

820

Advanced Diploma in Insurance

Unit 820 – Advanced claims

April 2013 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 evidence of further reading in your answer

1. Case study

You join XYZ Insurance Co as its first claims director.

XYZ started as a small insurer writing general liability business in the UK. The company has grown by acquisition over the last few years and now has three main business areas.

The largest part of the business by premium income is the original general liability business which is still based in the UK. The underwriting is carried out in central London and the claims are handled in a stand-alone claims department outside London with 40 members of staff.

In addition, there is an office in Scotland where a variety of small first and third party risks are written for businesses located in Scotland (and dealing with cases under Scottish Law); the claims arising from these risks are handled in that office by a team of 100 claims personnel.

There is a smaller office in Europe, with only two senior claims handlers, which writes a very specialist type of marine insurance, situated in a city which is recognised as the European centre for this particular insurance product.

All three locations have a claims manager who reports directly to the Managing Director. The Managing Director admits that in growing the business he has not given sufficient time to perform a strategic review of the claims operation.

As a result of the growth of the company, the Board has identified the need for a claims director which led to your appointment.

Question

Prepare a report to the Board which should:

- outline your understanding of the role of a claims director;
- analyse the existing structure of XYZ, commenting in particular on the claims operation;
- evaluate alternative structures and the possible benefits and risks of making changes.

(80)

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 evidence of further reading in your answer

2. Scenario

You are the Claims Manager of a small insurer writing UK non-life personal lines business.

Following a review of the corporate strategy, you have been advised by senior management that they wish to increase premium income by writing a new line of business from a different geographical location. Your input is sought as part of the planning process.

Question

Write a report for senior management in which you:

- explain what information you will need in order to prepare for claims arising from these proposals; and
- identify the options available to you for servicing the new claims.

(40)**3. Scenario**

You are the Claims Manager of a medium-sized insurance company. At a recent Board meeting, a newly appointed non-executive director has expressed concerns about the use of claims management information (MI) by all departments in the company.

Question

Write a report for the Board in which you:

- outline the typical MI used to manage the claims operation;
- discuss how the claims MI should be used effectively in other departments of the company.

(40)**4. Scenario**

AB Insurance Co is a UK insurer that outsources all of its claims. The benefits of outsourcing have not been as great as expected and, as a result, AB Insurance Co are reviewing their options.

Question

As an external consultant, draft a report which should identify:

- the benefits of having an in-house claims department;
- the issues that would arise in bringing the claims operation back in-house.

(40)

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