

## P94

### Diploma in Insurance

#### Unit P94 – Motor insurance

October 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. Identify **eight** sources of information that may be used in order to assess vehicle security, repair or value. (8)
  
2. (a) List **six** different causes of loss that would usually be covered under the 'Loss of or damage to your car' section of a private car policy. (6)
- (b) Outline **four** standard exclusions that may be found under the 'Loss of or damage to your car' section of a private car policy. (4)
  
3. (a) Outline the elements of a typical motor insurance policy cancellation condition. (6)
- (b) State **five** reasons why a motor insurer would invoke a cancellation condition. (5)
- (c) State **four** reasons why a policyholder may invoke a cancellation condition. (4)
  
4. Explain briefly the following extensions found in a typical commercial vehicle policy, illustrate your answer with an example for **each**.
  - (a) Indemnity to principal. (4)
  - (b) Unlicensed drivers. (4)
  
5. (a) Identify **three** main categories of hire car risks. (3)
- (b) Explain briefly **each** category of hire car risk identified in **part (a)** above, highlighting a potential adverse feature for insurers of **each**. (9)
  
6. State **six** items of policyholder information that may be requested by an insurer upon notification of a motor vehicle accident. (6)

7. (a) State **three** sources the police would use, to check if the driver of a vehicle is insured to drive under a motor insurance policy. (3)
- (b) A police officer undertakes the appropriate checks on a vehicle which is parked on a driveway and discovers it is not insured.
- (i) Identify the offence that may have been committed. (2)
- (ii) Outline the action that the registered keeper of the vehicle should have taken to avoid prosecution. (2)
8. Explain the operation of the following terms in relation to motor insurance, providing specific examples. *You should make reference to policy wordings and the principle of indemnity in your answers.*
- (a) Betterment. (6)
- (b) Contribution. (8)
9. You are an underwriter for GCQ Ltd, a motor insurer. One of your commercial fleet policyholders specialise in the transportation of materials and wish to arrange cover for their vehicles in France.
- (a) Explain briefly the minimum cover you would expect the policy to provide without extension. (6)
- (b) Identify **four** underwriting considerations that may need to be taken into account in order for the minimum cover to be increased. (4)
10. Explain briefly **five** requirements for private driving tuition to be acceptable under a typical private motor policy. The vehicle to be driven is not fitted with dual controls and the policyholder is not a qualified driving instructor. (10)
11. (a) State **eight** vehicle rating factors that an underwriter may consider when presented with a private motor proposal. (8)
- (b) Identify **six** reasons for the creation of a motor insurance policy record. (6)

QUESTIONS CONTINUE OVER THE PAGE

12. (a) Identify **three** different forms of alternative dispute resolution (ADR). (3)
- (b) Outline **three** advantages and **three** disadvantages of ADR. (6)
13. (a) Explain briefly the operation of credit hire in motor insurance. (4)
- (b) Identify **two** challenges and **two** benefits of credit hire. (4)
14. Explain **three** rating and underwriting factors that are typically used by insurers, when considering motorcycle risks. (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.** Mr Lloyd owns and operates a fleet of goods carrying vehicles, plus company cars, which are all insured on a motor fleet policy with the Thrifty Insurance Company.

One of Mr Lloyd's employees is involved in an accident with a third-party vehicle. The employee was driving his own vehicle, on the business of his employer, when his vehicle collided with a parked third-party vehicle. Details of the accident are immediately notified to Thrifty Insurance Company and it is discovered that there were defective brakes on the employee's vehicle. Both vehicles were extensively damaged and the third-party suffered injuries.

- (a) (i)** Explain briefly the term 'constructive total loss'. **(4)**
- (ii)** Describe briefly **two** benefits and **two** challenges when a policyholder's or third party's vehicle is treated as a constructive total loss. **(8)**
- (b)** Outline the issues which will need to be considered by Thrifty Insurance Company following notification of the accident by Mr Lloyd. **(10)**
- (c)** The reserve for this claim is £1.1 million which triggers reinsurance. Identify the type of reinsurance protection that is most relevant to this situation and illustrate how this would operate. **(8)**
- 16. (a)** Explain the circumstances in which a motor insurer would consider an agreed value policy for a vehicle, identifying the benefits and challenges of such an option. **(14)**
- (b)** A vehicle insured under an agreed value policy is left on a driveway. The vehicle is stolen and is subsequently found at the scene of an accident, having collided with a wall. The thief had left the scene.
- The policyholder cannot remember where the keys were left, immediately prior to the loss.
- The vehicle is insured for £30,000 and its current market value is £20,000.
- Identify the factors that the insurer of the vehicle would take into account when assessing the claim, and discuss the extent of cover provided under the policy in respect of both the policyholder's and any third-party claim. **(16)**



17. (a) (i) Identify **six** different types of businesses which may require a motor trade policy. (6)
- (ii) Explain **five** questions that relate to the type of work undertaken or the premises which are found on a typical motor trade garage (internal) risks proposal form. (15)
- (b) A motor trader, operating in the UK, innocently buys a vehicle from a seller who had acquired that vehicle by theft. The motor trader sells the vehicle to a customer. The motor trader is then approached by the original vehicle owner, who wishes to recover the vehicle.
- (i) Outline the position, with regard to ownership of the vehicle, with reference to relevant case law. (4)
- (ii) Explain briefly the potential extent of cover for the motor trader, for claims from the original owner of the vehicle and the new purchaser. (5)

**BLANK PAGE**



