

990

Advanced Diploma in Insurance

Unit 990 – Insurance corporate management

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 990 – Insurance corporate management

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

In its last financial year, AW Insurance plc (AW) had a gross written premium of £2 billion with a combined operating ratio of 97%. It is well capitalised and is regarded by brokers and its competitors as having a cautious risk appetite. Its portfolio consists of a range of commercial and personal insurance classes of business with no single class representing more than 10% of the gross written premium.

In recent years, the gross written premium, when inflation is taken into account, has not increased. The Board has come under pressure from major shareholders to increase gross written premium across all of its existing classes and to consider underwriting additional classes of business.

The Board has identified that its ability to grow is restricted by its use of legacy computer systems and by not having sufficient experienced employees. It is also aware that most of its competitors of similar size have, in recent years, either recorded significantly higher rates of growth or been acquired by larger insurers. Some employees have been so concerned at the slow rate of growth and rumours of acquisition that they have chosen to leave AW and join competitors.

You are an external consultant retained by the Board to carry out a strategic review.

Question

Prepare a report in which you examine and analyse the strategic factors which might influence the Board's decision making process.

(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 Customer Service Director of HAN Insurance plc (HAN) which sells on a direct basis to personal insurance customers and is well known amongst consumers for its price competitiveness. HAN has an upward trend in customer complaints and in response the Board commissioned external customer research.

The results identified that a high percentage of HAN's customers feel that they are unduly pressurised by its staff into making decisions that favour the company rather than its customers. This is both at the point of sale and when making a claim. Generally the research showed that customers have a growing regard for HAN's competitors.

Question

Write a report for the Board on the potential implications that a declining reputation and poor level of customer service could have both on the insurer's future business performance and the likely approach taken by the Financial Services Authority.

(40)

3. Scenario

You are the Strategic Director of FR Ltd, which currently transacts insurance business based only in its home country. It is examining the opportunity to transact the same classes of insurance in another country.

Question

With the use of **three** appropriate strategic planning tools, write a report for the board that identifies the issues FR Ltd need to consider when underwriting business in another country.

(40)

4. Scenario

You are the Risk Director of Pandora Insurance plc (Pandora). A number of insurers have reported losses of data including those arising from accidental causes and criminal activity aimed at accessing customers' personal information.

In anticipation of enquiries about data security from regulators and customers, Pandora's board has asked you to review best practice for how data obtained by an insurer should be kept safe and secure, and only used for appropriate purposes.

Question

Prepare a report for the Board which assesses Pandora's data security obligations. Your report should include the responsibilities of the Board and the implications for the business should data be misused or lost.

(40)

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