

## P94

### Diploma in Insurance

#### Unit P94 – Motor insurance

April 2017 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. List **eight** sections found in a typical private car policy. (8)
  
2. You are an insurance broker and are approached by a young proposer who wishes to insure a motor car. The proposer advises you that he received a one month jail sentence following a conviction for assault over two years ago.
  - (a) Outline **three** factors that may 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. Mr Robinson, a small business owner, had an accident in his comprehensively insured company car, which is three years old. As a result of the accident, the car is damaged beyond economical repair.

Mr Robinson is unhappy with the claims settlement offered by the insurer and has exhausted their complaints process.

Explain **three** potential options that may be available to Mr Robinson to resolve the matter. (12)
  
4. Explain the main pricing elements that will comprise a motor insurance premium, other than factors related to the individual risk presented. (10)
  
5. Explain briefly **four** reasons for loading the premium on a private car insurance policy. (8)

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6. (a) Explain briefly the term 'market value' in relation to the total loss of a motor vehicle. (6)
- (b) Outline why the market value of a vehicle may be difficult to calculate. (4)
7. Rehabilitation is one of the possible options that can be considered in order to assist with a resolution of a third party claim.
- (a) Explain briefly why the process of rehabilitation may be used to support a third party who has been injured in a motor accident. (2)
- (b) State **two** examples where rehabilitation may be used. (2)
- (c) Outline **three** problems which are sometimes associated with the rehabilitation process. (6)
8. (a) Outline the **three** stages of the Ministry of Justice (MOJ) Reforms (for low value Road Traffic Act personal injury claims). (9)
- (b) Identify **two** advantages and **two** disadvantages of the MOJ Reform process. (4)
9. Section 148 of the Road Traffic Act 1988 provides that certain conditions and restrictions shall be of no effect for the purposes of the insurer's Road Traffic Act (RTA) liability.
- (a) Identify **five** different circumstances where an insurer may have RTA insurer status, irrespective of any breach of policy condition or restriction. (5)
- (b) State a policy condition, which reinforces the requirements of the Road Traffic Act 1988. (2)
- (c) Explain briefly the extent of third party liability cover when an insurer is deemed to have RTA status. (6)

QUESTIONS CONTINUE OVER THE PAGE

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10. (a) Outline the 'driving other cars' (DOC) extension found on a typical private car policy. (4)
- (b) Identify a reason why this type of extension may be requested by a policyholder. (2)
- (c) Explain briefly how the concept of Continuous Insurance Enforcement has potentially reduced problems with the abuse of the DOC extension. (3)
11. A commercial vehicle policyholder is concerned about the cost of excesses that he has paid in respect of claims on his policy.
- (a) Explain briefly the operation and benefits of excess protection insurance. (4)
- (b) Identify an exclusion that may apply to this cover. (2)
12. (a) State **two** purposes of the Motor Insurance Database (MID). (2)
- (b) Identify **six** different types of information held on the MID. (6)
13. Explain briefly **seven** benefits that arise from a close working relationship between the underwriting and claims functions. (14)
14. Mr Smith has a comprehensive private car policy and he is the only named driver. One evening, Mr Smith asks his girlfriend to collect some items from the car. The items are retrieved from the car by the girlfriend, who then locks the car, placing the car keys in Mr Smith's jacket pocket. The car is stolen, whilst parked outside on Mr Smith's driveway.
- Outline the potential indemnity position of the motor insurer in view of the circumstances preceding the theft with reference to policy wordings and Financial Conduct Authority guidelines. (9)

**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. (a)** Explain the operation and purpose of motor cover notes, as part of the new business process. **(10)**
- (b)** Identify **five** pieces of non-vehicle information that are recorded on a typical cover note. **(5)**
- (c)** Describe the information regarding the use of the vehicle that would typically be needed to underwrite the following types of motor risk, prior to the issue of the cover note:
- Public and private hire vehicles.
  - Coaches.
  - Agricultural and forestry vehicles. **(15)**
- 16.** You work as a claims handler for a motor insurer. A policyholder's vehicle, driven by a named driver, hits a third party vehicle in the rear. Both vehicles suffer minimal damage. The third party driver pursues a claim for various losses, including personal injury. An injury claim is also pursued by a passenger, who was travelling in the third party vehicle.
- (a)** Outline the initial enquiries and supporting documents you would request in the investigation of this claim. **(10)**
- (b)** The no claims discount (NCD) for the policyholder's vehicle immediately prior to the accident was at 60%.
- Discuss how the accident may affect the NCD entitlement at next renewal. **(8)**
- (c)** You suspect that the claims received from the third parties for personal injury may be exaggerated. Evidence shows that the accident occurred at low speed.
- Discuss the implications this may have on the handling of these claims, with reference to case law. **(12)**



17. (a) Explain briefly how motor fleet risks are rated and reviewed by an insurer. (8)
- (b) Identify, with justification, **five** motor fleet underwriting actions that could be taken to improve a fleet risk insured on a comprehensive basis. (10)

- (c) Brown Ltd insures its motor fleet risk on a blanket certificate basis with XYZ Insurance Company. Brown Ltd utilises a delivery company to transport goods on its behalf. The delivery company holds its own motor insurance with BVW Insurance Company and is insured to deliver Brown Ltd's goods.

Whilst transporting goods on behalf of Brown Ltd, one of the delivery company's vehicles is involved in an accident with a third party pedestrian who suffers injuries.

- Discuss the motor insurance position in relation to the third party injury, by reference to policy wordings and case law where appropriate. (12)

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