

P94

Diploma in Insurance

Unit P94 – Motor insurance

October 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. State **six** different types of organisation that might purchase a motor trade policy. **(6)**

2. Mr Greenwood is upset by the way he has been spoken to by his manager. At the end of the working day, he deliberately drives a comprehensively insured vehicle into his manager's parked and unoccupied vehicle, resulting in damage to both.

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

3. Explain what effect the value of a vehicle will have on an insurer when underwriting a policy or handling a claim. **(12)**

4. **(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 policyholder to insure a vehicle where they are neither the owner nor the registered keeper. **(3)**

5. Identify **five** possible heads of claim that may be pursued by a third party, following a motor vehicle accident, providing **one** example of evidence that may be produced in support of **each** head. *Your answer should not include compensation for personal injury itself.* **(10)**

6. Liability under the Third Party section of a typical commercial fleet policy may be limited or unlimited.

Explain why there may be different limits and state the reasons for policy limits being imposed by an insurer. Provide examples of the third party policy limits that may be applied. (8)

7. You are a claims handler for ABC Insurance Company. Mr Carter, the owner of a haulage company, calls you to advise that one of the company's lorries was stolen two days ago. The police have confirmed that it has been found at the scene of an accident.

Identify **eight** items of information that you would specifically seek in relation to the original theft and the subsequent accident. (8)

8. (a) (i) Explain briefly the extent of cover provided for accessories in a typical comprehensive private motor insurance policy. (4)
- (ii) Identify **three** different types of accessory that would be covered by a private motor insurance policy. (3)
- (b) Outline a situation where an item may not be deemed to be an 'accessory', but where cover may operate under another section of the motor policy. (3)

9. Explain briefly the meaning of the following terms:

- (a) Contingent liability. (4)
- (b) Unauthorised movement. (4)
- (c) Alternatively sourced parts. (4)

QUESTIONS CONTINUE OVER THE PAGE

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10. (a) (i) Outline how 'modification to cars' may affect the risk presented to a motor underwriter. (4)
- (ii) Identify **four** actions that an underwriter may take when considering modification to cars. (4)
- (b) List **four** examples of modifications to cars. (4)
11. (a) Outline the **three** different categories of cover available for breakdown insurance. (9)
- (b) Identify **four** typical exclusions applied to this type of cover. (4)
12. Identify **four** advantages and **two** disadvantages of the Claims and Underwriting Exchange (CUE). (6)
13. List **five** documents that may be used in the formation of a motor insurance contract, outlining the purpose of **each**. (15)
14. Mr Jones, the owner of Jones Builders Ltd, has two comprehensive policies with the same motor insurer. One is a fleet policy in the name of the company, covering various vehicles. The other is a private car policy, covering his own vehicle.
- Mr Jones is considering travelling abroad on holiday for approximately three months, using either one of the cars insured under the fleet policy or his own private car.
- Explain the foreign use cover available to Mr Jones under **each** policy, and the consequences of not extending the policy to cover foreign use. (11)

PART II

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

15. You work in the claims department of an insurance company and receive a telephone call from a policyholder, Anne, who holds a valid comprehensive private motor policy with the insurer. Anne informs you that her vehicle has been taken from outside a local shop, whilst she was inside the shop making a purchase. The vehicle is subsequently recovered and is found to have extensive damage.
- (a) Outline **four** initial enquiries you would make regarding the circumstances of the claim. (4)
- (b) Identify **four** items of supporting evidence that you might request to assist with the assessment of Anne's claim. (4)
- (c) Explain the relevant policy wordings, stating relevant case law, which may impact on the outcome of the claim. (15)
- (d) Explain how the rating factor of "security" is addressed by the insurance industry by reference to the steps taken by motor manufacturers, underwriters and industry bodies to minimise the risk of theft. (7)
16. Explain how insurance companies use policy wordings, databases and software to minimise the impact of fraud in motor insurance. Your answer should identify key procedures that should be in place and any legal difficulties that could be encountered. (30)
17. You are a motor underwriter. Your manager asks you to report on expanding the business into the following areas of risk:
- (a) Drivers aged under 25, on private motor policies. (10)
- (b) Motor trade road risks. (10)
- (c) Drivers aged over 65, on private motor policies. (10)

Draft a report which should include reference to underwriting considerations, legal issues and the control and improvement of **each** type of risk.

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