

990

Advanced Diploma in Insurance

Unit 990 – Insurance corporate management

October 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

Barbosa Insurance plc is a UK based insurer which transacts a wide range of classes of general insurance business across commercial and personal lines portfolios. It operates in several countries trading through local subsidiaries. Barbosa's strategy is to grow its premium income faster than the average rate of inflation across the countries in which it operates, annually deliver a combined operating ratio less than 98% and year-on-year increase the dividend amount paid per ordinary share to equity shareholders.

Barbosa's Board is concerned that on a number of recent occasions the information presented to it and on which it has based decisions has subsequently been found to be inaccurate or incomplete. These concerns have arisen in a number of areas including ratios, cashflows and measurements against plans. The Board is keen to ensure that all the information, including insurance accounts, received from the Finance Department reflects the output of effective budgeting, financial modelling and control.

A non-executive director, from a background outside the insurance industry and recently appointed to the Board, has asked the Finance Director to report on the potential implications of inaccurate information on Barbosa's strategy and how the nature of the company's current operations might be contributing to these previous inaccuracies. This non-executive director also asks for assurance as to the action being taken to establish an effective system of control which will give the Board and other stakeholders confidence in the areas of profitability, adequacy of cash/liquid assets and growth.

You are a member of the Finance Department and have been asked by the Finance Director to prepare a report.

Question

Prepare the required report for the Finance Director to present to the non-executive director that sets out:

- the potential implications of inaccurate information being presented to the Board;
- the principles of effective management and budget control to address the identified concerns;
- the responsibilities of Barbosa's executives and senior managers to ensure the Board and stakeholders receive accurate information.

(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 evidence of further reading in your answer****2. Scenario**

NAH Insurance plc (NAH) is a general insurer with a centralised functional organisation structure. It transacts business in a highly competitive market. The Board of NAH believe, based on research it commissioned, that it may achieve sustainable competitive advantage by implementing a management structure which delegates extensive decision making responsibility to senior managers, who each lead a division within a divisional organisation.

You are a member of NAH's strategic planning department.

Question

Prepare a report for your manager which assesses the advantages and disadvantages of a decentralised divisional organisational structure. Evaluate in your report the implications for corporate governance, risk and regulation of adopting such a structure.

(40)**3. Scenario**

The strategy of Dawlish Insurance plc, a general insurer trading globally, is to deliver sustainable profitable growth built upon strong corporate governance. The core strategic objectives of the company are:

- To focus on those business segments which can produce attractive returns.
- To deliver strong financial performance and a higher level of revenue growth, a low operating ratio and high return on capital.
- To achieve operational excellence through underwriting discipline and technical excellence.

The underwriting/insurance cycle presents a challenge to the achievement of sustainable profitable growth.

Question

Analyse, by reference to each stage of the underwriting/insurance cycle, how Dawlish Insurance plc can seek to achieve its core strategic objectives.

(40)

4. Scenario

The Board of AAW Insurance plc (AAW), a general insurer, has expressed concerns that change management programmes previously undertaken by AAW have had a history of exceeding planned costs, were late in delivery and did not fully meet the needs of users.

The Board, based upon research which has generated a justified business case, has approved the expansion of the business which will require entry into new lines of business. This expansion will require the development of new products, new distribution channels and the recruitment of staff.

You are an external consultant in change management appointed by AAW's Board who have asked for your advice on successful change management programmes.

Question

Draft a report for AAW's Board which describes and evaluates the operational requirements of a successful change management programme, with particular reference to AAW's historic concerns and proposed expansion.

(40)

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