

# 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 M05/P05 Insurance law or equivalent examinations.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the nature of motor risk and the main factors that impact on it.	8
2. Understand the scope of cover provided by motor policies.	8
3. Understand the main practices of motor insurance.	5
4. Understand risk perception, evaluation and underwriting of motor insurance.	19
5. Understand the claims considerations and procedures of motor insurance.	10

\*The test specification (relevant to the M94 multiple choice question exam only) has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

## Important notes

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- **Method of assessment**

Mixed assessment for M94 of which both elements must be individually passed. This consists of:

1. an online coursework assignment using RevisionMate consisting of 10 questions which sequentially follow the learning outcomes. This must be successfully completed within 6 months of enrolment; and
2. a multiple-choice question (MCQ) exam at one of the CII's online centres (paper based MCQs are available in April and October for those sitting outside the UK). The MCQ exam consists of 50 MCQs. 1 hour is allowed for this examination. This exam must be successfully passed within 18 months of enrolment.

- This syllabus will be examined from 1 May 2016 until 30 April 2017.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- 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/updates](http://www.cii.co.uk/updates)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page

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- **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](http://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 you 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 you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

### CII study texts

Motor insurance. London: CII. Study text M94P94

Insurance law. London: CII. Study text Mo5Po5

Insurance, legal and regulatory. London: CII. Study text IF1

### Books

A practical guide to handling Motor Insurers' Bureau claims. Nick Jervis and Judy Dawson. London: Cavendish, 2002.

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.

Bingham & Berryman's personal injury and motor claims cases. 13th ed. Michael Pether (ed) et al. London: LexisNexis, 2010.

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.

Motor insurance: theory and practice. Kenneth Cannar. 2nd ed. London: Witherby, 1994.

'Motor policies'. Chapter – The modern law of insurance. Andrew McGee. 3rd ed. London: LexisNexis, 2011.

'Motor vehicle insurance'. Chapter – Birds' modern insurance law. John Birds. 9th ed. London: Sweet & Maxwell, 2013.

The law of motor insurance. Robert M Merkin, Jeremy Stuart-Smith. 2nd ed. London: Sweet and Maxwell, 2015.

'The Road Traffic Act 1988'. Section – The law of insurance contracts. 6th ed. Malcolm A Clarke et al. London: Informa, 2009.

'The Road Traffic Act 1988 – third party liabilities'. Chapter – Claims handling law and practice. Richard West et al. London: Witherby, 2008.

## Factfiles and other online resources

CII factfiles are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Covering general insurance, life and pensions and financial services sectors, the factfile collection includes key industry topics as well as less familiar or specialist areas with information drawn together in a way not readily available elsewhere. Available online via [www.cii.co.uk/ciifactfiles](http://www.cii.co.uk/ciifactfiles) (CII/PFS members only).

Fraudulent claims. Ian Youngman.

Agreements. Motor Insurers' Bureau. Available via [www.mib.org.uk](http://www.mib.org.uk).

Motor insurance industry profiles. Marketline. Updated annually. Available for members at [www.cii.co.uk/industryprofiles](http://www.cii.co.uk/industryprofiles).

Private motor insurance in the UK, key trends and opportunities. ©Timetric Forecast Reports. Annual. Available for members at [www.cii.co.uk/forecastreports](http://www.cii.co.uk/forecastreports).

Technology in action: a roadmap for insurance telematics. ©Timetric Insight Report. October, 2014. Available online at [www.cii.co.uk/insightreports](http://www.cii.co.uk/insightreports)

Further articles and technical bulletins are available at [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/PFS members only).

## Journals and magazines

Insurance times. London: Newsquest Specialist Media. Weekly. Also available online at [www.insurancetimes.co.uk](http://www.insurancetimes.co.uk).

The Journal. London: CII. Six issues a year. Also available online via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/PFS members only).

Post magazine. London: Incisive Financial Publishing. Weekly. Also available online at [www.postonline.co.uk](http://www.postonline.co.uk).

Further periodical publications are available at [www.cii.co.uk/journalmagazines](http://www.cii.co.uk/journalmagazines) (CII/PFS members only).

## Reference materials

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010. Also available online through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only).

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

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

Road Traffic Act 1988. London: HMSO, 1988. Available via [legislation.gov.uk](http://legislation.gov.uk).

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### Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the multiple-choice component.

These are available on the CII website under the unit number before purchasing the unit. They are available under the following link [www.cii.co.uk/qualifications/diploma-in-insurance-qualification](http://www.cii.co.uk/qualifications/diploma-in-insurance-qualification).

These exemplar papers are also available on the RevisionMate website [www.revisionmate.com](http://www.revisionmate.com) after you have purchased the unit.

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### 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 from the last two sittings. Please visit [www.cii.co.uk](http://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](http://www.revisionmate.com).

Older guides are available via [www.cii.co.uk/pastexamguides](http://www.cii.co.uk/pastexamguides) (CII/PFS members only).

### 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/iilrevision](http://www.cii.co.uk/iilrevision) (CII/PFS members only).