



# 2007 EDITION



## The Institute of Automotive Engineer Assessors

Tuition Course Section 4

*Motor Insurance*

# INSTITUTE OF AUTOMOTIVE ENGINEER ASSESSORS

## Motor Insurance

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# INTRODUCTION TO THE SERIES

Welcome to the completely new, updated, revised and amended series of four Institute work books. These books have had several new features incorporated in the design.

## Language

Where possible this has been written in user friendly style, moving away into the formal only when required for strict accuracy. Every attempt has been made to use plain words instead of the more common but difficult multi-syllable words. However in some subjects such as Legislation and Motor Insurance, there are many technical words that the competent assessor must know well. Therefore the technical words have been left in but the explanation of these is in simple plain language.

## Grammar

Long sentences have been pruned and as far as possible correct punctuation has been used throughout the series.

## Style

Paragraphs have been clearly laid out with clear space between them to aid reading without undue eye strain. A clear numbering system has been installed to allow for easy reference and regular updating of the text.

## Sections and Sub Headings

The start of each section in each volume gives a clear indication of the contents with a numbering system that allows the student to bypass where required and focus on particular aspects of study. More and clearer sub headings have been introduced to aid effective reading.

## Boxed or Highlighted Text

To separate out the important facts from the explanation of the facts, the relevant words, sentences or phrases are boxed or highlighted in some way. This is a valuable aid in examination techniques.

## Case Law

Where there have been clear decisions on case law, then the decision has been highlighted in some way. There are also collections of relevant stated cases at the end of each section for ease of reference.

## Self Test Questions

These are compulsory and form part of the overall exam result. Further detail is available under the introduction of each volume.

- Direct teaching
- Indirect teaching
- By correspondence with no direct tutor support
- Open Learning with limited tutor support

## Assessment

Assessment is competence based and formative, allowing for assessment to be by assignments and examinations.

## Updating Service

Existing volumes in the series can be kept up to date by subscribing to the Update Service. This will replace existing pages with updated text as the legislation changes and as the technology and principles and practices of Assessing are developed. Details of this service can be obtained by contacting The Institute of Automotive Engineering Assessors.

## Comments

Your comments on the new series – adverse or otherwise (but preferably constructive) – are warmly welcomed and all correspondence will be answered. Please send your letters direct to the Institute.

# INTRODUCTION TO THIS VOLUME – MOTOR VEHICLE INSURANCE

Welcome to these updated notes especially designed and available only to the members of the Institute of Automotive Engineer Assessors. (Note: Any reference to male or female in the notes refers to either sex operating as a Motor Vehicle Assessor.)

## Who Would Benefit From These Notes?

These notes are intended for existing practising assessors, as well as body repair/motor repair staff who are in direct contact with assessors or aspire to be an automotive assessor. They would also be a valuable resource for students studying for a BTEC or SCOTVEC HNC in Motor Vehicle Engineering, or for one of the professional Institutes' examinations:

The Institute of the Motor Industry  
The Institute of Road Transport Engineers  
The Chartered Institute of Transport

## How should these Insurance Notes be Interpreted?

The insurance notes are based on United Kingdom operations. The Road Traffic Acts apply in England, Wales and Scotland.

## Synopsis of Contents

This volume has 8 sections. The first 2 contain essential background material intended to provide underpinning knowledge and comprehension in the application of Motor Insurance principles covered in the subsequent sections 3-8. The following notes summarise the ground covered by each section.

Note: All sections, except the history, are examined directly in the Institute Examinations.

## Section 1 – Motor Insurance History and Basic Insurance Principles

The history section is not directly examinable, yet it should be read as the present position on Motor Insurance has developed from quite a humble start. To study now, without knowledge of the past is a nonsense.

The basic principles of Motor Insurance are very important and the student should expect these to be examined in depth and with accuracy.

Therefore all students are well advised to study this section more than once during the course of their study.

## Section 2 – Road Traffic Act 1988

Motor Insurance gains its authority from legislation. This section is fairly meaty and can be difficult to read without being bored to death.

This, however, is not a reason to miss this section out as the legislation gives both the powers to administer and the powers to discipline the offender. It also gives the powers of restitution to the loser. The secret therefore is to read in parts rather than in long sections.

Once again, this section can be expected to be well examined in depth and with accuracy.

## Section 3 – Insurance – Private Motorist

Motor Insurance is complicated and is subject to intense competition. The notes reflect both the recent past leaders, as well as the present leaders in Motor Insurance companies as they have developed the Motor Insurance policy. The actual risk assessment on which the premium is based is dealt with in a separate section.

This section deals fully with Motor Insurance for the private motorist – what is covered, not covered, exempt and excluded, as well as pointing out the areas where the policy can be voided if care is not taken.

This area is another that is well examined in depth and accuracy.

## Section 4 – Insurance – Motor Trade

Insurance Assessors have to deal regularly with the repairers in the Motor Trade. It is important that the Assessor knows what is covered and what is not covered by insurance taken out by dealers in the Motor Trade.

This area is fully examinable.

## Section 5 – Insurance – Risk Assessment

Insurance companies hope to offer indemnity and make a profit out of doing so. The secret of success lies in analysing and assessing the insurance risk for a given situation and then deciding on a premium that will attract the buyer. This is easier said than done and all companies have different systems for assessing such risk.

This section tries to bring together the main threads of all the companies and yet show where diversity exists.

The student can be sure that this area is always examinable.

## Section 6 – Insurance – Commercial Vehicles

Not every Motor Insurance Company offers motor insurance for commercial vehicles. This is a specialist area and usually one question is devoted to this area in examination. This section covers in depth all the different types of commercial vehicles and their

associated insurance covers.

