8)

4. (a) Explain briefly the term 'Periodic Payment Orders', giving **three** reasons for their use. (5)
(b) Outline how these orders work in practice. (7)

5. Identify which incurred towing and storage charges will be met by a motor insurer under a comprehensive private car policy following an accident. (6)

6. List **eight** items which may be found in a private car policy schedule, but which are not stated in the certificate of motor insurance. (8)

7. A survey undertaken by the Association of British Insurers in 2009 suggests that there has been an increase in the detection of fraudulent claims. Give **six** reasons for such an increase. (12)

8. Outline the reasons for the concept of 'district of garaging or use' as a rating factor in private and commercial motor insurance. (12)

9. Outline **four** situations where a motor insurer will be deemed to be an Article 75 Insurer. (8)
10. Outline the information that may be recorded on a claims processing system, upon notification of the theft of a vehicle. (14)
11. Describe the role of a motor engineer in the motor claims process, making reference to their background and experience. (14)
12. You are an insurance broker and are asked by a junior member of staff to explain the difference between public and private hire, by reference to the types of vehicle used for each activity. (10)
13. A typical motor insurance policy will exclude loss or damage as a result of a vehicle being taken without the policyholder's permission if the required security precautions are not undertaken by the policyholder. Outline **three** precautions that should be complied with. (6)
14. Outline **six** purposes of a motor insurance policy record. (12)

Questions continue over the page

PART II

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

15. As an underwriter you are asked to explain to an insurance broker:
- (a) How motor fleet policies are rated and the factors used by a fleet underwriter to calculate a new business or renewal premium. (15)
- (b) The different costs that have to be taken into account when pricing motor insurance. (15)
16. (a) Mr Griffins is the managing director of Griffins Haulage Ltd. He calls to advise of a claim on his comprehensive policy. Griffins Haulage Ltd are insured under a typical goods carrying vehicle policy, with trailer cover for a specified trailer. One of their new vehicles is involved in an accident whilst being driven by the managing director's 19-year-old son, Mark, an insured driver under the policy. The accident is not Mark's fault.
- At the time, the trailer was carrying merchandise for Mr Griffins' business and a sports bag containing clothes belonging to Mark. The trailer is not the one covered under the policy.
- The policyholder's vehicle is extensively damaged and Mark also loses one eye in the accident.
- (i) Identify the types of investigations that may be undertaken by Mr Griffins' vehicle insurers. (6)
- (ii) Discuss briefly whether the claims are likely to be met and if so to what extent. (6)
- (iii) Outline the extent to which such heads of claim could be pursued if the vehicle was a private car insured under a private car policy. (6)
- (b) Two weeks later, Mr Griffins calls to advise you of a second claim. A lorry owned by the policyholder and driven by Mark Griffins skids off the road and crashes into a house causing considerable damage to the building. The load being carried by the vehicle was not owned by Griffins Haulage Ltd and was placed on it by the load's owner. The police have identified that at the time of the accident the vehicle was carrying a load greater than the vehicle's maximum carrying capacity.
- Discuss by reference to the legal position and policy wordings, the insurers potential position under the terms of the policy and the heads of any third party claim that are likely to be presented. (12)

17. Mr Adams is looking to purchase a brand new car and has obtained quotes on different vehicles.

He is confused as to why there is a variation in both the premiums quoted and the terms, depending on the vehicle to be insured.

- (a) Explain the different vehicle related rating factors that may be taken into account for private car insurance and the reasons why each factor affects the premium. **(18)**

- (b) Following the purchase of his new car, Mr Adams insures it on a comprehensive basis. A couple of weeks later it skids off the road and collides with a tree, whilst being driven by the policyholder. As a result the car is extensively damaged and Mr Adams suffers personal injuries. It transpires that the cause of the accident was defective brakes.

Discuss the insurers' position and the type of claims that may be pursued. **(12)**

