

Specimen coursework assignment and answer

930 Advanced insurance broking

The specimen coursework assignment and answer provides a guide as to the style and format of coursework questions. These examples indicate the depth and breadth of answers sought by CII markers.

The answer given is not intended to be the definitive answer. Well-reasoned alternative answers can also gain marks.

Before commencing work on your coursework assignment, you need to familiarise yourself with the following documents:

- *Coursework assessment guidelines and instructions*
- *How to approach coursework assignments*
- *Explaining your results notification*

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Coursework submission rules and important notes

Before you start your assignment, it is essential that you familiarise yourself with the *Coursework assessment guidelines and instructions* available on RevisionMate.

This includes the following information:

- This assignment must not be provided to, or discussed with, any other person regardless of whether they are another candidate or not. If you are found to have breached this rule, disciplinary action may be taken against you.
- Important rules relating to referencing all sources including the study text, regulations and citing statute and case law.
- Penalties for contravention of the rules relating to plagiarism and collaboration.
- Coursework marking criteria applied by markers to submitted answers.
- Deadlines for submission of coursework answers.
- You must not include your name or CII PIN anywhere in your answer.
- There are 80 marks available per coursework assignment. You must obtain a minimum of 40 marks (50%) per coursework assignment to achieve a pass.
- Your answer must be submitted on the correct answer template in Arial font, size 11.
- Your answer must include a brief context, at the start of your answer, and should be referred to throughout your answer.
- Each assignment answer should be a maximum of 3,200 words. The word count does not include diagrams however, it does include text contained within any tables you choose to use. The word count does not include referencing or supplementary material in appendices. **Please be aware that at the point an assignment answer exceeds the word count by more than 10% the examiner will stop marking.**

Top tips for answering coursework assignments

- Read the *930 Specimen coursework assignment and answer*, available on RevisionMate.
- Read the assignments carefully and ensure you answer all parts of the assignments.
- You are encouraged to choose a context that is based on a real organisation or a division of an organisation.
- For assignments relating to regulation and law, knowledge of the UK regulatory framework is appropriate. However, marks can be awarded for non-UK examples if they are more relevant to your context.
- There is no minimum word requirement, but an answer with fewer than 2,800 words may be insufficiently comprehensive.



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Assignment

Provide a brief context for an insurance broking organisation, or a division of an insurance broking organisation, with which you are familiar.

For **this** insurance broking organisation or division of an insurance broking organisation:

- Explain **three** ways in which it adds value to insurers and **three** ways in which it adds value to clients.
- Analyse how the changing external environment may impact its ability to add value to insurers and clients.
- Make recommendations, based on your analysis, to ensure that it can continue to add value.

Note: You are recommended to discuss your own organisation, or one that is familiar to you. Your answer is confidential to the CII and will not be shared. For this specimen answer, which is widely publicised, a fictitious company has been chosen so as not to highlight any particular company.

To be completed before submission:

Word count:	3099
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Start typing your answer here:

Brief context

This answer is based on my employer, BAS Ltd. (BAS), a privately-owned UK regional insurance broker. BAS is engaged in marketing, selling and servicing life and non-life products for clients in the small and medium enterprises, (SME) and personal lines markets.

BAS was formed in 1985, initially trading from a single office. BAS has expanded both organically and by acquisition to its current size of four offices, each located in either a city or major town, with 75 staff in total. The annual premium generated is £32.8million, producing brokerage and fee income totalling £5.2million.

Over the next five years, BAS has two strategic objectives of opening further offices and making acquisitions, with the aim of increasing total income by 50%.



