



Malta International Training Centre

Award in Motor Insurance

29th November 2020

PLEASE READ THE FOLLOWING NOTES:

1. Three hours are allowed for this paper, which is in two parts: PART I and PART II.
2. Answer ALL questions numbered 1-14 in PART I. You are advised to spend no more than 120 minutes on this part of the paper.
3. In PART II you should answer two (2) questions, each carrying 30 marks, from the remaining questions 15-17.
4. The whole paper carries 200 marks.

Part I: Answer ALL questions 1-14 in this part.

Each question carries 10 marks.

1. List five (5) sections found in a typical private motor insurance policy and briefly explain their purpose. (10 marks)
2. Explain three (3) basic dispute resolution alternatives that can be used to litigate motor insurance disputes. (10 marks)
3. Following a claim made under a motor insurance policy, identify and explain three (3) insurance principles that can come into operation, giving an example of the application of each. (10 marks)
4. a) Briefly explain how the "No Claims Discount" (NCD) scheme operates. (5 marks)
b) Differentiate between "Protected NCD" and "Guaranteed NCD". (5 marks)
5. What information is held by the Motor Insurance Database (MID)? (10 marks)
6. Explain the term "Fronting" in the context of Motor Insurance. (10 marks)
7. What is the role of the motor claims department? (10 marks)
8. Explain briefly how an "Agreed Value" insurance policy operates, giving an example related to motor insurance. (10 marks)
9. a) Why do you think motor insurance is the most popular insurance policy in the market? (2 marks)
b) Define the term 'Motor vehicle' (4 marks)
c) Define the term 'Road' (4 marks)

10. What does an insurer need to check if a policyholder asks to change cover of his/her insurance policy, mid-term? (10 marks)
11. List five (5) negative features when assessing a motor insurance proposal form. (10 marks)
12. a) Briefly explain the meaning of the term 'Constructive Total Loss' in relation to a motor vehicle. (2 marks)
- b) Outline the consequences for an insurer of allowing the policyholder to retain a motor vehicle that is deemed to be a constructive total loss. (4 marks)
- c) Summarize the steps that may be taken by the motor insurer to protect their position if they allow the policyholder to retain and repair the damaged vehicle. (4 marks)
13. List the main elements that make up the motor insurance premium. (10 marks)
14. Outline briefly the main provision of the EU 4th Motor directive. (10 marks)

Part II: Answer two (2) questions from 15-18 (30 marks each)

15. Mr Oliver has a normal mid sized vehicle, a Honda Civic. He is comprehensively insured and his policy covers himself and any driver over 25 years of age. He went to his insurance company to lodge a claim as he was involved in an accident with another vehicle and explained the circumstances of the accident to the claims handler of Global Insurance Company Ltd.

In his description of the accident Mr Oliver told the claims handler that the accident took place on a Friday night at 4 am, and that he does not remember what happened. He told him that on the night, he had been working late and that he must have slept whilst driving on his way home.

The claims handler was suspicious of the sincerity of these facts and he asked for the police report to investigate further. When Mr Oliver left the offices of the insurer, the claims handler retrieved Mr Oliver's underwriting file to investigate the disclosed material facts.

Two days later, Mr Oliver returned with the original police report. Upon presentation, it was discovered that Mr Oliver had been driving under the influence of alcohol. It also emerged he has a serious alcohol problem and it was not the first time that he had been convicted of drink driving. Notwithstanding his history, Mr Oliver never disclosed anything of the sort.

a) Explain what Mr Oliver's insurer is obliged to pay (if at all) and under what circumstances.

(15 marks)

b) Explain what options are available to the innocent third party for his damages.

(15 marks)

16. Fraud is on the increase, and insurers are constantly seeking new methods to combat this problem.

a) Discuss insurance fraud (10 marks)

b) What measures are there in place to combat insurance fraud? (20 marks)

17. You are preparing an article for a local insurance journal wherein you will be explaining and comparing the types of covers available for private vehicle motor insurance.

Prepare your notes for publication. (30 marks)



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12th September 2021

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3. In PART II you should answer two (2) questions, each carrying 30 marks, from the remaining questions 15-17.
4. The whole paper carries 200 marks.

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Part I: Answer ALL questions 1-14 in this part.

Each question carries 10 marks.

