

**THE CHARTERED INSURANCE INSTITUTE**



**E94**

**Examination element of M94 Motor  
insurance**

**Based on the 2016/2017 syllabus  
examined from 1 May 2016 until 30 April 2017**

## E94 – Examination element of M94 Motor insurance

Based on the 2016/2017 syllabus examined from 1 May 2016 until 30 April 2017

### Contents

Introduction to Examination Guide	3
E94 Syllabus	7
Specimen Examination	12
Specimen Examination Answers and Learning Outcomes Covered	22

---

#### Published in April 2016 by:

The Chartered Insurance Institute

42-48 High Road, South Woodford, London E18 2JP

Telephone: 020 8989 8464

Fax: 020 8530 3052

Email: [customer.serv@cii.co.uk](mailto:customer.serv@cii.co.uk)

© The Chartered Insurance Institute 2016

## E94 – Examination element of M94 Motor insurance

Based on the 2016/2017 syllabus examined from 1 May 2016 until 30 April 2017

### Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute (CII) to assist students in their preparation for the E94 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their E94 studies before attempting the specimen examination. Students should allow themselves one hour to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time. The examination must be successfully passed within 18 months of enrolment on M94.

Although the specimen examination in this guide is typical of an E94 examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry by reading the periodicals listed in the M94 reading list, which is located on the syllabus in this examination guide and on the CII website at [www.cii.co.uk](http://www.cii.co.uk).

### Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

- 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

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

## Syllabus

The M94 syllabus is published on the CII website at [www.cii.co.uk](http://www.cii.co.uk). **Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the CII tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

## Skill Specification

The examination syllabus categorises M94 learning outcomes into attainment levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The syllabus requires that candidates have the ability to understand the subject matter. Each learning outcome begins with one of these cognitive skills:

**Understanding** - Candidates must be able to link pieces of information together in cause and effect relationships. Typically questions may ask 'Why'. Questions set on an understand learning outcome can test either knowledge or understanding or both.

## Examination Information

The method of assessment for the E94 examination is 50 multiple choice questions (MCQs). One hour is allowed for this examination.

The M94 syllabus provided in this examination guide 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.

The general rule is that legislative and industry changes will not be examined earlier than 3 months after they come into effect.

Please note that the Insurance Act 2015, which comes into effect on 12 August 2016, will be reflective in examinations and the specimen paper from 1 October 2016.

E94 examinations test the Financial Conduct Authority and Prudential Regulation Authority rules and regulations.

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct response. Each question will contain only one correct or best response to the problem posed.

One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

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.

Candidates are permitted to make rough notes. Candidates are not permitted, in any circumstances, to remove any papers relating to the examination from the examination room.

## Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

## After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

# 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 MO5/PO5 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

### M94

- **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

### P94

- **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).

## M94

### 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.

## P94

### 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).

---

**ATTEMPT ALL QUESTIONS**

1. What was established in the case law *Cutter v Eagle Star* (1998)?
  - A. A moped being pedalled was held to be a mechanically propelled vehicle.
  - B. A passenger opening the vehicle door was held to not be using the vehicle.
  - C. A private car park to which the public had access was held not to constitute a road.
  - D. A vehicle freewheeling down a hill with the engine switched off was held to be in use.
  
2. Colin is considering giving driving lessons, on a commercial basis, to members of the public. He should be aware that he
  - A. does not need to formally notify the relevant authority.
  - B. must make an application under section 185 of the Road Traffic Act 1988.
  - C. will need to be on the Register of Approved Instructors.
  - D. will need to have held a driving licence for at least five years.
  
3. A vehicle belonging to XYZ plc is comprehensively insured on a named driver basis. The vehicle is involved in an accident and XYZ plc submit a claim to its insurer for own damage to the vehicle as well as damage to the third party vehicle and injury to a third party passenger. It is subsequently discovered that the driver was **NOT** a named driver. How will the insurer deal with the claims?
  - A. It will avoid all the claims and avoid the policy ab initio.
  - B. It will avoid the own damage claim and the third party damage claim, but settle the third party injury claim.
  - C. It will avoid the own damage claim, but settle the third party injury and damage claims.
  - D. It will settle all of the claims as third party motor liabilities are compulsory.
  
4. The Motor Insurers' Bureau (MIB) has been dealing with a claim for personal injury and vehicle damage following a collision with an uninsured driver. The MIB have asked the claimant to sign an assignment and agreement form once quantum is agreed. What is the purpose of this form?
  - A. It enables the claimant to choose whether he wants to pursue the uninsured driver himself for uninsured losses.
  - B. It enables the claimant to formally agree to proceed to issue court proceedings against the uninsured driver.
  - C. It enables the MIB to agree the full and final settlement figure with the claimant and then close the file.
  - D. It enables the MIB to stand in the place of the claimant and seek a recovery against the uninsured driver.
  
