

Motor insurance

Objective: To develop in the candidate:

- a knowledge and understanding of the principles and practices of individual motor insurance;
- a knowledge and understanding of regulatory considerations;
- the ability to apply knowledge and skills to practical situations;
- the ability to synthesise different aspects of the syllabus and apply them to given scenarios.

Method of assessment: See page 7 in the 2005 Advanced Diploma in Insurance 'Information for candidates' brochure.

Notes:

- The syllabus will be based on UK law and practice.
- The April session will test the legal position as of 31st August of the preceding year.
- The October session will test the legal position as of 28th February of the same year.

1. History and development

1.1 The development of motor insurance in the UK

Candidates should be able to

- *describe* the key stages in the development of motor insurance in the UK since 1930 with regard to:
 - advances in motor vehicle usage, types and technology;
 - legislative developments;
 - developments in market practice.

1.2 Implications of EC law

Candidates should be able to

- *discuss* EC law and its implications for motor insurance.

2. Market-place - operation and regulation

2.1 Market structure

Candidates should be able to

- *outline* the structure of the market for private and commercial motor insurance.

2.2 Differences in private and commercial motor insurance transactions

Candidates should be able to

- *discuss* the principal differences in the transaction of private and commercial motor insurance.

2.3 Motor organisations and bodies

Candidates should be able to

- *describe* the role and function of the following:
 - the Motor Insurers' Bureau;
 - the Motor insurance Repair Research Centre;
 - DVLA;

- Lloyd's syndicate service companies.

2.4 Development of the direct sales motor insurance business

Candidates should be able to

- *outline* the development of the direct sales motor insurance business.

2.5 Non-standard market specialists

Candidates should be able to

- *state* the role of non-standard market specialists.

2.6 Market cycles

Candidates should be able to

- *evaluate* motor insurance market cycles and their effect on market practice.

2.7 Association of British Insurers

Candidates should be able to

- *explain* the main provisions of the ABI Statement of General Insurance Practice and their implications for motor insurance.

2.8 Customer protection

Candidates should be able to

- *state* the role of the Policyholders' Protection Board/ Financial Services Compensation Scheme.

3. Legal considerations

3.1 The Road Traffic Act 1988

Candidates should be able to

- *outline* the scope of the Road Traffic Act 1988 Parts I-IV and VII, as amended by the Road Traffic Act 1992;
- *discuss* the provisions of the Road Traffic Act 1988 Part VI, relating to third party liabilities.

3.2 Related legislation

Candidates should be able to

- *explain* the effect on motor insurance of the following:
 - Rehabilitation of Offenders Act 1974;
 - Limitation Acts;
 - Road Traffic (New Driver) Act 1995;
 - Disability Discrimination Act 1995;
 - Data Protection Act 1998.

3.3 Employees using motor vehicles for company business

Candidates should be able to

- *discuss* the legal position of employees using motor vehicles in the conduct of company business.

3.4 European Union directives

Candidates should be able to

- *describe* the provisions of the EC motor directives and evaluate their effect on motor insurance law and practice.

3.5 Use of vehicles outside the UK

Candidates should be able to

- *explain* the legal considerations related to use of vehicles outside the UK.

3.6 Exclusions under the Road Traffic Acts

Candidates should be able to

- *describe* the vehicles and circumstances of their use, which do not require insurance under the terms of the Road Traffic Acts.

3.7 Motor Insurers' Database

Candidates should be able to

- *explain* the purpose and use of the Motor Insurers' Database.

4. Scope of cover provided

4.1 Core cover

Candidates should be able to

- *discuss* the core cover provided in respect of accidental damage, third party fire and theft and legal expenses insurance, in respect of
 - private motor cars;
 - motor cycles;
 - goods-carrying commercial vehicles;
 - passenger-carrying commercial vehicles;
 - special types;
 - motor trade;
 - agricultural and forestry vehicles.

4.2 Additional benefits

Candidates should be able to

- *discuss* the additional benefits available under private and commercial vehicle insurance policies.

5. Risk assessment, rating and underwriting

5.1 Principles of rating and underwriting

Candidates should be able to

- *discuss* the principles of rating and underwriting of individual risks in motor insurance.

5.2 Rating and underwriting considerations

Candidates should be able to

- *discuss* the rating and underwriting considerations specific to:
 - private motor insurance;
 - commercial motor insurance;
 - motor fleet insurance;
 - motor trade insurance.

5.3 Legal requirements

Candidates should be able to

- *explain* the content and legal requirements relating to the cover note and the certificate of motor insurance.

5.4 Construction of commercial and private motor insurance policies

Candidates should be able to

- *discuss* the construction of commercial and private motor insurance policies, with specific reference to:
 - common policy warranties and conditions, including territorial limits;
 - general exclusions and exceptions;
 - the policy schedule.

