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PL1

Award in Motor Insurance

Introduction to motor insurance

**Based on the 2020/2021 syllabus
examined from 2 March 2020 until 31 December 2021**

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Introduction to motor insurance

Based on the 2020/2021 syllabus tested from 2 March 2020 until 31 December 2021

Introduction

This examination guide has been produced by the Qualifications and Assessments Department at the Chartered Insurance Institute to assist students in their preparation for the PL1 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their 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.

Although the specimen examination in this guide is typical of a PL1 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 PL1 reading list, which is located on the syllabus in this examination guide and on the CII website at **www.cii.co.uk**.

Background Information

Questions included in PL1 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
- 2) Select 'exam guide update' on the right-hand side of the PL1 unit page

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

Syllabus

The PL1 syllabus is published on the CII website at 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 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 skill level tested in each examination question is determined by the syllabus. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested. Learning outcomes for PL1 begin with *understand*.

Understand - To answer questions based on understanding, the candidate 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 PL1 is 50 multiple choice questions (MCQs). One hour is allowed for this examination.

The PL1 syllabus provided in this examination guide will be examined from 2 March 2020 until 31 December 2021.

Candidates will be tested on the basis of English law and practice unless otherwise stated.

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

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.

While no questions involve complex calculations, candidates are permitted to use calculators during the examination. 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 tests 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.

Introduction to motor insurance

Objective

To provide a broad knowledge and understanding of motor insurance, including:

- the need for cover and its benefits;
- insurance legal principles and duties;
- product features;
- how cover is arranged and provided;
- the principles of delivering good customer service.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the need for and benefit of motor insurance	4
2. Understand the insurance legal principles and duties relating to motor insurance	10
3. Understand the main features of motor insurance products and the market	12
4. Understand how motor insurance is arranged and provided	15
5. Understand the key principles of delivering good customer service	9

* The test specification 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

- Method of assessment: 50 multiple choice questions (MCQs). 1 hour is allowed for this examination.
- This syllabus will be examined from 2 March 2020 until 31 December 2021.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- Candidates should refer to the CII website for further details of assessment content, along with the latest information on changes to law and practice and when they will be examined:
 1. Visit www.cii.co.uk
 2. Find the qualification update on the right hand side of the unit page.

1. Understand the need for and benefit of motor insurance

- 1.1 Explain why motor insurance is needed
- 1.2 Describe the pooling of risk and the social value of insurance

2. Understand the insurance legal principles and duties relating to motor insurance

- 2.1 Describe what insurable interest is and how it arises
- 2.2 Describe the information gathered from the customer and its purpose
- 2.3 Explain the importance of providing the correct information
- 2.4 Describe what is meant by indemnity

3. Understand the main features of motor insurance products and the market

- 3.1 Describe the different types of motor insurance cover

4. Understand how motor insurance is arranged and provided

- 4.1 Describe the different methods of obtaining motor insurance
- 4.2 Explain the sales and underwriting process
- 4.3 Describe the documentation issued when arranging motor insurance
- 4.4 Explain the process for mid-term adjustments and renewals, including cancellations
- 4.5 Explain the claims process

5. Understand the key principles of delivering good customer service

- 5.1 Describe the main communication approaches and techniques when dealing with customers
- 5.2 Describe the complaints process
- 5.3 Describe the fair treatment of customers
- 5.4 Describe the motor insurance regulator and ombudsman
- 5.5 Describe the techniques used to detect uninsured and untraced drivers

Reading list

The following list provides details of further reading 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 resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

CII/PFS members can access most of the additional study materials below via the Knowledge Services webpage at <https://www.cii.co.uk/knowledge-services/>.

New resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources, please go to <https://www.cii.co.uk/knowledge-services/> or email knowledge@cii.co.uk.

CII study texts

Introduction to motor insurance. London: CII. Study text PL1.

Books (and ebooks)

Insurance theory and practice. Rob Thoyts. Routledge, 2010.*

Periodicals

The Journal. London: CII. Six issues a year. Archive available online at <https://www.thepfs.org/search-results/?q=the+journal> (CII/PFS members only).

Reference materials

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.*

Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (www.revisionmate.com). Details of how to access Revisionmate are on the first page of your study text.

It is recommended that you only study from the most recent version of the examination guide.

* Also available as an ebook through Discovery via www.cii.co.uk/discovery (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 (CII/PFS members only).

1. Motor insurance is needed to protect drivers against financial loss arising from accidents, injuries, third party liability and
 - A. illness.
 - B. motoring offences.
 - C. theft.
 - D. vehicle breakdown.

2. Under the Road Traffic Act, Alan's motor insurance policy **must** cover third party injury and
 - A. own legal fees.
 - B. own vehicle damage.
 - C. personal accident.
 - D. third party property damage.