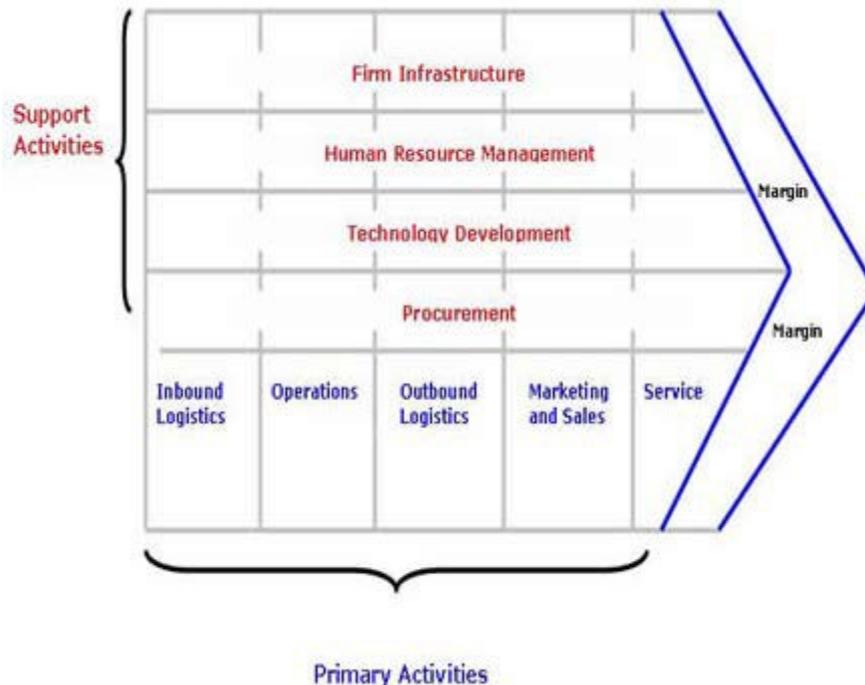
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An explanation of adding value

The key to success in any competitive market is adding value. Providing and maintaining added value is essential if a company is to develop a sustainable competitive advantage. Michael Porter has stated:

“Identifying value activities requires the isolation of activities that are technologically and strategically distinct”.

One common representation of these activities is Porter’s concept of a ‘value chain’:



Source: Michael Porter, 1996.

Whilst the value chain is aimed at the organisation in question (in this case BAS) it can, by extension, be used by BAS to understand the value chains of its clients and insurers. BAS, aided by the information it already holds and in turn can gather about these clients and insurers, is then able to understand what the drivers of their value chains are and how BAS can best seek to support those drivers. BAS is then able to identify and exploit its sustainable competitive advantages.

Three ways in which value is added to insurers

BAS adds value to insurers it does business with in a number of ways. The following three significant ways have been identified from an interview with Susan White, BAS Managing Director:

- Creating access to BAS clients.
- Providing information on clients.
- Delivering an expert interface between clients and the insurers.

Each of these ways is explained below



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Creating access to clients

Whilst BAS's primary role, as stated by the British Insurance Brokers' Association (2019), is to help consumers and businesses access suitable insurance, the corollary of this is that BAS provide insurers with access to clients. Without BAS, insurers would have to invest in their own distribution network to reach these clients. Of course, were it more effective and profitable for insurers to go direct to clients (as does occur in some market segments) they would likely do so. The relevance of BAS is that it provides an 'on the ground' presence to access clients who are/become insurers' policyholders.

Providing information on our clients

BAS maintains detailed records of new business and renewals. By segmenting clients by numerous categories including size, turnover, number of employees, payroll, nature of business, standard industry code/s and types of insurance arrangements, BAS has built-up an understanding of which insurers are the most suitable for different classes and sizes of business.

This information, allied to discussions with insurers to confirm BAS's understanding of classes and business they are interested in, supported by practical knowledge of insurers' quotation and renewal terms, enables BAS to 'fast-track' business towards those insurers most likely to provide the best terms.

Due to the quality and extent of the information held by BAS clients and prospective clients can be presented to insurers where the risk profile of a client is in line with the relevant insurers underwriting philosophies. Therefore, each insurer only receives from BAS risks that match the insurer's risk appetite and where the insurer is likely to be competitive. This pre-marketing selection of insurers maximises the effective time, and therefore minimises costs, that an insurer dedicates to BAS introduced business.

The results of all quotation and renewal activity are included in BAS's regular discussions with insurers' account executives, to ensure BAS updates its understanding of insurers risk appetites, so as to influence which types of business each insurer is subsequently presented with.