5.5 No-claim discount

Candidates should be able to

- *explain* the use of no-claim discount.

5.6 Non-standard risks

Candidates should be able to

- *discuss* the methods available for dealing with non-standard risks.

6. Renewal of cover

6.1 Renewal systems

Candidates should be able to

- *explain* the operation of a typical renewal system for private and commercial motor insurance;
- *explain* the frequency of renewal and its significance to continuity of cover;
- *describe* the renewal documentation and renewal terms specific to motor insurance.

7. Claims procedures

7.1 Principles of claims handling

Candidates should be able to

- *discuss* the principles of claims handling applied to motor insurance.

7.2 Claims handling procedures

Candidates should be able to

- *discuss* claims handling procedures specific to:
 - private motor insurance;
 - commercial motor insurance;
 - motor trade insurance.

7.3 Claims notification

Candidates should be able to

- *describe* the various methods of claims notification.

7.4 Police involvement

Candidates should be able to

- *explain* the possible police involvement in the claims process.

7.5 Market agreements

Candidates should be able to

- *discuss* the scope and use of market agreements, including the Uninsured Drivers Agreement and the Untraced Drivers Agreement.

7.6 Structured settlements

Candidates should be able to

- *discuss* the operation and use of structured settlements.

7.7 Constructive total loss and betterment

Candidates should be able to

- *explain* constructive total loss and betterment.

7.8 Motor engineers

Candidates should be able to

- *describe* the role of motor engineers in the claims process.

7.9 Claim assessment

Candidates should be able to

- *discuss* the process of claim assessment, including valuation of the vehicle and the Thatcham recommendations on claim assessment.

7.10 Recommended repairers

Candidates should be able to

- *describe* the use of recommended repairers.

7.11 Fraud prevention

Candidates should be able to

- *explain* the use of fraud prevention databases in the claims process, including:
 - Motor Insurance Anti Fraud and Theft Register (MIAFTR);
 - Claims and Underwriting Exchange (CUE);
 - Northern Ireland Personal Accident Register (NIPAR);
 - (CIFAS);
 - Motor Insurers' Database (MIB).

7.12 HPI

Candidates should be able to

- *outline* the use of HPI.

7.13 Dispute resolution

Candidates should be able to

- *describe* the procedures and organisations available to assist with settling disputes;
- *describe* the use of Alternative Dispute Resolution (ADR).

8. Information technology

8.1 IT development

Candidates should be able to

- *outline* the implications of IT development for the motor insurance market including:
 - electronic data interchange (EDI);
 - insurer/intermediary links;
 - direct motor insurance business;
 - access to information from non-insurance sources, including DVLA.

9. Ethical considerations

9.1 Bad faith claims

Candidates should be able to

- *describe* the occurrence and treatment of bad faith claims.

9.2 Risk selection

Candidates should be able to

- *describe* the various approaches to risk selection by insurers.

9.3 Declined Cases Agreement

Candidates should be able to

- *explain* the use of the Declined Cases Agreement.

9.3 Market agreements for no-claims discount

Candidates should be able to

- *explain* the implications of the operation of market agreements for no-claim discount.

Reading list

The following list provides details of various publications which may assist with your studies. The primary text for this syllabus is shown in bold type. Periodicals and publications listed as additional reading will be of value in ensuring candidates keep up to date with developments and in providing a wider coverage of syllabus topics. Any reference materials cited are authoritative, detailed works which should be used selectively as and when required.

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.

Most of these additional study materials can be borrowed or purchased from CII Information Services at www.cii.co.uk/is

Primary text

Motor Insurance. London: The CII. Coursebook 765.

Additional reading

Motor Insurance: Theory and Practice. Kenneth Cannar. 2nd ed. London: Witherby, 1994.

Reference materials

Handbook of Motor Insurance. T. Hogg (ed.). Brentford: Kluwer in association with the British Insurance and Investment Brokers' Association, 1982.

Road Traffic Act 1988. London: HMSO, 1988.

Annual Report. Insurance Ombudsman Bureau. London.

Periodicals

The Journal. London: The CII. Six issues a year. Also available online (CII/SOFA members only) at www.cii.co.uk/is

Post Magazine. London: Timothy Benn. Weekly.

Insurance Times. Weekly.

Law reports in quality newspapers.

Examination guides

You are strongly advised to study these before the examination. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on 020 8989 8464.

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements. An example is:

The exam secret: how to make the grade. Barbara Brown. Tadworth, Surrey: Elliott Right Way Books, 2000.

For a more interactive approach, you should consider:

Winning the brain game. The CII, London: 1996. CD Rom.