### **Section 7 – Insurance – Motor Cycles**

Only a few Motor Insurance Companies offer insurance in this specialist area. Usually one examination question is devoted to this matter and the student misses it out at considerable risk of failure.

This section brings the new type of Motor Cycle Insurance to the fore but keeps the Old Rider Policy in because there will still be some motorcycles covered under this system and the Assessor needs to be aware of both systems in operation.

### **Section 8 – Insurance – Motor Insurance Bureau and Ombudsman**

This section is very important since it not only covers agreements for insurance cover where there is no actual cover in operation, but also deals with the EC Directives on minimum insurance cover for all EC countries.

This section is fully examinable.

### **Tutor Marked Assignments (TMA's)**

These are available by separate cover to approved centres only. They are issued by the Institute and reviewed every six months. The cost of this service to the centres is a matter for the Institute to decide.

TMA's are competence based and are both formative and summative, allowing for assessment to be by assignments and examinations only.

There are five assignments in respect of this volume. It is up to each teaching centre or tutor to decide how, when and in what order they wish to issue these assignments.

# **Motor Insurance – Introduction**

## **SECTION 1. – MOTOR INSURANCE HISTORY AND BASIC INSURANCE PRINCIPLES**

### **1.1 PREFACE**

- 1.1.1 Recommended Reading
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### **1.2 LEARNING OUTCOMES FOR THIS SECTION**

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### **1.5 DIRECT SELL INSURANCE**

### **1.6 SELF TEST QUESTIONS**

### **1.7 ANSWERS TO SELF TEST QUESTIONS**

# SECTION 1. MOTOR INSURANCE HISTORY AND BASIC INSURANCE PRINCIPLES

## 1.1 PREFACE

The purpose of this tuition course is to assist the student in preparation for the Institute's written examinations and to further the general knowledge of motor insurance.

The material in the course is laid out in an objective form to assist the student in identifying the learning requirements.

The unit topic areas and the general and specific objectives are set out at the start of each section.

The general objectives give the teaching goals and specific objectives the means by which the student demonstrates his attainment of them.

At the end of each section are self test questions. When the student considers that he has completed sufficient work on a particular section, he should try these questions and check his/her answers with the answer section.

### 1.1.1 Recommended Reading

It is recommend to the student that the following books be consulted in conjunction with this tuition course.

Book	Title Author	Publisher
Bingham's Motor Claims Cases	J A Taylor	Butterworths
Business Guide to Insurance	N Lawrence	Croner
Damages for Personal Liability and Death	J Munkman	Butterworths
Handbook of Motor Insurance – 3rd Edition	B.I.B.A	Kluwer Publishing
Janner's Product Liability	Greville Janner	QC Business Books
Motor Insurance	Balten & Dinsdale	Stone & Cox
Private Motor Insurance	AH Pellatt	Chartered Insurance Institute
Repair of Vehicle Bodies	A Robinson	Butterworth/Heinemann
Road Traffic Reports	L N Williams and N P Metcalfe	Kenneth Mason

## Institute of Automotive Engineer Assessors Journals.

### 1.1.2 Glossary of Insurance Terms

**Acceptance** – A written offer of life insurance. On payment of the premium, the insurance is in force.

**Accident Insurance** – All classes of insurance other than life, fire and marine.

**Actuary** – Someone employed by life insurers to calculate the premiums.

**Agent** – This is a legal term for an intermediary. In insurance practice the agent acts between the insurer and the insured.

**Annuity** – A regular payment in return for a lump sum payment.

**Arbitration** – An alternative to litigation for the settlement of disputes. Differences may be referred to a single arbitrator, or to two arbitrators and an umpire, the umpire giving a decision if the arbitrators cannot agree.

**Assessor** – A Professional person employed by an insured to look after their interests following a loss.

**Assurance** – An early term which means the same as 'insurance'. Still used extensively in life insurance and at Lloyd's.

**Average** – A term, which has more than one meaning in insurance. In general insurance it is a means of reducing the claim payment in the event of under insurance.

**Bonus** – The allocation of part of the profits made by a life insurer to a 'with profits' policyholder.

**Broker** – An intermediary who is registered under the Insurance Brokers (Registration) Act 1977.

**Brokerage** – The commission received by a broker for placing insurance risks on behalf of the insured.

**Business** – Sometimes called consequential loss or loss of profits. A further loss arising as a result of material damage to interruption insured property.

**Cede** – An insurer cedes reinsurance to a re-insurer, eg, Excess of Loss Reinsurance cessation.

**Certificate of Insurance** – Evidence, in the form of a certificate that an insurance contract exists; showing that there is a motor insurance in force that complies with the terms of the current Road Traffic Act.

**Cession** – The amount given by a ceding company to the re-insurer.

**Claim** – Injury, loss or damage affecting the insured and being a liability under an insurance policy.

**Coinsurance** – The sharing of risk amongst insurers.

**Combined** – A package covering a number of insurable risks.

**Insurance Commission** – The payment to an insurance intermediary for the introduction or renewal of business, usually in the form of a percentage of the premium.

**Common Law** – The law that has been founded upon usage, established custom, and legal decision, as distinctive from Statute Law.

**Condition** – A part of a contract that must be complied with by one party or the other. A condition governs the validity of the contract.

**Contract of Insurance** – An agreement between the insurer and one or more parties, whereby the insurer undertakes in return for the payment of a certain consideration, called the premium, to pay to the insured a certain sum of money or to grant certain compensation on the happening of a specified event subject to compliance with the terms of the contract.

**Consensus Ad idem** – Of the same mind, in agreement.