

# 820

## Advanced Diploma in Insurance

### Unit 820 – Advanced claims

October 2012 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 820 – Advanced claims

### Instructions to candidates

#### Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 160 marks, as follows:

Part I	1 compulsory question (case study)	80 marks
Part II	2 questions selected from 3 (scenarios)	80 marks
- You should answer the question in Part I, and two out of the three questions in Part II.
- **You are advised to spend no more than 90 minutes on Part I and 45 minutes on each question selected in Part II.**
- **It is recommended that you spend 15 minutes reading and planning your answer to the case study and 75 minutes answering it, and that you spend 10 minutes reading and planning your answer to each scenario and 35 minutes answering it.**
- A case study tests extensively across syllabus learning outcomes, whilst a scenario will be more focused on specific learning outcomes.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- 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.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

**PART I****Case study****This question is worth 80 marks****To gain maximum marks you should include relevant examples and further reading in your answer****1. Case study**

You are an experienced self-employed claims consultant. You work in an advisory capacity, assisting clients with change management and strategic development of their claims operations. You have been retained by the Chief Executive Officer of XYZ Insurance, who wants to change their business mix and needs expert claims analysis and recommendations from you.

XYZ is a small but fast growing UK insurer with ambitious plans for the future. For two years it has only underwritten first party property policies.

The senior underwriter would now like to offer, in addition, employers and public liability cover. The underwriter expects that the additional claims made under these liability covers will be mainly personal injury claims.

At present, there is an internal claims team of two adjusters who handle the property claims reporting to a claims manager. To date, the majority of claims have been straightforward with relatively few policy coverage issues. XYZ have a reputation for fast, responsive and customer-friendly claims processes.

The claims manager has devised a plan for the new business which assumes that the claims can simply be put through their existing claims handling model. This model allows for claims to be notified within seven days of occurrence and for the adjuster to provide a coverage decision to the insured within two further days. All claims are assigned an automatic reserve (tied to the amount claimed by the insured) plus a standard sum for the loss adjuster's fees.

The system then produces standard template instructions to loss adjusters to value the loss, with an instruction to respond within 30 days; and the targeted time for production of a cheque to the insured is 90 days as a maximum. XYZ's Chief Executive Officer has some concerns about this plan.

**Question**

Write a report for XYZ's Chief Executive Officer which analyses the plan proposed by the claims manager.

Your report should:

- compare and contrast the handling of first and third party claims;
- consider the implications of the Civil Procedure Rules;
- include brief suggestions on an alternative claims model and on any wider implications this may have for the future.

**(80)**

**Part II questions can be found on pages 6 and 7**

**PART II****Scenarios**

**Answer TWO of the following THREE questions  
Each question is worth 40 marks**

**To gain maximum marks you should include relevant examples and further reading in your answer**

**2. Scenario**

You are the Claims Manager for a UK based insurer. The insurer underwrites UK household risks. It is considering expanding into the UK private motor market.

The Chief Executive Officer has current concerns as to the level of fraudulent claims within the company. You are required to advise the Chief Executive Officer as to how you and your department are handling the problem of fraud.

Further, you are to advise what additional considerations arise in terms of fraud from the company's proposed entry into the private motor market.

**Question**

Draft a presentation to the Chief Executive Officer:

- defining claims fraud and explaining how your company should be taking steps to minimise fraud within the current portfolio including fraud detection and indicators;
- analysing the effect that the introduction of motor insurance business is likely to have on your company's strategy on fraudulent claims, including a brief summary of your recommendation to minimise motor fraud.

**(40)****3. Scenario**

You are the Claims Manager of a successful medium-sized UK direct writing personal lines insurer. Due to the success of your business and the increasing exposure to risk, the insurer has to obtain substantially more reinsurance protection.

**Question**

Write a report for your Chief Executive Officer which should:

- compare and contrast claims handling by a direct writing personal lines insurer and a reinsurer;
- explain, with reasons, the claims processes which the reinsurer will require to be in place, in terms of the reinsurance claims your company will make;
- propose brief recommendations as to how your company should best meet such requirements.

**(40)**

**4. Scenario**

You are the Claims Manager of a UK based general insurer. You are notified of a large fire claim from a customer relating to their main UK premises. This customer also insures through your company a major US manufacturing plant.

On further investigation, you suspect that the claim may not be covered due to a breach of a continuing warranty relating to disposal of trade waste.

Senior management has expressed concern regarding the potential cost and commercial sensitivity of this claim and they have sought your advice.

**Question**

Prepare a report for your senior management in which you explore:

- the issues you need to bring to the customer's attention and why;
- on the basis that a procedural dispute arose between your company and the claimant, how this might progress; and
- in brief, the additional considerations that may apply, such as bad faith, should the claim have occurred in the customer's US plant.

**(40)**

