

930

Advanced Diploma in Insurance

Unit 930 – Advanced insurance broking

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 930 – Advanced insurance broking

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 have been appointed to the newly established position of broking director in an insurance broker handling personal and commercial lines. Your key objective is to establish new insurer relationships. Although your company has an established client base in niche areas, the company has a limited product range where it generally sells a single product to each of its clients. The company believes it can achieve significant growth through cross-selling new products to its existing client base. You have just completed a review of the insurance market and you have identified a new insurer specialising in insurance products you wish to access.

This insurer currently distributes its products exclusively on a direct basis. In the past, they have been reluctant to offer your company an insurance agency, as they have not been convinced of the benefits of broker distribution.

You have consulted the Servicing Manager of your company, who explained the benefits for your customers of purchasing their insurance through your company rather than directly with the insurer.

Question

In order to convince the insurer to establish a trading relationship with your company, prepare a report for the insurer that:

- analyses the benefits for the insurer of distributing its products through a broker and fully explains the benefits for your company's clients of purchasing insurance through a broker;
- explains how the insurer could select the brokers they distribute through and why the insurer should consider distributing its product through your company;
- explains how a terms of business agreement (TOBA) between your company and the insurer would provide reassurance of agreed minimum standards.

(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 are the Head of Commercial Business at a UK based insurance broker with ambitious plans for organic expansion. Your company is the broker of choice for a number of linked commercial affinity groups. You are considering whether to approach an insurer to discuss the operation of a delegated underwriting authority agreement.

Question

Prepare a report for the Board that:

- analyses why an insurer may support your request for a delegated authority;
- evaluates the potential conflicts of interest that may arise from the operation of delegated authority agreements and explains how such conflicts could be managed.

(40)**3. Scenario**

You are the Broking Director of a London headquartered Lloyd's broker with regional offices outside London. With recent developments in communications technology, you have been asked to review the different methods of trading with insurers both in the London and regional markets.

Question

Prepare a report for the Board which:

- explains **three** key methods of trading with insurers;
- analyses the advantages and disadvantages of **each** method;
- describes how business is transacted in the London Market.

(40)

4. Scenario

As the Compliance Manager of a regional broker, you and the Senior Management team have been asked to conduct a review of the different ways in which your company is remunerated. In particular, you are keen to identify any areas the regulator may investigate in terms of transparency.

Question

In a report to the Board:

- analyse the advantages and disadvantages to the business of ways in which brokers are remunerated and explain how fees are calculated;
- explain the importance of transparency in relation to remuneration.

(40)