

P94

Diploma in Insurance

Unit P94 – Motor insurance

April 2015 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. (3)
 - (b) State **nine** items of information that are usually found on a typical renewal notice. (9)

2. You are an insurance broker and are approached by a 25-year-old proposer for a motor insurance policy. The proposer advises you that he received a two month jail sentence following a conviction for fraud over two years ago.
 - (a) Explain briefly the factors that need to be taken into account when deciding whether the conviction needs to be disclosed to the proposer's insurers. (6)
 - (b) List **four** options open to the prospective insurers following disclosure of the offence. (4)

3. Identify **six** questions found on a typical motor trade garage (internal) risks proposal form, outlining the relevance of **each** question to an underwriter. (12)

4. A policyholder returns home to discover that his vehicle has been taken overnight by his 17-year-old nephew. The vehicle is discovered in a ditch with somebody seated in the passenger seat who has suffered facial injuries. The nephew is not at the scene of the accident.

Explain the factors that a motor insurer should take into account when considering the extent of any third party liabilities which could arise out of the incident. (10)

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5. (a) Outline the 'driving other cars' (DOC) extension in a typical private motor policy. (4)
- (b) Give a reason why a DOC extension may be requested by a policyholder. (3)
- (c) Explain briefly how the concept of Continuous Insurance Enforcement (CIE) has potentially reduced problems with the abuse of the DOC clause. (3)
6. (a) Describe **one** way of arranging protection to meet third party liabilities, other than motor insurance, as set out in the Road Traffic Act 1988. (4)
- (b) State the issues presented to a business when using the option you described in **part (a)** above. (2)
7. A commercial vehicle, insured under a goods carrying vehicle policy, delivers goods which are being unloaded by a person at a client's shop. Whilst walking through the shop, the person drops a box onto a customer's foot, causing injury.
- (a) Outline the typical cover provided under the loading and unloading policy condition. (4)
- (b) Describe briefly the factors that will determine whether cover operates and the alternative insurance options if it does not. (4)
8. (a) Outline **four** specific elements of a typical cancellation condition. (4)
- (b) State **five** reasons why a motor insurer would invoke a typical cancellation condition. (5)
- (c) List **three** reasons why a policyholder may cancel a motor policy. (3)
9. Explain briefly the term 'credit hire', outlining **two** advantages and **two** disadvantages. (8)
10. State **seven** items of information that may be found in a credit report obtained by a motor insurer. (7)

QUESTIONS CONTINUE OVER THE PAGE

11. Identify **four** advantages and **four** disadvantages of the use of alternative dispute resolution (ADR) in the settlement of a motor insurance claim. (8)

12. A policyholder parks his comprehensively insured vehicle in a public car park and attends a party. He takes a taxi home and returns to the car park the following day, but the vehicle is missing and is subsequently recovered by the police two days later in a damaged condition. The vehicle keys cannot be located.

The policyholder claims for the following:

- Damage to the vehicle.
- Theft of £150 cash.
- Cost of replacement in-car entertainment £1,000.
- Replacement satellite navigation device.
- Replacement locks for the vehicle.

Outline the requirements placed upon the policyholder and the extent of cover under the private car policy for **each** of the policyholder's claims, with reference to policy conditions. (15)

13. Outline **six** reasons why an insurer could use 'location' or 'district of garaging' as a rating factor in private and commercial motor insurance. (12)

14. Explain the difference between public hire and private hire, with reference to the types of vehicle used for **each** activity. (10)

Part II questions can be found on pages 8 - 9

PART II

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

15. As a motor insurance underwriter, you receive a call from Anne, a policyholder, who has insured her private motor vehicle comprehensively with your company. Anne has recently purchased a brand new motorcycle and wishes to insure it on the same basis as her private motor car.
- (a) Explain the differences in cover between a typical comprehensive motorcycle policy and that offered by a private motor vehicle policy. (8)
- (b) Following the purchase of her new motorcycle, Anne insures it on a comprehensive basis. A couple of weeks later, it skids off the road and collides with a wall, whilst being ridden by Anne. As a result, the motorcycle is extensively damaged and Anne suffers personal injuries as does her passenger, who loses the sight in one eye. It appears that the cause of the accident was a defective steering mechanism.
- Explain the factors that the insurers will have to take into account to assess their position. (10)
- (c) Explain briefly **three** risk factors that are considered when underwriting motorcycle business, identifying the reasons for **each** factor. (12)
16. John's vehicle collides with the rear of a third party vehicle. The impact appears to be slight, but the third party pursues a claim for various losses via a solicitor, including a claim for personal injury. At the time, the third party was not wearing a seat belt.
- (a) Identify **eight** items of supporting evidence that may be requested by John's insurers to assist with the assessment of the third party claim. (8)
- (b) Explain, with reference to any relevant case law, the points that can be utilised by John's insurers to limit the extent of their liabilities. (8)
- (c) Identify the **two** different types of legal expenses policy that may provide funding to the third party, explaining the differences and similarities between the **two** options. (14)

17. (a) (i) State **four** of the most common mid-term policy alterations that can occur on a motor insurance policy. (4)
- (ii) Identify how mid-term policy alterations may be communicated by the policyholder. (4)
- (iii) Describe the possible actions an insurer could take upon notification of mid-term policy alterations. (10)
- (b) Adam, who according to his insurer's records is a carpenter, has a comprehensively insured vehicle on a private car policy. Mid-way through the policy year, Adam informs his vehicle insurer that he was involved in a recent fault accident, involving third party personal injury.
- Investigation reveals that Adam has been playing semi-professional football on a part-time basis since prior to the last renewal date of his motor policy, but he has not informed his insurer of this fact.
- Describe **four** enquiries that would be undertaken on behalf of Adam's insurers and the potential effect of the change of occupation on **both** the claim and Adam's insurance policy. (12)

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