3. Motor insurance benefits the economy by encouraging business activity and
 - A. improving transport links.
 - B. providing employment opportunities.
 - C. reducing taxation.
 - D. reducing the number of accidents.

4. The **main** objective of comprehensive motor insurance is to ensure that a policyholder
 - A. avoids being involved in a road traffic accident.
 - B. drives the most cost-effective vehicle.
 - C. is returned to his original financial position following an accident.
 - D. receives the best possible treatment for injuries following a road traffic accident.

5. When Freddie applied for motor insurance for his sports car, he told his insurer that the car would always be kept in a locked garage overnight. His car was subsequently stolen when it had been left on the street overnight whilst visiting friends. In these circumstances, the insurer is **most likely** to
 - A. consider its response had the questions been answered accurately.
 - B. return all premiums paid to Freddie and cancel the policy from inception.
 - C. treat the policy as being voidable.
 - D. void the policy.

6. When Martyn arranges motor insurance for his car, the car becomes the
 - A. insurable interest of the insurer.
 - B. subject matter of the insurance.
 - C. voidable element of the policy.
 - D. warranty of the policy.

7. David has bought a car. What gives him the right to insure it?
- A. He is a creditor.
 - B. He is the legal owner.
 - C. He is required to do so by law.
 - D. He no longer has a financial interest in it.
8. What does it mean when a motor insurance policy has been declared void?
- A. The policy will be cancelled from its start date.
 - B. The policy can continue but not beyond its renewal date.
 - C. The policy will be cancelled from the date the insurer discovered that the policy should be made void.
 - D. The policy will be cancelled from a date determined by the policyholder.
9. An insurer is gathering information from a customer about a proposed motor insurance policy. For what **main** reason would the insurer seek to obtain the customer's postcode?
- A. To assess the risk of theft.
 - B. To assess the risk of the vehicle not being maintained in a roadworthy condition.
 - C. To assess the premises on which the vehicle will be kept.
 - D. To assess the vehicle.
10. Saul is applying for comprehensive motor insurance for his car. He has told the insurer that he will use the car overseas. Saul should be aware that
- A. an increased premium will always apply.
 - B. he will need to inform the insurer about every proposed journey he intends to make whilst overseas so that the risk can be assessed.
 - C. he will usually be able to use the car overseas for a set number of days without paying a higher premium.
 - D. there will be no impact on the premium.
11. An insurer is gathering information from a customer about a proposed motor insurance policy. What is the **main** reason the insurer would ask who owns the vehicle?
- A. To establish whether insurable interest exists.
 - B. To establish whether the vehicle is owned in joint names.
 - C. So that the insurer can arrange an inspection of the vehicle.
 - D. So that the insurer can check this against the records of the Driver and Vehicle Licensing Agency (DVLA).
12. Terri had her motor insurance policy declared void by her motor insurer. Why would any potential insurer be **likely** to refuse to provide Terri with motor insurance in the future?
- A. Terri presents a moral hazard.
 - B. Terri presents a physical hazard.
 - C. Terri would be deemed to have a spent conviction.
 - D. Terri would be deemed to have an unspent conviction.

13. When Jackie applied for motor insurance, she told her insurer that she would **NOT** use the car for business purposes even though she knew that she would do so. In these circumstances, this misrepresentation will be treated as being
- A. careless.
 - B. deliberate.
 - C. honest.
 - D. reasonable.
14. Terry was driving his car recklessly and collided with a pedestrian. By law, the pedestrian is known as
- A. a first party.
 - B. an insured.
 - C. a liability.
 - D. a third party.
15. Under a third party only motor insurance policy, what is the **typical** policy limit, if any, for coverage of an injured third party's legal expenses following an accident?
- A. £1,200,000
 - B. £5,000,000
 - C. £20,000,000
 - D. Unlimited.
16. Farooq has a standard comprehensive motor insurance policy. He had an accident in his car whilst a trailer was attached. In what circumstances, if any, would any damage to the trailer be covered under the policy?
- A. In all circumstances.
 - B. In no circumstances.
 - C. Only if trailer cover had been added to the policy.
 - D. Only if the trailer was less than three metres in length.
17. Which party(ies) to a motor insurance policy, if either, are governed by the policy's conditions?
- A. None.
 - B. The insurer only.
 - C. The policyholder only.
 - D. Both the insurer and the policyholder.
18. A third party only motor insurance policy differs from a Road Traffic Act only policy because it
- A. is not available to drivers under the age of 21.
 - B. is not compliant with the Road Traffic Act.
 - C. provides additional cover.
 - D. provides more restrictive cover.

