

530

Advanced Diploma in Insurance

Unit 530 – Economics and business

October 2014 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 530 – Economics and business

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 Head of Strategy for JLS Insurance plc (JLS), a medium-sized insurance company based in the UK. You have been asked to lead a strategic review of the business and report back to the Board on your findings.

JLS has 1,000 employees with twelve UK offices and six overseas offices. Its insurance business activities are based around traditional products, including motor, liability and property insurance. Around 75% of its business relates to the UK and the remainder of the business is in mature overseas insurance markets. For many years JLS has made reasonable and stable profits.

Your initial strategic review has identified three important points for JLS to consider:

- An exposure to UK monetary policy and the impact on the business of any increases in interest rates.
- Opportunities overseas in developing economies. The Board has directed that any overseas expansion will be by acquisitions or joint ventures and have allocated a budget for this.
- Success has been built solely on customer service rather than also promoting the business through marketing.

Having now completed your initial strategic review, you have been asked by the Board to provide a further report on your findings.

Question

Prepare a report for the Board of JLS:

- analysing the likely impact of higher interest rates on the UK economy, the company business and its customers;
- recommending how JLS could succeed with their overseas expansion, identifying any economic and business issues to be considered;
- analysing the advantages of developing a marketing strategy to promote the business.

(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

You work as a self-employed insurance consultant specialising in start-up ventures. You have been approached by a business investment consortium to provide advice on its plans to establish a new general insurance company.

Question

Write a report for the business investment consortium:

- evaluating why the UK is potentially a good location for the headquarters of the proposed general insurance company;
- discussing the actions to be taken to ensure the venture is established effectively;
- identifying how the proposed venture would measure success.

(40)**3. Scenario**

You are a business analyst for a large UK based insurer, SB plc (SB). SB has plans to expand its business in the UK, ensuring that it continues to sustain its current business.

Unemployment, including lower disposable incomes and inflation are two economic factors that adversely affect the demand for insurance in the UK and change the nature of demand. In addition, these factors can also present a challenge to any business expansion.

It is essential that SB has a full understanding of the implications of these factors before commencing any business expansion.

Question

Write a report for SB's Board, analysing the implications of **each** of these economic factors on:

- the demand for insurance at SB and the nature of such demand;
- the challenges they raise for SB's proposed business expansion plans.

(40)

4. Scenario

You are a development manager within a UK based multinational insurer, JOC plc (JOC). JOC is planning further international expansion. The Board, however, recognises that further overseas expansion may be perceived as detrimental to both the UK economy and JOC's UK business.

Therefore, before any further international expansion starts, the Board need to be in a strong position to understand themselves and explain to others the benefits, so as to ensure that further international expansion is successful.

The Board require you to write a report addressing these issues.

Question

Write your report for the Board, ensuring that you:

- explain and analyse the benefits that arise **in the UK** from successful international expansion. Express these benefits generally in terms of the overall UK economy and specifically in terms of JOC's UK business;
- provide recommendations to ensure the success of an overseas expansion strategy in terms of relevant matters that need to be determined by **the UK business**.

(40)

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