5. The database which contains details of all private cars in the UK and is used to combat fraud is managed by the
  - A. Association of British Insurers.
  - B. Claims and Underwriting Exchange.
  - C. Driver and Vehicle Licensing Agency (DVLA).
  - D. UK Information Centre.

6. A fleet manager for a large logistics company has recently been overseeing the purchase of a new vehicle for the fleet. To remain compliant under the Motor Insurance Database (MID) rules, he has to notify the
- MID1 within 7 days.
  - MID1 within 14 days.
  - MID2 within 7 days.
  - MID2 within 14 days.
7. Alan has a motor car which he keeps locked in his private garage. It is uninsured and he has **NOT** made a Statutory Off Road Notification (SORN). What **maximum** fine could he be subject to and by whom?
- £100 by the Driver and Vehicle Licensing Agency (DVLA).
  - £100 by the Motor Insurers' Bureau.
  - £1,000 by the Driver and Vehicle Licensing Agency (DVLA).
  - £1,000 by the Motor Insurers' Bureau.

8. An underwriter has received the following information for two insured fleets. They are analysing the risks to determine whether the businesses should be renewed.

	Vehicle years	Number of accidents	Number of claims	Total claims cost
<b>Insured A</b>	200	50	165	£563,042
<b>Insured B</b>	650	530	660	£1,680,273

How can the data **best** be described?

- Insured A has the highest frequency of claims and the highest average cost per claim.
  - Insured A has the highest frequency of claims but the lowest average cost per claim.
  - Insured B has the highest frequency of claims and the highest average cost per claim.
  - Insured B has the highest frequency of claims but the lowest average cost per claim.
9. Ellie lives in Scotland and her car is insured by a UK-based insurer. When considering in which countries she is legally permitted and insured to drive her car, she should be aware that she is **likely** to have an automatic right to drive the vehicle in
- England, Scotland and Wales only.
  - the whole of the United Kingdom only.
  - any country which is a member of the European Union.
  - any country without restriction.
10. Kevin has basic roadside assistance cover included in his private car motor insurance policy. He sets off from home, where his vehicle is **normally** kept, and the vehicle breaks down less than 100 metres after starting his journey. It is subsequently discovered that the breakdown was due to inadequate servicing. What is the position regarding policy cover?
- He is unlikely to be covered.
  - He will be covered because roadside assistance cover usually incorporates 'at home' assistance.
  - He will be covered because the vehicle is not at his home.
  - He will not be covered specifically because the car was not roadworthy.

11. A tile blew off a third party premises and hit the bonnet of an insured's vehicle. Whilst driving to the garage, a tree fell on the roof of the vehicle, causing the policyholder to hit a third party vehicle causing damage to both vehicles. The policyholder's vehicle has third party, fire and theft cover. With regard to the subsequent claims, what will be covered by his insurance policy?
- A. Damage to the third party vehicle only.
  - B. Damage to the third party vehicle and damage caused by the falling tile only.
  - C. Damage to the third party vehicle and damage caused by the falling tree only.
  - D. Damage to the third party vehicle and damage caused by the falling tile and the falling tree.
12. Mark is undertaking a delivery for his employer to a customer. When he arrives, Mark parks in the road outside and one of the customer's employees, Dave, assists with the unloading. Whilst unloading, a large box falls and hits Mark and Dave as well as injuring a passerby. All three parties make a claim. Which of the accidents, if any, will be covered by Mark's motor policy?
- A. None of the claims are covered.
  - B. Mark's claim is covered, but the claims by Dave and the passerby are not covered.
  - C. Mark's claim is not covered and should be redirected to the employers' liability insurer, but the claims by Dave and the passerby are covered.
  - D. Mark and Dave's claims are covered, but the claim by the passerby is not covered.
13. What is the **typical** position for full policy coverage, if any, of sidecars under a comprehensive motorcycle insurance policy?
- A. Cover is provided for third party liability only.
  - B. Cover is only provided if the sidecar has been declared to the insurer.
  - C. Sidecars are automatically covered.
  - D. Sidecars are excluded.
14. Who is **normally** permitted to drive a motorcycle under a motorcycle insurance policy?
- A. The policyholder only.
  - B. The policyholder or her appointed representative only.
  - C. The policyholder or named persons only.
  - D. The policyholder and any driver.
15. To whom does a contingent liability extension under a motor policy provide an indemnity in the event of a loss?
- A. Any named driver.
  - B. The employee.
  - C. The employer.
  - D. The owner of the vehicle.