19. Colin has just purchased a three-year-old car and has insured it under a third party, fire and theft motor insurance policy. If the car is stolen and **NOT** recovered, the insurer will pay the market value of the car
- A. when it was brand new.
 - B. at the time it was purchased.
 - C. at the start date of the policy.
 - D. at the time it was stolen.
20. Following fire damage to a car insured under a third party, fire and theft motor insurance policy, a valid claim will be settled under the principle of
- A. contribution.
 - B. insurable interest.
 - C. indemnity.
 - D. subrogation.
21. Under a Road Traffic Act only motor insurance policy, what is the **typical** policy limit, if any, for third party property damage?
- A. £1,200,000
 - B. £2,000,000
 - C. £5,000,000
 - D. Unlimited.
22. A third party, fire and theft motor insurance policy provides cover for the replacement of car locks if the keys to the car have been stolen. This type of cover is known as
- A. an automatic extension.
 - B. an optional extension.
 - C. subrogation.
 - D. a warranty.
23. Which type of insurance covers the difference between the amount a policyholder paid for a car and the amount an insurer would offer in settlement of a valid total loss claim?
- A. Comprehensive insurance.
 - B. GAP insurance.
 - C. Liability insurance.
 - D. Third party, fire and theft insurance.
24. Nina has a comprehensive motor insurance policy. She suffers the loss of an arm as a result of an accident in her vehicle. What level of cover is **typically** provided under the personal accident extension of the policy?
- A. Nil.
 - B. £100 to £300
 - C. £1,000 to £10,000
 - D. £25,000 to £50,000

25. Terry has a third party only motor insurance policy and wishes to use his car to tow a caravan. If he wants any damage to the caravan to be covered while it is being towed, he should be made aware that
- A. he can only obtain cover if he is aged over 25.
 - B. he will need to take out separate cover.
 - C. no additional cover is required.
 - D. this cover is not available in any circumstances.
26. Under a comprehensive motor insurance policy, what is the policy limit, if any, for causing damage to another person's property?
- A. £1,200,000
 - B. £2,000,000
 - C. £20,000,000
 - D. Unlimited.
27. Fiona is an accountant and has advised her client that he should see an insurance broker to arrange motor insurance. In these circumstances, Fiona is acting as an
- A. administrator.
 - B. aggregator.
 - C. intermediary.
 - D. introducer.
28. Within an insurance company, who is responsible for calculating the premium to insure a motor vehicle?
- A. An administrator.
 - B. A claims manager.
 - C. A surveyor.
 - D. An underwriter.
29. Harry's motor insurance premium is £300. How much Insurance Premium Tax will be added to this premium?
- A. £30
 - B. £36
 - C. £45
 - D. £60
30. Where a customer is applying for motor insurance over the telephone, which document provides details of all the questions asked by the insurer and the responses given by the customer?
- A. Insurance certificate.
 - B. Insurance Product Information Document (IPID).
 - C. Statement of fact.
 - D. Terms of Business Agreement.

31. Which document details the exclusions that apply to a motor insurance policy?
- A. The cover note.
 - B. The policy booklet.
 - C. The statement of fact.
 - D. The Terms of Business Agreement.
32. What is a protected no claims discount under a motor insurance policy?
- A. An automatic premium deduction applicable to a new policyholder only.
 - B. The maintenance of the current rating when the policyholder has a fault claim in exchange for an increase in the initial premium.
 - C. The maintenance of the current rating when the policyholder has a fault claim in exchange for a decrease in the initial premium.
 - D. A premium deduction that applies to the policyholder if he has previously been insured under another policy.
33. Martin has step back bonus protection on his motor car insurance policy and his current level of no claims discount is 50%. If he has an accident, his no claims discount at the next renewal will **most likely** be in the region of
- A. 10%
 - B. 30%
 - C. 50%
 - D. 70%
34. An insurer sells its motor insurance policies through a large retailer. This type of insurance is **normally** known as
- A. affinity insurance.
 - B. bancassurance.
 - C. direct insurance.
 - D. GAP insurance.
35. The regulatory requirements for the handling of motor insurance claims are contained within the
- A. Insurance: Conduct of Business sourcebook (ICOBS).
 - B. Insurance Product Information Document (IPID).
 - C. insurance policy booklet.
 - D. Terms of Business Agreement.
36. The role of an aggregator in the placement of insurance is to
- A. advise the insurer of policy differences.
 - B. help support the insurer through the claims process.
 - C. negotiate the best premium.
 - D. provide comparison quotations from a number of insurers.