Delivering an expert interface between BAS clients and the insurers

Insurance policies can be complex. BAS add value to insurers by acting as a knowledgeable interface between the insured and the insurer, fielding enquiries from clients and obtaining answers from insurers. BAS also ensure that the insurers' needs and requirements are met as far as possible by the insureds.

Whilst BAS is the agent of its clients, it uses its position to, in effect, act as the clients' insurance department to provide a quality and capable communication route into insurers. By working with insurers, BAS seek to understand their expectations so that when any subject is raised with the insurer BAS provide a complete and clear explanation, on which the insurer can then make its decision.



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Three ways in which value is added to clients

BAS adds value to its clients in the following ways:

- Delivering bespoke services.
- Putting clients' interests first.
- Investing in continuous professional development.

Each of these ways is explained below.

Delivering bespoke services

Across all of BAS services to clients, BAS have service standards which are set with reference to analysis of client needs. Performance against the achievement of these service standards is monitored, with any identified failings used to address improvements.

For every client BAS provides terms of business at the outset of the relationship. The value of this is that clients' expectations are understood and agreed. MPW Insurance Brokers (2019) Terms of Business Agreement is similar to BAS's. It is intended to be clear, honest and readily understood by clients, so there is no doubt as to its purpose and effect.

BAS provide various added value services to commercial clients, for example:

- Clients are provided with a desk top risk analysis, based on the information gained from them at new business stage, which can be augmented by an on-site risk survey which is provided, at cost by reputable risk surveyors. This provides value through risk identification and recommendations for risk improvements.
- A dedicated named service contact and, in the event of a claim, a named claims contact. These individuals are given widespread authority to manage the clients' expectations and, in the case of commercial clients, keep the account handler aware of developments through the management information system. This provides value through personalised contact for clients.

BAS services to personal clients include supplying emails to clients in flood zones informing them of the precautions to be taken when the Environmental Agency (2019) issues flood alert warnings and general newsletters to clients on a range of topical risk and insurance issues.

For all clients BAS undertake regular coverage reviews, pricing checks and resolve issues with insurers. BAS also provide product knowledge. Crucially independent advice is provided based on clients' demands and needs and not on BAS's business interests or what the insurer dictates.

Putting clients' interests first

All sales and service staff, as part of their induction training, are introduced to BAS values and culture which require them to place the clients' interests at the forefront of their considerations and actions. The training incorporates the Chartered Insurance Institute (2019) Code of Ethics and the Financial Conduct Authority (2019) (FCA) 'fair treatment of customers'. The value of this training, which is embedded in BAS's culture, is an enhanced ethical approach.



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Investing in continuing professional development

BAS wants each of its clients to regard it as the preferred partner of choice. BAS recognises that each client is unique and that 'off the shelf' solutions are not always appropriate. Therefore, by recruiting capable employees and then investing in their development, BAS creates a team where each member understands their role in providing excellent client service.

By being professional, BAS eliminate wastage or duplication. By looking at the bottom line, as well as the top line, BAS generate business efficiency for the insurers, clients and BAS itself.

Changing external environment: impact on ability to add value to insurers and clients

The depth and range of challenges arising from changes in the external environment are evident from a number of sources.

The FCA Business Plan 2018/19 lists a number of cross-sector priorities, with these being reflected in the following list of general insurance and protection sector priorities:

- Firms' culture and governance;
- Financial crime and anti-money laundering; Data security, resilience and outsourcing; Innovation, big data, technology and competition;
- Treatment of existing customers;
- Long-term savings and pensions and inter-generational differences;
- High cost credit.

(FCA, 2019)

Against the above background, BAS needs to regularly review and understand insurers' value propositions, i.e. the values that matter to them in terms of generating a sustainable competitive advantage, so that BAS can seek to assist their delivery.

All the insurers BAS deal with publish their strategic objectives which include their own value propositions. For example, Aviva, an insurer with whom BAS have a large agency, state the following in terms of its interactions with its customers:

"When the unexpected happens, we're there to help. To get issues resolved. And to try and get everything back to normal for our customers as quickly as possible. We can only do that by making sure those customers can speak to people who care. Empathetic people. Good listeners."