16. A private motor car policyholder and a motor fleet policyholder both request the driving other cars extension from their respective insurers. How would the insurers **normally** respond to this request?
- A. Only the private car insurer would agree.
  - B. Only the motor fleet insurer would agree.
  - C. Both insurers would agree.
  - D. Neither insurer would agree.
17. What type of questions does an underwriter ask a potential client in order to evaluate the proposed risk?
- A. General and personal questions only.
  - B. Historical and specific questions only.
  - C. Personal and historical questions only.
  - D. Specific and general questions only.
18. Jack is changing his private car and telephones his broker to arrange cover. How soon can Jack's cover for the new car become effective?
- A. Upon delivery of a new certificate only.
  - B. Upon delivery of a new certificate and surrender of the old one.
  - C. Upon verbal confirmation.
  - D. Upon written confirmation.
19. What is the Financial Conduct Authority's specific requirement in respect of the invitation to renew motor insurance?
- A. Invite renewal to all retail customers prior to renewal or give adequate notice of the intention not to renew.
  - B. Invite renewal to all retail customers in good time or give adequate notice of the intention not to renew.
  - C. Invite renewal to all retail customers within 21 days or give 30 days' notice of the intention not to renew.
  - D. Invite renewal to all retail customers within 30 days or give 60 days' notice of the intention not to renew.
20. What action would an insurer take where a consumer has deliberately withheld a drink driving conviction at inception?
- A. Apply to court for the policy to be voided from inception.
  - B. Invoke the cancellation clause.
  - C. Reassess and apply terms retrospectively.
  - D. Seek recovery of the certificate of insurance.

21. A private car policyholder made an innocent and reasonable misrepresentation at inception which, if the insurer was aware, would have applied terms. How would the insurer deal with the policy?
- A. Apply terms retrospectively.
  - B. Cancel the policy from inception and return the premium.
  - C. Cancel the policy mid-term at short period rates.
  - D. Apply terms at next renewal.
22. How would the underwriting strategy of a broker-orientated provider differ from that of an internet motor insurer?
- A. Less cross-selling opportunities.
  - B. A more restricted underwriting acceptance criteria.
  - C. A wider underwriting acceptance criteria.
  - D. Writing primarily for cash flow rather than profit.
23. An underwriter is analysing the claims statistics and notes that there are a large number of private motor policies where the claims settlement has been adjusted to take account of non-disclosed speeding convictions. How might the underwriter look to improve his own procedures to avoid this happening?
- A. Ask the claims department to contact all policyholders where the settlements have been adjusted and reimburse funds as this is not in compliance with treating customers fairly.
  - B. Ask the claims department to ensure that when speeding convictions are notified in the claims process, that the policies are voided.
  - C. Ensure the question regarding speeding convictions is appropriately worded at proposal and renewal.
  - D. Take no action as the claims department is dealing with matters correctly.
24. What type of reinsurance is bought by a motor insurer to limit the amount of the insurer's loss for any one event?
- A. Excess of loss.
  - B. Quota share.
  - C. Stop loss.
  - D. Surplus treaty.
25. The following data is available regarding an insurer's motor exposure

Exposure (EVY)	1,000
Claims	500
Average cost per claim	£2,500

How much is the claims cost per vehicle year?

