

## P94

### Diploma in Insurance

#### Unit P94 – Motor insurance

October 2014 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. List **eight** sections found in a typical private car policy. **(8)**
  
2. **(a)** Explain briefly the term 'vicarious liability'. **(4)**  
**(b)** Identify a situation where vicarious liability may attach when a vehicle is being used. **(2)**
  
3. A vehicle is insured comprehensively under a private car policy.  
  
In **each** of the situations below, identify the peril and any hazard, outlining the position of the insurer in the event of a claim.  
  
**(a)** The policyholder allows his 19-year-old son, a named driver, to drive the insured vehicle for the first time. The son drives the vehicle into a petrol station but fills the petrol tank with unleaded petrol. The vehicle runs on diesel fuel. **(4)**  
  
**(b)** Whilst being driven by the policyholder, the vehicle leaves the road and collides with a tree. Upon examination, the tyres are found to be worn. **(6)**
  
4. Explain briefly the following extensions found in a typical commercial vehicle policy:  
  
**(a)** Cross liabilities. **(3)**  
  
**(b)** Indemnity to principal. **(3)**

5. With reference to policy terms and conditions, outline the contractual duties of the policyholder and the potential position of the insurer, in **each** of the following situations.
- (a) A policyholder's vehicle collides with a brick wall. The policyholder fails to notify the insurers of the incident. (5)
  - (b) A private car proposer completes a motor insurance proposal form. They fail to mention a fixed penalty speeding conviction received just under three years earlier. (5)
  - (c) A private car policyholder is covered for social domestic and pleasure use and starts using his vehicle on a voluntary basis, conveying passengers to assist a charity. (5)
6. Outline **seven** reasons for the greater detection of fraud by motor insurers in recent years. (14)
7. State **six** pieces of information that may be recorded on a claims processing system, upon notification of a motor vehicle accident. *Your answer should exclude particulars of the accident circumstances.* (6)
8. Mr Robinson, a small business owner, had an accident in his comprehensively insured company car, which was rendered beyond economical repair.
- His insurers have made a settlement offer for the vehicle, but the settlement amount cannot be agreed and the matter cannot be resolved with the insurer.
- Outline **three** possible options available to Mr Robinson. (9)
9. (a) List **five** reasons for discounts being applied to a private car insurance policy. (5)
- (b) Outline **four** reasons for loading the premium on a private car insurance policy. (8)

QUESTIONS CONTINUE OVER THE PAGE

10. Explain the following terms, with reference to specific examples and the principle of indemnity:
- (a) Betterment. (6)
  - (b) Accessories. (6)
11. State **eight** reasons why an insurer may reduce their status to Road Traffic Act insurer following notification of a claim. (8)
12. (a) Outline **five** functions of a motor insurer's claims department. (10)
- (b) Explain briefly the significance and benefits of the claims department from a marketing perspective. (4)
13. Outline **three** factors that affect the rating of buses, coaches and minibuses. (9)
14. (a) Identify **five** examples of 'special types' vehicles. (5)
- (b) An excavator is being used on a road, parts of which are under construction. This vehicle is being used as a 'tool of trade' when it hits a parked third party vehicle.
- Explain briefly the policy position of the excavator's motor insurer, in the event of a third party claim, and identify the factors that they need to take into account. (5)

## PART II

Answer TWO of the following THREE questions

Each question is worth 30 marks

15. (a) Explain the main pricing elements that will comprise a motor insurance premium. (20)
- (b) (i) Describe the steps that a client could take to develop a fleet risk management programme. (5)
- (ii) Identify **five** specific examples of risk management that would improve a fleet risk. (5)
16. A private car policyholder is involved in an accident whilst driving his recently acquired vehicle, which is insured on a comprehensive basis. The vehicle is damaged beyond economic repair and is recovered and taken to a place of the insurer's choosing.
- With reference to policy wordings:
- (a) discuss the possible settlement options available to the insurer; (18)
- (b) outline the position regarding salvage, storage and collection charges. (12)
17. (a) Explain the circumstances in which a motor insurer would issue an agreed value policy, identifying any potential issues that may arise. (10)
- (b) A vehicle insured under an agreed value policy is left on a driveway. The vehicle is stolen and whilst being driven it is involved in a collision with another vehicle. Both vehicles are written off and the driver of the third party vehicle is injured.
- The stolen vehicle is insured for £25,000 and its current market value is £18,000.
- Identify the factors that the insurer of the stolen vehicle would take into account and discuss the extent of cover provided under the policy in respect of both the policyholder's and the third party's possible claims. (20)

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