

P94

Diploma in Insurance

Unit P94 – Motor insurance

April 2016 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 **two** purposes of a motor insurance certificate. (2)
- (b) State **six** items of information that appear on a typical private car motor insurance certificate. (6)
- (c) Outline the purpose of the statement on a motor insurance certificate, typically referred to as 'advice to third parties'. (2)

2. State **eight** differences in cover between a typical motor cycle policy and a private car policy. (8)

3. Outline **four** advantages of registering information on the Motor Insurance Anti-Fraud and Theft Register (MIAFTR). (8)

4. Identify **five** items of personal information that may be requested in connection with a proposal for insuring a private motor car, stating for **each** item different reasons why this may be requested. (10)

5. Explain briefly, with reference to typical policy wordings, the potential position of the motor insurer in the following scenarios. In each circumstance the private car is insured comprehensively.
 - (a) A policyholder places unleaded petrol in his diesel fuelled vehicle. The policyholder starts the ignition. As a consequence the engine and the petrol tank have to be stripped and cleaned and various parts in the engine replaced at a cost of £2,000. (4)
 - (b) A policyholder places unleaded petrol in his diesel fuelled vehicle. He recognises his mistake so does not re-start the vehicle, but the fuel tank still has to be drained at a cost of £250. (2)
 - (c) A policyholder parks his vehicle away from his house near a river overnight, which is up a hill. There were numerous parking spaces outside his house at the time. The policyholder ignores flood warnings. The river burst its banks and the vehicle is found to be partially submerged under water the next morning. (4)

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6. (a) Explain the meaning of the term 'personal effects' within a typical private motor policy, identifying any policy limits and exclusions. (10)
- (b) Differentiate between personal effects and vehicle accessories. (2)
7. (a) Explain how fleet policies are rated. (11)
- (b) State **four** different measures that a fleet client may take to potentially secure a premium discount. (4)
8. Under a typical motor insurance policy, the 'third party' section extends the liability cover to persons or categories of persons, other than the policyholder.
- Identify **four** different persons or categories of persons to whom such cover is extended, explaining why such cover is given or necessary for **each**. (8)
9. State **three** different occupations that a private motor insurer would consider undesirable, and explain why underwriters are reluctant to insure **each** of these occupations. (6)
10. (a) List **four** different examples of special types vehicles. (4)
- (b) Explain briefly **three** positive risk factors and **three** negative risk factors which are specific to the insurance of special types vehicles. (6)
11. A policyholder purchases a brand new car and insures it on a comprehensive basis. Three months after purchase, the accelerator fails to release whilst being driven by the policyholder and the car collides with a brick wall which is owned by a third party. There is no one else in the car, there were no witnesses and the police were not called. Both the car and the wall are extensively damaged.
- Describe the issues that may arise as a result of the accident. (12)

QUESTIONS CONTINUE OVER THE PAGE

- 12. (a)** Explain why the police may be required to attend the scene of a motor vehicle accident. **(6)**
- (b)** State **four** items of information that may be recorded by the police following attendance at the scene. **(4)**
- 13. (a)** Explain the terms of the claims notification condition. **(7)**
- (b)** Explain briefly the potential adverse effects of late notification, both in relation to own damage and third party claims. **(6)**
- 14.** Identify **four** different items of credit information that may be recorded about a policyholder, outlining why **each** item may be beneficial in determining whether a claim is potentially fraudulent. **(8)**

Part II questions can be found on pages 8 and 9

PART II

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

15. Trevor advertised his vehicle for sale. A prospective purchaser viewed the vehicle at Trevor's house and decided that he would buy it.

The purchaser provided a cheque and the keys were handed over. The cheque was discovered to be fraudulent and Trevor never received payment. The vehicle was later involved in an accident and a pedestrian was injured.

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| (a) | (i) | Explain the potential position of Trevor's motor insurers, with regard to the payment, with reference to typical motor policy wordings and statutes. | (13) |
| | (ii) | Outline six types of enquiries that Trevor's motor insurers would need to undertake. | (6) |
| (b) | (i) | Explain the legal position, with reference to case law, and the possible status of Trevor's insurers, regarding any third party claim. | (8) |
| | (ii) | Outline any differences in the position if the purchaser had paid by cash and some of the banknotes were forgeries. | (3) |
| | | | |
| 16. | (a) | Discuss the advantages and disadvantages of selling motor insurance through the following different distribution channels: | |
| | (i) | Aggregator sites. | (5) |
| | (ii) | Direct insurers. | (5) |
| | (iii) | Brokers. | (5) |
| | (b) | Explain, by reference to the general requirements of agents and any pertinent case law, the role of independent intermediaries in relation to: | |
| | (i) | the granting of cover; | (9) |
| | (ii) | delivery of certificates. | (6) |

- 17.** A policyholder's vehicle is involved in an accident. The vehicle cannot be driven and it requires repair. The vehicle is comprehensively insured.
- (a)** Describe the approved repairer process in this situation. **(14)**
 - (b)** Outline **four** benefits of the approved repairer process to the policyholder and **four** benefits to the insurer. **(8)**
 - (c)** Explain briefly, with reasons, **four** circumstances when it may be inappropriate for a policyholder to use an approved repairer. **(8)**

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