- A. £375
- B. £1,250
- C. £2,500
- D. £2,500,000



26. Other than for a claim, when would a motor vehicle engineer's report be requested by an insurer and who would pay for the report?
- A. When the vehicle exceeds a set value and paid for by the policyholder.
  - B. When the vehicle is a grey import and paid for by the insurer.
  - C. When the vehicle is a kit car and paid for by the policyholder.
  - D. When the vehicle is an off-road vehicle and paid for by the insurer.
27. An underwriter has received a proposal form from Steve, aged 21. Steve passed his test when he was aged 19. He states that he rarely drives at peak times or late at night. He already has a large voluntary excess and the policy has been loaded to reflect his age. What would be another way of potentially reducing the premium?
- A. Apply an additional excess for all accidents occurring during specified time periods.
  - B. Apply an annual mileage restriction.
  - C. Exclude all liability for driving late at night or at peak times.
  - D. Offer use of a telematics pay as you drive policy.
28. Where an insurer offers an accelerated no claims discount (NCD) to a policyholder after six months, what length of NCD will the policyholder **usually** be granted at next renewal?
- A. One year.
  - B. Two years.
  - C. Three years.
  - D. Four years.
29. A motor insurance underwriter is considering the impact of the Rehabilitation of Offenders Act 1974 on her underwriting function. She should be aware that
- A. a disqualification would always be treated as spent not less than 5 years after the disqualification period ends.
  - B. an endorsement would be treated as spent after 5 years.
  - C. a fine would be treated as spent after 2 years.
  - D. a period of imprisonment will always be treated as spent after 11 years.
30. Clare is applying for private car motor insurance with a new insurer and qualifies for a no claims discount. **Typically**, how will the no claims discount be proven to the new insurer?
- A. By Clare completing a self-certification in the form of a statutory declaration.
  - B. By Clare producing the previous insurance policy including any endorsements.
  - C. By Clare providing the renewal notice issued by the previous insurer.
  - D. By the new insurer checking with the Motor Insurance Database.
31. The driving other cars cover provided under a private motor insurance policy is **normally**
- A. available at an additional premium.
  - B. available at a discount.
  - C. included automatically for all proposers.
  - D. included at no charge depending upon the age of the proposer.

32. What are the **key** elements to measure results and base rating in respect of motor insurance?
- A. Earned premium, number of claims, total claims costs and vehicle years.
  - B. Net premiums, number of claims, total claims costs and vehicle years.
  - C. Earned vehicle years, net premiums, number of claims and total claims costs.
  - D. Earned premium, earned vehicle years, number of claims and total claims costs.
33. The cost of reinsurance for motor insurance is **usually** expressed as a percentage of the original insurer's
- A. claims costs.
  - B. claims reserves.
  - C. gross written premium.
  - D. net written premium.
34. A motor insurance underwriter is considering which rating basis to use for motor trade policies. She should know that the
- A. named-driver basis is suitable for businesses having a small number of drivers.
  - B. points basis is the least common form of rating and is only used for small risks.
  - C. trade-plate basis provides cover based solely on the number of vehicles that the trader typically has in its possession.
  - D. trade-plate basis provides cover for social and domestic purposes.
35. In what way does the rating for an agricultural vehicle differ from that for a commercial vehicle?
- A. The claims history is not normally taken into account.
  - B. There are fewer rating areas.
  - C. There is no age restriction for drivers.
  - D. The value of the vehicle is of no significance.
36. For which element of cover would a motor trade insurer **normally** charge an additional premium under a comprehensive road risks policy?
- A. Demonstration use.
  - B. Driving other vehicles.
  - C. Employee-owned vehicles.
  - D. No overnight garaging.
37. What is the **main** benefit of motor fleet risk management to a policyholder?
- A. Lower excess.
  - B. Lower premiums.
  - C. Personalised claims handler.
  - D. Wider cover.

38. Steve has deliberately failed to notify his insurer that his vehicle engine size has been modified to increase power. This only becomes apparent when a claim is made where Steve was travelling at speed and collided with a tree. Further investigation reveals that he had a previous incident of non-disclosure due to vehicle alterations. Had the insurer known of the recent alteration, it would **NOT** have provided cover. What action would the insurer **most likely** take?
- A. Avoid the policy ab initio and retain the premium.
  - B. Pay the claim as this involves a consumer and he must be treated fairly.
  - C. Pay the claim with a reduction to reflect any increased premium that would have been charged.
  - D. Apply any terms that would have been applied retrospectively.
39. Claims data is an important aspect for an underwriter as it enables him to
- A. ascertain the average claims cost and any trending patterns only.
  - B. ascertain the competitiveness of a product.
  - C. project claims frequency only.
  - D. project claims frequency, average cost and pricing.
40. In what way can a claims handler assist an underwriter in analysing the performance of a new motor policy wording?
- A. By analysing competitors' policy wordings.
  - B. By identifying contentious areas of the policy wording.
  - C. By being involved in all underwriting matters.
  - D. By involving the underwriter in all claims reserving.
41. The new managing director of an insurer is setting targets for its claims department. What should be his **main** focus?
- A. A better standard of service.
  - B. Minimising third party payments.
  - C. The overall corporate strategy.
  - D. Staff turnover.
42. Why would a claims department contact Hire Purchase Information Ltd?
- A. To check on vehicle ownership.
  - B. To check the identity of a policyholder.
  - C. To check whether a vehicle has had any previous claims.
  - D. To check whether a vehicle has outstanding finance payable on it.
43. Terry has purchased a car and his potential insurer has received a warning from the Credit Industry Fraud Avoidance System. This indicates that
- A. precautions should be taken to ensure that Terry's address is genuine.
  - B. Terry has a conviction for fraud.
  - C. Terry has defaulted on a hire purchase arrangement for a vehicle.
  - D. Terry is an undischarged bankrupt.

