

Motor insurance

Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of:

- the risks and legal considerations associated with motor insurance;
- the scope of cover for motor car, motor cycle and commercial motor insurances;
- the key market practices related to motor insurance;
- the main underwriting considerations;
- the claims practices related to motor insurance.

Assumed knowledge

It is assumed the candidate has the knowledge gained from a study of the fundamental principles of insurance as covered in IF1 Insurance, legal and regulatory and P05 Insurance law or equivalent examinations.

Summary of learning outcomes

1. Know the nature of and main factors impacting on motor risk.
2. Understand the scope of cover available for motor cars, motor cycles, commercial vehicles and other motor risks.
3. Understand the market practices of motor insurance, including documentation.
4. Understand risk perception, evaluation and underwriting of motor insurance.
5. Understand the claims considerations and procedures of motor insurance.

Important notes

- **Method of assessment:** Part I 14 compulsory questions (140 marks). Part II 2 questions selected from 3 (60 marks). Total of 200 marks. Three hours are allowed for this exam.
- The syllabus is examined on the basis of English law and practice unless otherwise stated.
- The general rule is that the exams are based on the English legislative position six months before the date of the exams.
- Candidates should refer to the CII update website www.cii.co.uk/updates for the latest information on changes to law and practice and when they will be examined.

1. Know the nature of and main factors impacting on motor risk

1.1 Motor risk

1.1.1 Different types of motor risk – third party liability, first party damage, terrorism, riot, war and nuclear risks;

1.1.2 The typical frequency and severity of motor risks.

1.2 Legislation and other factors

1.2.1 Key provisions of the Road Traffic Acts: principal road safety provisions, licensing of drivers, miscellaneous and general, relevant case law;

1.2.2 Compulsory Motor insurance – Part VI of the Road Traffic Act – and how the underwriting of insurance helps control motor risk;

1.2.3 Vehicle use and driving limitation;

1.2.4 The Motor Insurers' Bureau – the Uninsured and Untraced Drivers Agreements, the effect of the Domestic Agreement (Article 75) and its influence on market practice;

1.2.5 Insurance Offences; Void and voidable policies;

1.2.6 Uninsured Driving – risk implications and controls.

2. Understand the scope of cover available for motor cars, motor cycles, commercial vehicles and other motor risks

2.1 Indemnity and main types of cover

2.1.1 The motor car policy and its structure;

2.1.2 Cover for third party liabilities – relevant exclusions and limitations;

2.1.3 Cover for loss or damage to the insured vehicle – relevant exclusions and limitations;

2.1.4 Personal accident benefits, cover for personal effects and medical expenses;

2.1.5 Policy conditions and general exceptions;

2.1.6 Minimum EU cover and foreign use extensions;

2.1.7 Right of recovery clause;

2.1.8 Uninsured loss recovery and legal expenses;

2.1.9 Breakdown assistance.

2.2 Cover for motor cycles, commercial vehicles and other motor risks

2.2.1 Motor cycles;

2.2.2 Goods carrying commercial vehicles;

2.2.3 Hire cars;

2.2.4 Passenger carrying commercial vehicles;

2.2.5 Special types;

2.2.6 Agricultural and forestry vehicles;

2.2.7 Motor trade.

3. Understand the practices of motor insurance, including documentation

3.1 The new business process – proposal declaration, policy document, schedule and Statements of Fact; the certificate of insurance and cover note;

