

Motor insurance

Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of the different types of motor risk and the compulsory insurance requirements.

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 Po5 Insurance law or equivalent examinations.

Summary of learning outcomes

1. Understand the nature of motor risk and the main factors that impact on it.
2. Understand the scope of cover provided by motor policies.
3. Understand the main practices of motor insurance.
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 website for the latest information on changes to law and practice and when they will be examined:
 1. Visit www.cii.co.uk/qualifications
 2. Select the appropriate qualification
 3. Select your unit on the right hand side of the page

1. Understand the nature of motor risk and the main factors that impact on it

- 1.1 Explain the different types of motor risk, including their frequency and severity.
- 1.2 Outline the legislation, including the Road Traffic Acts, which aims to control risk.
- 1.3 Explain Part VI of the Road Traffic Act focussing on the effects of compulsory insurance on the motorist and insurers.
- 1.4 Describe the role and functions of the Motor Insurers' Bureau (MIB) including the MIB agreements.
- 1.5 Describe the incidence and consequences of uninsured driving and the measures taken to combat this.

2. Understand the scope of cover provided by motor policies

- 2.1 Explain indemnity and the main types of cover in relation to the motor car policy including:
 - cover for third party liabilities;
 - loss or damage to the insured vehicle;
 - other benefits such as personal accident and personal effects;
 - minimum EU cover and foreign use extensions;
 - uninsured loss recovery, legal expenses and breakdown assistance;
 - principal policy conditions, exclusions and the right of recovery clause.
- 2.2 Distinguish between the cover given under the motor car policy and the following:
 - motor cycles;
 - goods carrying commercial vehicles;
 - hire cars;
 - passenger carrying commercial vehicles;
 - special types;
 - agricultural and forestry vehicles;
 - motor trade;
 - motor fleet.

3. Understand the main practices of motor insurance

- 3.1 Explain the new business process.
- 3.2 Explain mid-term policy alterations.
- 3.3 Describe the renewal process, lapses and cancellations.
- 3.4 Explain issues arising from the delivery and surrender of certificates.
- 3.5 Explain the process for handling voidable policies and the options available to insurers.

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

- 4.1 Discuss motor underwriting strategy and objectives distinguishing between account level and case underwriting.
- 4.2 Explain an insurer's risk appetite, standard rating models and pricing methods.
- 4.3 Discuss key risk assessment approaches and underwriting options for motor business in respect of vehicles, drivers and use.
- 4.4 Discuss proposal evaluation including legal considerations and validation methods.
- 4.5 Explain the application of loadings and discounts, including no claim discounts.
- 4.6 Explain factors affecting loss ratio, expense ratio and operating ratio.
- 4.7 Describe reinsurance as applied to motor insurance.
- 4.8 Describe the methods of underwriting and rating for:
 - motor cars;
 - motor cycles;
 - goods carrying commercial vehicles;
 - hire cars;
 - passenger carrying commercial vehicles;
 - special types;
 - agricultural and forestry vehicles;
 - motor trade;
 - motor fleet risks, contingent liability and occasional business use.
- 4.9 Explain fleet risk management and its benefits;
- 4.10 Discuss the key issues in underwriting at renewal, mid-term changes in risk and policy variations;
- 4.11 Explain the importance of liaison between claims and underwriting functions.

5. Understand the claims considerations and procedures of motor insurance

- 5.1 Discuss motor claims strategy and objectives.
- 5.2 Explain the validation, evaluation and settlement criteria in handling motor claims including:
- counter fraud measures including the use of databases;
 - specific claims handling procedures applicable to private motor, commercial motor and motor trade insurance;
 - procedures to assess and resolve bodily injury, accidental damage, fire and theft and third party losses including the classification of damages.
- 5.3 Explain the role of market organisations and law enforcement agencies in the claims process including the practical application of the MIB Agreements.
- 5.4 Explain the role of motor engineers, approved repairers and others involved in own vehicle and third party property repairs and replacements.
- 5.5 Discuss dispute resolution procedures by reference to arbitration clauses, internal complaint processes, the Financial Ombudsman Service and Alternative Dispute Resolution.

Reading list

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

Note: The examination will test the syllabus alone.

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

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

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.

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. 9th ed. London: Sweet & Maxwell, 2013.

'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.

'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.

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 (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.

Guide to Motor Insurance Bureau claims. Donald Williams and Malcolm Johnson. The Law Society, 2012.

Insurance claims. 3rd ed. Alison Padfield. Bloomsbury Professional, 2012.

Factfiles and other online resources

CII factfiles are written by subject matter experts within the insurance and financial services industry. They are updated annually, and interim update bulletins are included where necessary to take into account any major changes during the year. All are available online via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

Fraudulent claims. Ian Youngman.

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

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

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 (CII/Personal Finance Society members only).

Insurance: Conduct of Business sourcebook (ICOBS). Available via www.fshandbook.info/FS/.

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.

Alternatively, if you have a current study text enrolment, the latest exam guides are available via www.revisionmate.com.

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

Exam technique/study skills

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

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at www.cii.co.uk/knowledge/iilrevision (CII/Personal Finance Society members only).