1. a) Outline the role of the Motor Insurers' Bureau. (5 marks)
b) Explain how a "hit and run" claim (untraced driver claim) will be handled by this Bureau. (5 marks)
2. Explain, by giving 5 examples, how a Motor Third Party only insurance policy seeks to provide more cover than the minimum required by the Road Traffic Act. (5 X 2 marks)
3. Under a Comprehensive Motor insurance policy, Personal Accident cover is provided as one of the extensions.
 - a) Who is intended to be covered under this extension? (2 marks)
 - b) Outline any applicable Personal Accident exclusions. (8 marks)
4. a) Why is a No Claims Discount (NCD) given by a motor insurer? (2 marks)
b) How does a motor claim affect the NCD? (3 marks)
c) What extension is offered by insurers to protect the NCD and how does this operate? (5 marks)
5. a) What are the duties of the insured immediately upon being involved in a motor traffic accident? (5 marks)
b) What 5 remedies are open to the motor insurance claimant if there is a disagreement with the insurer? (5 marks)
6. How are the following applicable to a Commercial Motor insurance policy?
 - a) Loading and unloading (2.5 marks)
 - b) Indemnity to principals (2.5 marks)
 - c) Trailers (2.5 marks)
 - d) Cross liabilities (2.5 marks)

7. Apart from the questions related to personal information, list 10 specific Private Motorcycle insurance proposal form questions. (10 marks)
8. Explain the value of having an Insured Recovery Service as an extension by describing the operative cause of such an extension. (10 marks)
9. a) Why do you think it is more cost effective to insure a group of vehicles under a fleet policy? (2 marks)
b) How do motor insurers deal with theft by deception and theft from an unattended vehicle? (8 marks)
- 10.a) Give 4 reasons why a motor insurance underwriter would consider reinsurance. (4 marks)
b) Explain Facultative reinsurance and Stop Loss reinsurance. (6 marks)
- 11.a) What is the role of a Motor Engineer? (4 marks)
b) When is a motor vehicle considered to be a total loss? (3 marks)
c) How does a motor claims handler deal with a motor total loss claim? (3 marks)
- 12.a) What is the scope of the Motor Insurance Database? (4 marks)
b) Outline 6 modern systems that are available to insurers to reduce fraudulent motor claims. (6 marks)
13. In the context of cross border claims, explain the following terms:
a) Direct right of action (4 marks)
b) Applicable law (3 marks)
c) Enforcement of judgements (3 marks)
14. Give 4 examples of non-standard motor insurance risks and briefly outline how an underwriter deals with such risks. (2.5 marks each)

Part II: Answer two (2) questions from 15-18 (30 marks each)

15. *"The motor insurance underwriting department and the motor claims department should work hand in hand".*

The above is the topic of a speech that you are to present before an audience of practitioners who are attending a certificate award ceremony.

Present your speech explaining the importance, reasons and benefits (if at all) of endorsing the topic of the event.

(30 marks)

16. Fred Harrison is the owner of a car leasing / car rental business, owning over 600 vehicles of all types including commercial vehicles and motorcycles. He employs 15 employees, ages ranging 18 to 64 years. The vehicles are driven by anyone and it is not uncommon that vehicles are driven in from other countries or driven out to other areas within and outside Europe.

Fred comes to your broking office as he feels that his current insurer is not providing the best cover and thinks the premium is very high. As an insurer broker, you are assigned to explain to Fred what type of policy cover/s he requires together with any extensions available in the market. You are also assigned to obtain the best priced motor policy on the basis of your suggestions.

Discuss what advices you will give to Fred.

(30 marks)

17. During one of the conversations you had with Joe Smith, a retired insurance practitioner, a number of instances he faced when he worked for the motor insurance division, were recounted. Joe Smith mentions the following:

- a) A 17-year-old son took the keys of his father's vehicle and went joy riding with his friends. An accident ensued, leaving one of the occupants permanently disabled. The insurers refused to pay the claim. (10 marks)
- b) A German motorist travelling from France (EU) to Israel (non-EU) failed to inform his German insurer (EU) and an accident claim in Israel was being refused by the German insurance Office. (10 marks)
- c) Disabled persons were insured but at five times the normal rates and women drivers were charged less premium than men for being better drivers. (10 marks)

For each of the above statements discuss the technical and legal implications of the situations mentioned commenting, with reasons, whether the decisions taken by the insurers were justified.
