

960

Advanced Diploma in Insurance

Unit 960 – Advanced underwriting

October 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 on the Board of Directors for XYZ Limited Insurance Company. Traditionally, the company has specialised in commercial property risks which make up 80% of its business. The rest of the account consists of 15% motor fleet and 5% liability.

Recently, several clients have enquired about purchasing liability insurance from your company alongside their property policies. Many of your competitors now offer packages including cover for both property and liability.

Although you have a small number of liability policies, these are focused on smaller, commercial office-based customers. You would now like to be able to offer such policies to your larger, industrial customers.

In the past, you have been cautious about expanding your liability account due to concerns over the volatile nature of such business. However, the company has now been established for several years and has always run profitably. You believe, therefore, that the company now has sufficient stability and reserves to expand the liability account and meet your customers' requirements.

Question

Write a report for the Board of Directors, explaining your proposal to expand the liability account, analysing the considerations that need to be taken into account. These should include:

- the effects on capital requirements;
- the effects on the reserving process and the techniques for forecasting claims;
- the changes required to reinsurance arrangements.

(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 Underwriting Manager of a large property account. You have recently undertaken an audit of one of the binding authority schemes within the account. Unfortunately, the audit identified several breaches of authority and revealed a lack of information in the reports provided by the coverholder.

Question

Explain how binding authority schemes should operate and the actions that need to be taken, as a result of the audit, to effectively monitor the scheme and prevent further breaches of authority.

(40)**3. Scenario**

You are the Underwriting Director of ABC Motor Insurance. The company has recently decided to launch a new product, aimed at young drivers, which uses technology to monitor driver performance and determine premiums.

Question

Write a report explaining the methods you may use to target young drivers as the customer base, discussing the information you would use to monitor the profitability and success of this new product.

(40)**4. Scenario**

Insure United is a well-established insurance company with a balanced portfolio mix of property, liability and motor. This business is all focused on personal and small/medium-sized businesses based in the United Kingdom.

The reinsurance treaty is soon due for renewal and you have been asked to start gathering information for renewal purposes.

Question

Prepare a report that examines the information reinsurers will require to assess the portfolio, including the features of a 'good' business mix, which will be attractive to the reinsurers.

(40)

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