(Aviva, 2019)

It is evident that there are common themes across insurers. These themes are evidenced in The Future of General Insurance Report 2017, which, amongst many factors, identifies innovation, seamless experiences, smart communications, dynamic pricing and artificial intelligence amongst the disruptors now in play.



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BAS has to protect and enhance its own reputation. At the minimum it recognises that the legal and regulatory environment has changed and will continue to change. BAS already has to compile with numerous requirements including:

- Consumer Insurance (Disclosure and Representations) Act 2012.
- Insurance Act 2015.
- FCA rules and guidance as set out in the FCA handbook.

Further major changes are the General Data Protection Regulation and the Insurance Distribution Directive. These have increased the demands placed upon BAS, where the penalties for breaches, whilst potentially costly, will likely be far more onerous in terms of harm to reputation. Reduction in reputation could threaten the existence of BAS, should a sufficient number of clients feel it is no longer a trustworthy partner.

It is worth noting that PWC (2019) identify “*four key building blocks... over the next decade...Technology, Data and enhanced analytics, skills and capabilities [and] cultural awareness*”.

The above in turn strongly point towards a number of major challenges, which in summary are:

- Increasing competition.
- Increasing regulation.
- Challenge of technology.
- Increasing client expectations.

Merely continuing as BAS has, with incremental changes in performance, appears increasingly woefully inadequate. Without radical changes BAS is at major risk of being swept aside as it would be seen as irrelevant and out of touch with the demands created by the external environment.

The four factors listed above are now considered in the context of adding value to insurers and clients.

Increasing competition

Insurance brokers have seen their share of the personal lines market decline due to the rise of direct writers. Direct insurers, such as Direct Line, Hastings and Admiral, report very significant aggregate, and growing shares, of the personal lines market.

Hastings Group Holdings plc; Direct Line Group plc; Admiral Group plc; 2019.

Disruptors, whether existing insurers or new entrants, are seen as fundamentally changing the competitive mix, with The Future of General Insurance Report 2017 stating that, “...*growing numbers of companies are vying to be the industry’s Uber.*”

In order to survive BAS must achieve added value for their clients, insurers and itself. BAS, amongst its current and prospective clients, must stand out if it is to justify being their preferred partner.



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To add future value BAS must become an integral part of its clients' businesses, as valued business partners. According to Maynard (2019), understanding a client's business is key to a good business relationship. An example is being involved, by a client, in considering the insurance and risk implications of business growth ideas from the planning stage onwards.

Increasing regulation

BAS must embrace regulation rather than see it as a hindrance. Compliance with regulation is a given and, in most respects, merely sets a minimum. For example, the FCA (2019) 'fair treatment of customers' sets a benchmark. To delight clients, so reaching the levels that many of them expect, requires a totally client-focused approach to service delivery. To achieve this level of service delivery requires deep understanding of clients so that investment in business efficiency and effectiveness is accordingly targeted.

Challenge of technology

The internet is used by increasing numbers of clients for the arrangement of their insurances, particularly for personal lines business. In addition, clients are taking advantage of the rapid growth in technological developments and social media for business and personal use.

Matouschek, et al (2017) found that for SMEs there is a demand for digital insurance services that is not being met by the industry. This creates an opportunity for BAS.

The challenge for BAS is to ensure clients are communicated with in the way they like to be communicated with and BAS use the internet and social media to maximum advantage, both for servicing existing clients and reaching new ones.

However, BAS needs to avoid the trap of falling into a technology 'black hole'. It is not a question of technology for technology's sake. Rather it is about understanding what clients and insurers want and then implementing solutions which, wholly but not exclusively, may well have a technological component whilst retaining appropriate human interactions.

Increasing client expectations

Recently Mieszczak (2018) has identified that the strategic focus of financial services organisations will increasingly shift to client focus. This will include omnichannel customer service, increased digital functionality, enhanced self-service options and highly personalised experience.

A 2017 report from Insurance Nexus identified that 72% of European insurance consumers are already preferring online, through websites, as their preferred channel. Whilst the percentages were lower for Baby Boomers and Generation X, online was still their preferred channel. However, an appreciable percentage of consumers expressed preference for a multiple channel engagement. This means that transactions need to be seamless between channels. For example, a client who completes a new business enquiry online through a PC is then able to check its progress via a smartphone and discuss that progress by webchat with a BAS employee.