3.2 Mid-term policy alterations and documentation;

3.3 The renewal process, including documentation and lapses;

3.4 Legal issues arising from cancellation;

3.5 Legal issues arising from documentation issued via intermediaries.

4. Understand risk perception, evaluation and underwriting of motor insurance

4.1 Rating and underwriting of motor vehicles and users

4.1.1 Use of parameters, standard rates, rating models and pricing methods;

4.1.2 Key risk assessment approaches and underwriting options;

4.1.3 Proposal evaluation – legal considerations, validation methods and fair obtaining notices;

4.1.4 Assessment of drivers and other users;

4.1.5 Assessment of vehicles – groupings, modified vehicles, high performance and high valued vehicles;

4.1.6 Application of loadings and discounts, including no claim discounts;

4.1.7 Other rating and underwriting factors affecting the claims ratio;

4.1.8 Factors affecting the expense ratio and operating ratio;

4.1.9 Reinsurance applied to motor insurance.

4.2 Other types of vehicle and motor fleet

4.2.1 Variations in underwriting for motor cycles, commercial vehicles and other motor risks;

4.2.2 Underwriting fleet rated risks, contingent liability and occasional business use; Risks;

4.2.3 Fleet risk management and its benefits in underwriting fleet risks.

4.3 Mid term and renewal underwriting

4.3.1 Key issues in underwriting mid term changes – duty of disclosure, material facts and risk changes;

4.3.2 Key issues in renewal underwriting;

4.3.3 Importance of liaison between claims and underwriting functions.

5. Understand the claims considerations and procedures of motor insurance.

- 5.1 Claims management objectives and philosophy;
- 5.2 Validation and evaluation;
- 5.3 Counter fraud measures;
- 5.4 General claims handling principles applied to motor insurances;
- 5.5 Specific claims handling procedures applicable to private motor, commercial motor and motor trade insurance;
- 5.6 The role of the police in the claims process;
- 5.7 Market agreements and their effect: the ACPO agreement on fraud reporting, MIB Agreements;
- 5.8 The role of motor engineers, approved repairers and others involved in own vehicle and third party property repairs and replacements;
- 5.9 Procedure to assess bodily injury, accidental damage, fire and theft and third party losses;
- 5.10 Classification of damages and the use of single, provisional and structured settlements;
- 5.11 Dispute resolution – arbitration clauses and internal complaint processes, the Financial Ombudsman Service, Alternative Dispute Resolution.

Reading list

The following list provides details of various publications which may assist with your studies.

These will help candidates keep up-to-date with developments and will provide a wider coverage of syllabus topics.

Note: The examination will test the syllabus alone. However, it is important to read additional sources as 10% of the exam mark is allocated for evidence of further reading and the use of relevant examples.

The reading list is provided for guidance only and is not in itself the subject of the examination.

CII/Personal Finance Society members can borrow most of the additional study materials below from Knowledge Services.

CII study texts can be consulted from within the library. For further information on the lending service, please go to www.cii.co.uk/knowledge/resources.

CII study texts

Motor insurance. London: CII. Study text P94

Insurance law. London: CII. Study text P05

Insurance, legal and regulatory. London: CII. Study text IF1

Additional reading

Additional reading materials are available through the library or on the Knowledge Services website.

New materials are added frequently – for information about new books and articles in your area of interest, please visit www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

Books (and ebooks)

'Motor policies'. Chapter – The modern law of insurance. Andrew McGee. 3rd ed. London: LexisNexis, 2011.

Motor insurance: theory and practice. Kenneth Cannar. 2nd ed. London: Witherby, 1994.

Bingham & Berryman's personal injury and motor claims cases. 13th ed. Michael Pether (ed) et al. London: LexisNexis, 2010.

'Motor vehicle insurance'. Chapter – Birds' modern insurance law. John Birds. 8th ed. London: Sweet & Maxwell, 2010.

'The Road Traffic Act 1988'. Section – The law of insurance contracts. 6th ed. Malcolm A Clarke et al. London: Informa, 2009.

The law of motor insurance. Robert M Merkin, Jeremy Stuart-Smith. 1st ed. London: Sweet and Maxwell, 2004 [2nd ed due in December 2012].

'The Road Traffic Act 1988 – third party liabilities'. Chapter – Claims handling law and practice. Richard West et al. London: Witherby, 2008.

APIL guide to MIB claims.: uninsured and untraced drivers. 3rd ed. Andrew Ritchie. Bristol: Jordan, 2008.

APIL guide to RTA liability. 2nd ed. Andrew Ritchie. Bristol: Jordan, 2012 (To be published April 2012).

A practical guide to handling Motor Insurers' Bureau claims. Nick Jervis and Judy Dawson. London: Cavendish, 2002. Also available as an ebook via www.cii.co.uk/knowledge/resources (CII/Personal Finance society members only).

Claims against uninsured and untraced drivers. Paul Cain. London: Sweet & Maxwell, 2002.

Drafting insurance contracts: certainty, clarity, law and practice. Christopher Henley. London: Leadenhall press, 2010.

Insurance claims. 2nd ed. Alison Padfield. Haywards Heath: Tottel, 2007.

Factfiles and other online resources

Agreements. Motor Insurers' Bureau. Available via www.mib.org.uk.

Fraudulent claims. Ian Youngman. Updated annually. Available via www.cii.co.uk/knowledge/resources (CII/Personal Finance Society members only).

Further articles and technical bulletins are available at www.cii.co.uk/knowledge/resources (CII and Personal Finance Society members only).

Journals and magazines

Insurance times. London: Newsquest Specialist Media. Weekly.

The Journal. London: CII. Six issues a year. Also available via www.cii.co.uk/knowledge/resources (CII/Personal Finance society members only).

Post magazine. London: Incisive Financial Publishing. Weekly.

Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004. Also available as an ebook via www.cii.co.uk/knowledge/resources (CII/Personal Finance society members only).

Insurance: Conduct of Business sourcebook (ICOBS). Available via fsahandbook.info.

Road Traffic Act 1988. London: HMSO, 1988. Available via legislation.gov.uk

Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers.

You are strongly advised to study guides for the last two sittings. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Older examination guides are available (for members only) via www.cii.co.uk/knowledge/resources.

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.