

P94

Diploma in Insurance

Unit P94 – Motor insurance

April 2013 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. (a) Outline the purpose of a motor insurance renewal notice. (2)
(b) State the information that is usually found on a typical renewal notice. (8)
2. Outline the **four** types of claim which will not be met by the Motor Insurers' Bureau (MIB) under the MIB Uninsured Drivers' Agreement. (8)
3. (a) Outline **two** reasons why the rating factor 'modification to cars' is important and state the actions that an underwriter may take when considering this factor. (6)
(b) List **six** examples of modifications to cars. (6)
4. Identify **six** differences in cover between a typical motor cycle policy and a private car policy. (6)
5. Explain the potential settlement options available to an insurer when considering a claim for vehicle damage under a comprehensive private motor policy. (12)
6. List **five** documents that may be utilised in the formation of a motor insurance contract. (5)
7. (a) State **five** types of credit report information that may be obtained through electronic enquiries. (5)
(b) Explain a factor that could be revealed for **each** type of information collected which may assist with the evaluation of a risk to be insured or the settlement of a claim. (5)
8. (a) Explain briefly the benefits of a fleet policyholder's risk management policy. (8)
(b) Identify **six** different types of risk management activity that would potentially improve a fleet risk. (6)

9. A policyholder parks his vehicle and goes into his house. He then asks his 16 year old son to retrieve some personal belongings from the car. The son collects the belongings, locks the car, and leaves the car keys in his coat pocket. Overnight the vehicle is stolen.
- Outline the potential indemnity position of the motor insurer in view of the circumstances **preceding** the theft with reference to policy wordings and Financial Services Authority guidelines. (8)
10. Explain briefly the meaning of the following.
- (a) Unauthorised Movement extension. (5)
- (b) Occasional Business Use extension. (5)
11. A policyholder with a private car policy wishes to cancel the policy with her motor insurer and sends a cancellation letter but does not return the certificate of motor insurance.
- (a) Explain the extent of liabilities that may still be faced by the vehicle insurers. (8)
- (b) Give reasons for such liabilities prevailing. (4)
12. (a) Distinguish between a vehicle owner and a registered keeper of a vehicle. (4)
- (b) Identify **three** circumstances where it may be acceptable for a policy holder to insure a vehicle where they are neither owner nor a registered keeper. (3)
13. (a) Explain the basic cover provided by both Before The Event (BTE) and After The Event (ATE) legal expenses insurance. (4)
- (b) (i) Outline **four** similarities between BTE and ATE insurance. (4)
- (ii) Outline **six** differences between BTE and ATE insurance. (6)
14. (a) Outline the loading and unloading exclusion in a typical commercial vehicle policy. (4)
- (b) Explain how the loading and unloading exclusion operates in practice, using examples. (8)

Questions continue over the page

PART II

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

- 15.** Mr Peters has a comprehensive private car policy on his own vehicle. He has borrowed a friend's car whilst his own is being serviced. There is no cover for Mr Peters under his friend's policy. Mr Peters has a 'driving other cars' (DOC) clause under the terms of his own insurance.

Whilst Mr Peters is driving his friend's vehicle, he approaches a bend, loses control and collides with a motor cyclist.

(a) Outline a typical DOC clause. **(7)**

(b) Explain the precise extent of the cover that may be granted to Mr Peters under the DOC clause and any possible limitations to such cover. **(7)**

(c) A communication is then received by the insurers from solicitors acting on behalf of the injured motor cyclist.

Outline the benefits of the Pre-Action Protocol process and the options which could precipitate an early resolution of part or all of the dispute. **(16)**

- 16.** Mr James, owner of James Builders Ltd has two policies with the same motor insurer. One is a fleet policy in the name of the company for his fleet of commercial vehicles. The other is a private car policy, for his own vehicle. Both policies provide comprehensive cover.

(a) Mr James is considering travelling to Europe on holiday for around three months using one of the commercial fleet vehicles, rather than his private car.

Explain the foreign cover available to Mr James under each policy and the consequences of not extending the policy to cover foreign use. **(15)**

(b) Mr James wishes to add a driver who suffers from epilepsy to the fleet policy.

Summarise the information that the insurers may require in order to assess the risk, making reference to statutory requirements.

Your answer should include reference to the Road Traffic Act requirements in the event of an insurer refusing to issue an insurance policy due to the state of health of an individual. **(15)**

17. You are an employee of a commercial motor insurer and receive a call from a commercial vehicle customer, Mr Griffiths, of Griffiths Haulage Ltd, who insures his fleet of vehicles on a comprehensive basis with you.

He is now looking to expand his firm by venturing into the motor trade business creating a separate vehicle servicing operation. He intends to service his own vehicles and those owned by third parties. He is seeking a road risks policy.

- (a) Explain the extent of cover under a road risks motor trade policy, including any extensions that may be required. (15)
- (b) Having taken out a separate comprehensive road risks motor trade policy the policyholder makes a claim.

While being driven to test the vehicle on the public highway as part of a service, a wheel from one of the policyholder's own vehicles becomes detached causing the vehicle to strike a parked car.

- Discuss the extent of cover for potential liabilities that may be provided under both the motor trade and fleet policies. (15)