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As far as insurers allow, BAS conduct all business by electronic data transfer. BAS use internal software that automatically completes each insurer's preferred case enquiry form. This adds value by minimising mistakes and reducing transaction costs.

The current BAS model of insurance broking is based around business acquisition and renewals (instigated by BAS), and mid-term adjustments and claims (instigated by clients making contact). This means that there may be months between contact, which is not indicative of a strong and deep relationship.

This is in sharp contrast to many service industries where regular contact is a component of the marketing activity. Information, analysis and recommendations are regularly provided by service organisations through email or social media platforms. For example, many service organisations use the opportunity of monthly direct debit payments to remind, by email or text, their clients of the due date. This contact is then the basis for building a relationship which is much wider than simply seeking cross-sell and/or upsell opportunities.

BAS can, for example, follow the RAC (2019) model which provides a rich and diverse engagement using an informative website and monthly emails that provide a wide range of motoring related information, going far wider than simply selling RAC services. The intention behind such an approach being to increase client loyalty.

The following recommendations flow from the analysis above and are therefore framed to position BAS to remain viable and relevant. BAS needs to continue to add value to insurers and clients, thereby justifying its continued existence.

Recommendations

BAS need to appreciate that the scale and nature of the changes cannot be addressed by existing internal resources. For example, creating omnichannel capabilities requires external resources. It may be possible to source these from potential knowledgeable partners. However, the clearest way forward would appear to be securing the resources of larger insurance broking partners. A review by the board should decide how this is best achieved. Options include the sale of BAS or taking membership of a network- the Broker Network (2019) is an example.

Develop an omnichannel approach to client engagement so clients choose how and when to engage with BAS.

Increase the extent to which client engagement, and transfer of data to/from insurers, is handled automatically in real-time.

BAS should widen and deepen its relationships with its clients. Competing on price has been a race to the bottom. The evidence is that clients will respond to simplicity and highly personalised service. This recommendation includes a number of complimentary sub-themes:



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- (a) Develop a clear understanding of which client segments should be focussed on and, through engagement with them, insurers and other potential service providers, create a suite of options (in effect a menu) from which clients can choose.
- (b) Deliver the menu in a constant style which is seamless across channels. Recognise that online, whether smartphone, tablet or other device, will be the preferred channel for most clients. However, ensure that clients can engage BAS through any channel.
- (c) Ensure there is regular contact with clients, in the medium of their choosing, to keep them aware of the relationship and, through information, advertising, inducements and offers, seek to deepen and strengthen the relationship.

Create a customer management system which incorporates all relevant client information, whilst ensuring data is acquired, retained, used and removed in accordance with legislative and ethical expectations.

Ensure that all client-facing staff can deal empathically and speedily with client enquiries. This requires that all past and current client engagement is readily available to client-facing staff.

Seek to widen the opportunities to add value for clients, by developing a range of fee-based services, such as risk management services.

Additionally, whilst BAS already undertakes various basic administrative tasks for clients in relation to risk and insurance this has the scope to be widened and deepened so that BAS can add future value as a true strategic partner within clients' businesses.

Segment the business, to concentrate resources on areas where the greatest value can be added, so enhancing long-term profitability.

Invest in continuous professional development for all staff. Require all new employees to achieve relevant qualifications within a stipulated timescale and include this as a condition in their contracts of employment.



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Glossary of key words

Analyse

Find the relevant facts and examine these in depth. Examine the relationship between various facts and make conclusions or recommendations.

Construct

To build or make something; construct a table.

Describe

Give an account in words (someone or something) including all relevant characteristics, qualities or events.

Devise

To plan or create a method, procedure or system.

Discuss

To consider something in detail; examining the different ideas and opinions about something, for example to weigh up alternative views.

Explain

To make something clear and easy to understand with reasoning and/or justification.

Identify

Recognise and name.

Justify

Support an argument or conclusion. Prove or show grounds for a decision.

Outline

Give a general description briefly showing the essential features.

Recommend with reasons

Provide reasons in favour.

State

Express main points in brief, clear form.

