

960

Advanced Diploma in Insurance

Unit 960 – Advanced underwriting

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 960 – Advanced underwriting

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 are the Senior Underwriting Manager with responsibility for the employers' liability account in XYZ Insurance Company. You are liaising with your claims department and actuaries to revise and ensure accurate claims reserves.

The actuaries have recommended an increase in the reserve figure for occupational deafness claims, as there has been an overall increase in frequency and cost of such claims within the insurance market.

Historically, you have held significant reserves in your account for claims arising from the use of machinery in factories where high numbers of manual workers were employed. However, the frequency and severity of such claims has significantly reduced recently, following the introduction of tougher underwriting criteria.

The Board of Directors of XYZ Insurance Company require reserve figures to be accurate and reliable.

Question

Prepare a paper for the Board of Directors which explains:

- the importance of accurate reserving policy and practice in the employers' liability account;
- the process used to obtain accurate reserves on this account;
- how the introduction of tougher underwriting criteria can improve the account performance.

(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 Manager of a large, well established personal lines insurance company specialising in motor and household insurance. Most of your business is transacted through brokers.

Following a review of your competitors' prices, you have found that your premiums are often uncompetitive. The Board of Directors are concerned by these findings.

Question

Write a report for the Board explaining how premiums are generally constructed and how this could affect comparisons between different companies.

(40)**3. Scenario**

A new insurance company is in the process of being established and you have been offered a position as its underwriting director.

The company is planning to focus on property insurance both in the UK and in overseas markets. There will be some exposure to natural catastrophes.

Question

Write a report with recommendations, discussing how the company should approach capital requirement considerations and the reinsurance arrangements that should be in place.

(40)**4. Scenario**

You are the recently appointed manager of a property insurance account. The financial targets are not being met and the reasons for this are unclear. There is a wealth of management information at your disposal which is not currently being monitored.

You need to consider;

- any potential issues in the current planning process;
- the figures that are required in order to determine your account's performance;
- the factors that should be monitored in terms of the key drivers of premium and claims;
- other relevant variables and assumptions.

Question

Discuss the various figures and factors that should be monitored to assist in meeting the financial targets and explain briefly the planning process that should be undertaken.

(40)

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