

960

Advanced Diploma in Insurance

Unit 960 – Advanced underwriting

April 2015 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 Underwriting Manager of the household account at XYZ Insurance (XYZ), a small personal lines insurance company. In the last year the household account has suffered an increase in theft related claims within certain postcode areas and flooding in other areas. As a result of this, XYZ has failed to meet its budgeted targets for last year and the household account has made a significant loss.

Actuarial and underwriting staff are in the process of working together to re-categorise the risks and establish a differentiated rating basis to identify and charge a premium appropriate to the risk. The aim is to return the account to profitable growth.

The Board of Directors however, have expressed concern that such revisions may affect the competitiveness of the company. They therefore want to ensure that a full variance analysis of the results is undertaken and that any re-categorisation implemented is necessary and will be a true reflection of exposures going forward.

Question

Discuss and suggest ways in which the account should be re-categorised and classified to reflect the recent claims trends.

Examine the data that is required for a full variance analysis of the account and the information that should be monitored going forward to ensure the success of any changes made.

(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 Claims Manager of a liability account and have been working with the Underwriting Manager and the actuarial department to produce the claims triangles below:

Number of intimated claims as at 31 December 2013

Accident year	Development Year					
	1	2	3	4	5	6
2008	720	1,010	1,200	1,205	1,205	1,205
2009	514	928	1,178	1,188	1,190	
2010	750	1,050	1,250	1,258		
2011	729	979	1,115			
2012	762	1,065				
2013	770					

Incurred claims costs (£) = paid plus outstanding as at 31 December 2013

Accident year	Development Year					
	1	2	3	4	5	6
2008	779,040	1,924,050	2,268,000	2,289,500	2,417,230	2,385,900
2009	514,000	1,866,208	3,001,016	2,787,000	2,800,901	
2010	936,750	1,899,450	2,755,000	2,839,400		
2011	920,727	1,965,832	2,654,815			
2012	1,120,140	2,252,475				
2013	1,178,100					

Question

Write a report for your team, explaining the importance of claims triangulations.

In particular your report should discuss what the above claims triangulations show, including any figures that may need further investigation and how such information can be used within the liability account.

(40)

3. Scenario

You are the Underwriting Manager of a well established insurance company writing a range of commercial insurance business via intermediaries. Recently you have lost a lot of your renewals and are writing less new business. You suspect that this is due to a recently established competitor who appears to be offering cheaper premiums. As a result of this, you have decided that it may be appropriate to undertake a pricing review.

Question

Discuss the various factors in pricing that should be reviewed and revised to create an effective rating structure and consider why this competitor may be attracting your business.

(40)**4. Scenario**

You are the Underwriting Manager of a commercial property account. A broker has approached you requiring cover for two large overseas factories based in Tokyo, Japan, within close proximity to each other and within a zone susceptible to earthquakes. Although you do have some overseas business within your account, you have not underwritten a risk in this location before. The broker has indicated that if you are able to write this piece of business there may be an opportunity to write other such business in this location.

Question

Discuss the considerations of writing such business, and how possible concerns over aggregation of risk can be addressed, including the reinsurance options available.

(40)

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