37. Anya has a comprehensive motor insurance policy. She reverses down a public footpath and causes damage to her car. Who would be responsible, if anyone, for the cost of the repair?
- A. Anya.
 - B. Anya's insurer.
 - C. The local authority.
 - D. No one, as the accident occurred off a public road.
38. Asim has a protected no claims discount (NCD) on his motor insurance policy and was involved in an accident that was his fault. What action will the insurer take with regard to the NCD?
- A. It will cancel the NCD immediately.
 - B. It will reduce the NCD at the next renewal.
 - C. It will review the circumstances before making a decision.
 - D. It will take no action.
39. Angela chooses to cancel her motor insurance policy mid-term despite paying a year's premium upfront. What will **normally** be the insurers' position regarding the policy and any refund, if no claim has been made?
- A. The policy will be cancelled from inception and a full refund will be given.
 - B. The policy will be cancelled immediately and a pro-rata refund will be given.
 - C. The policy will be cancelled immediately with no refund given.
 - D. The policy will be cancelled from the end of the policy term with no refund given.
40. What is the benefit to a motor insurance policyholder of using the insurer's approved windscreen repairer?
- A. An excess does not apply.
 - B. A lower excess will apply.
 - C. There will be more control over the repairs that are carried out.
 - D. The repair costs will be lower.
41. Joe submitted a valid claim of £800 under his comprehensive motor insurance policy following an accident. His policy has a compulsory excess of £250 and a voluntary excess of £200. How much of the claim will Joe have to pay?
- A. £200
 - B. £250
 - C. £350
 - D. £450
42. The Financial Conduct Authority's rules state that motor insurance complaints should be acknowledged
- A. as soon as is practicable.
 - B. promptly.
 - C. within a maximum of five working days.
 - D. within a maximum of seven working days.

43. The **main** purpose of the Motor Insurers' Bureau is to protect
- A. drivers of public service vehicles.
 - B. innocent third parties involved in accidents with uninsured vehicles.
 - C. passengers in insured vehicles who are involved in accidents with other insured vehicles.
 - D. UK motor insurance companies.
44. During a conversation with a policyholder, a motor insurance call centre team member should **mainly** use signposting to
- A. ask the customer for feedback at the end.
 - B. explain to the customer what steps will be taken.
 - C. show understanding to the customer.
 - D. tell the customer that she is valued.
45. When a member of an insurer's motor insurance call centre team handles telephone calls, tone of voice is important to
- A. all calls except follow-up calls.
 - B. all calls without exception.
 - C. claims-related calls only.
 - D. new business calls only.
46. The Financial Conduct Authority's definition of a complaint states that a motor insurance customer **must** allege that there has been financial loss, material distress or
- A. financial misconduct.
 - B. financial mismanagement.
 - C. material disagreement.
 - D. material inconvenience.
47. To comply with the Financial Conduct Authority's consumer outcomes, a motor insurer should ensure that any advice given to a customer is
- A. prompt.
 - B. suitable.
 - C. verified.
 - D. written.
48. A customer has chosen to add breakdown, legal expenses and no claims discount protection cover to her motor insurance policy. Which of these are subject to the Insurance: Conduct of Business sourcebook (ICOBS) rules on optional additional products?
- A. Breakdown and legal expenses cover only.
 - B. Legal expenses and no claims discount protection only.
 - C. No claims discount protection and breakdown cover only.
 - D. Breakdown, legal expenses and no claims discount protection cover.

49. Which body publishes the Insurance: Conduct of Business sourcebook (ICOBs), which provides the rules for motor insurers?
- A. Association of British Insurers.
 - B. Financial Conduct Authority.
 - C. Financial Ombudsman Service.
 - D. Prudential Regulation Authority.
50. Which UK insurance companies **must** submit details to the Motor Insurance Database of all the cars that are insured?
- A. All companies operating directly with policyholders only.
 - B. All companies operating via insurance intermediaries only.
 - C. All companies operating specialist fleet insurance only.
 - D. All companies without exception.

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			Learning Outcome 4		
1	C	1.1	27	D	4.1
2	D	1.1	28	D	4.2
3	B	1.1	29	B	4.2
3 Questions			30	C	4.3
			31	B	4.3
Learning Outcome 2			32	B	4.4
4	C	2.4	33	B	4.4
5	A	2.3	34	A	4.1
6	B	2.1	35	A	4.5
7	B	2.1	36	D	4.1
8	A	2.1	37	B	4.5
9	A	2.2	38	D	4.4
10	C	2.2	39	B	4.4
11	A	2.2	40	B	4.5
12	A	2.3	41	D	4.5
13	B	2.3	15 Questions		
14	D	2.4			
11 Questions			Learning Outcome 5		
			42	B	5.2
Learning Outcome 3			43	B	5.5
15	D	3.1	44	B	5.1
16	C	3.1	45	B	5.1
17	D	3.1	46	D	5.2
18	C	3.1	47	B	5.3
19	D	3.1	48	D	5.4
20	C	3.1	49	B	5.4
21	A	3.1	50	D	5.5
22	A	3.1	9 Questions		
23	B	3.1			
24	C	3.1			
25	B	3.1			
26	C	3.1			
12 Questions					