44. For what reason would an insurer introduce voice recognition software?
- A. To assist liaison between underwriters and claims handlers.
  - B. To identify potentially fraudulent claims.
  - C. To meet its obligations under ISO 9001.
  - D. To record information more efficiently.
45. When might a provisional damages award be made?
- A. When the claimant needs funding prior to a liability trial to proceed with treatment.
  - B. When there is a real risk that the claimant's condition may deteriorate further over time.
  - C. Where the claimant is fatally injured and the award is made to any spouse or parent.
  - D. Where the claimant is fatally injured and the award is made to the estate.
46. An insurer is considering pursuing subrogation rights under the Uninsured Drivers' Agreement where the insured's vehicle has been stolen by a third party. The insurer should be aware that
- A. subrogation rights will always arise against uninsured drivers.
  - B. subrogation rights can only be pursued if it is an Article 75 insurer.
  - C. subrogation rights cannot be pursued.
  - D. subrogation rights can only be pursued if it is bringing an action within 28 days of the date of the accident.
47. On what basis are the terms of the Personal Effects Insurance Contribution Agreement adopted by insurers?
- A. Agreement is compulsory for all insurers and is imposed by the Financial Conduct Authority to manage the costs of personal claims involving contribution by two or more insurers.
  - B. Agreement is compulsory for all members of the Association of British Insurers who transact personal lines business.
  - C. Agreement is voluntary and entirely at the discretion of individual members of the Association of British Insurers.
  - D. Agreement is voluntary and regulated by the Prudential Regulation Authority to manage the cost of personal lines claims involving contribution by two or more insurers.
48. A third party prestige vehicle has been involved in an accident. The value of the vehicle is £56,000 and estimated repairs are £54,000. The third party wants the vehicle to be repaired at his own repairer, who deals with prestige vehicles, although the repairer has said that it will be at least three months until parts are available. The third party is in a like-for-like vehicle so is happy to wait. What action would the claims handler take to deal with the claim **most cost effectively**?
- A. Allow the repair to proceed, but insist on a lower specification of hire vehicle as a prestige vehicle is unnecessary.
  - B. Allow the third party to proceed with his own repairer.
  - C. Deal with the damage as a constructive total loss.
  - D. Use one of its appointed repairers, who has estimated that repair to the vehicle could be completed within the next week using modern parts.

49. Where a third party is unhappy with the final settlement offer made by an insurer, in what circumstances, if any, can arbitration be pursued?
- A. Arbitration can be pursued in all cases.
  - B. Arbitration can only be pursued if approved by the Financial Ombudsman Service.
  - C. Arbitration can only be pursued if the claimant is an individual.
  - D. Arbitration cannot be pursued.
50. With regard to the Financial Ombudsman Service (FOS), an insurance broker should be aware that
- A. all policies come under the authority of the FOS.
  - B. any decision made by the FOS is not binding on the complainant.
  - C. complainants have a maximum of six years after policy inception to refer a claim to the FOS.
  - D. the maximum FOS award is £100,000 including costs.

## Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
<b>Learning Outcome 1</b>			<b>Learning Outcome 4</b>			<b>Learning Outcome 5</b>		
1	C	1.2	22	C	4.1	41	C	5.1
2	C	1.2	23	C	4.1	42	D	5.2
3	C	1.3	24	A	4.7	43	A	5.2
4	D	1.4	25	B	4.2	44	B	5.2
5	D	1.5	26	C	4.3	45	B	5.2
6	D	1.5	27	D	4.3	46	C	5.3
7	C	1.5	28	A	4.3	47	C	5.3
8	D	1.1	29	B	4.4	48	C	5.4
<b>8 questions</b>			30	C	4.5	49	D	5.5
			31	D	4.5	50	B	5.5
<b>Learning Outcome 2</b>			32	D	4.6	<b>10 questions</b>		
9	C	2.1	33	C	4.7			
10	A	2.1	34	A	4.8			
11	A	2.1	35	B	4.8			
12	C	2.1	36	A	4.8			
13	B	2.2	37	B	4.9			
14	C	2.2	38	A	4.10			
15	C	2.2	39	D	4.11			
16	A	2.2	40	B	4.11			
<b>8 questions</b>			<b>19 questions</b>					
<b>Learning Outcome 3</b>								
17	D	3.1						
18	C	3.2						
19	B	3.3						
20	A	3.5						
21	A	3.5						
<b>5 Questions</b>								