



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 information in the *Coursework Support Centre* available on the unit webpage.

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Coursework submission rules and important notes

Before you start your assignment, it is essential that you familiarise yourself with the information in the *Coursework Support Centre*.

Please note 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 labels and headings however, it does include text and numbers contained within any tables or diagrams 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 the unit webpage
- 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 1

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 company.

Note 2

The word 'briefly' after the word 'explain' in this Assignment question does not appear against any requirements in the explanation. However, in actual live Assignments, it can and if for example, it appeared here after the word explain in the first bullet you would provide less material than shown here concerning that first bullet.

To be completed before submission:

Word count:	3283 (including headings and in text referencing)
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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 insurance products to small and medium-sized enterprises (SMEs) and also to consumers. BAS is engaged in both life and non-life products.

BAS was formed in 1985, initially trading from a single office. BAS has since expanded both organically and by acquisition to its current size in early 2023. It now has four offices each located in either a city or a major town, and 75 staff in total. The annual insurance premium generated in 2022 was £ 36.8 million, producing insurance brokerage and client fee income totalling £ 6.2 million.

For the five years 2023-2027, BAS has two strategic objectives:

- opening three additional offices;
- making further acquisitions.

The aim is to produce a total insurance brokerage and client fee income of approximately £8 million by the end of 2027.

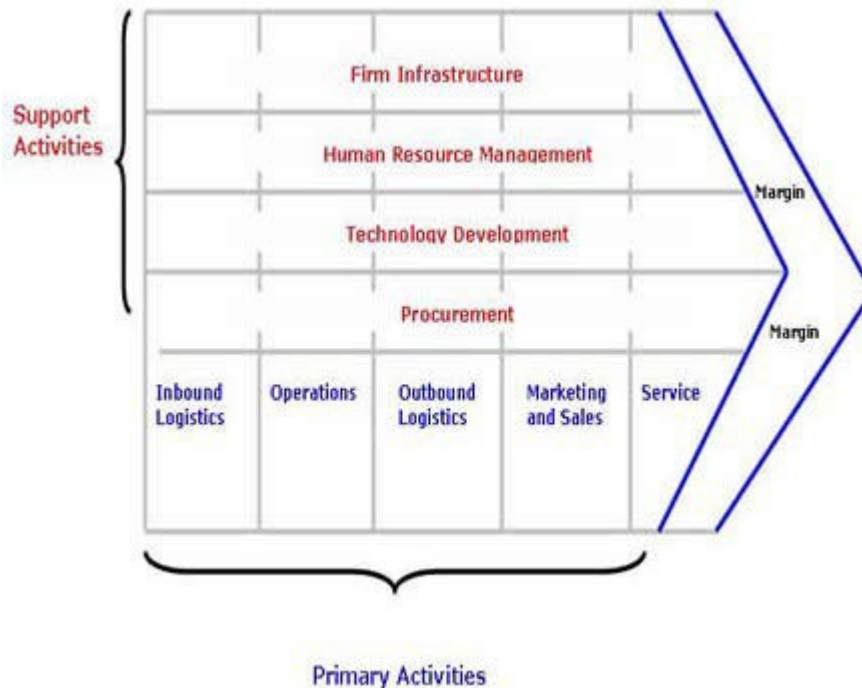


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An explanation of adding value

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.

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 parties it trades with especially its clients and insurers. BAS, aided by both the information it already holds and in turn by what it 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 better able to identify and exploit its sustainable competitive advantages.

Adding value is not a static concept and BAS must revisit what adding value means on a regular basis.

Three ways in which value is added to insurers

BAS adds value to the insurers it does business with, in several ways. The following three significant ways have been identified from an interview I had with Susan White, BAS Managing Director (2023). Susan explained to me that value is added for insurers by BAS through the following three main ways:

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

Each of these three main ways is further explained below.



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Creating access to BAS clients

Whilst BAS's primary role, as stated by the British Insurance Brokers' Association (2021), is to help consumers and businesses access suitable insurance, the corollary of this is that BAS provide insurers with access to BAS clients. Without the provision of BAS access, insurers would have to invest in their own distribution network to reach these BAS clients. Of course, was it more effective and profitable for insurers to go direct to BAS clients (as does occur in some market segments) they would most likely do so. The relevance of BAS is that it provides an 'on the ground' presence to access clients who are/cost-effectively become insurers' policyholders.

Providing information on BAS clients

BAS maintains detailed records of new business gained and renewals. BAS segments clients by numerous categories including size, turnover, number of employees, payroll, nature of business, standard industry code/s and types of insurance arrangements. This enables BAS to best determine which insurers are the most suitable for different classes of insurance business and which types of client.

This information, allied to discussions with insurers to confirm BAS's understanding of classes and businesses they are interested in, further 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 in practice.

Due to the quality and extent of the information held by BAS on their clients and prospective clients, risk information 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 for BAS-introduced business maximises the effective time dedicated to such business by insurers and therefore minimises their costs. This selection is fully understood and appreciated by the insurers concerned.

The outcomes of all quotation and renewal activity are included in BAS's regular discussions with insurers' account managers, to ensure BAS updates its understanding of insurers changing risk appetites, therefore influencing 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 client's insurance department to provide a quality and capable communication route to insurers. By working with insurers, BAS seek to understand their expectations so that when any subject is raised with the insurer BAS can 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 three main ways:

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

Each of these three main ways is further explained below.

Delivering bespoke services

Across all of BAS's services to clients, BAS have service standards which are set based on an 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 upon. CLEAR MPW Insurance Brokers (2023) 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 desktop risk analysis, based on the information gained from them at the 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 client's 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 Met Office and the Environment Agency (2023) issue flood alert warnings in England and general newsletters to clients on a range of topical risk and insurance issues. BAS although they have few clients based in these locations makes use of similar services in Scotland, Wales and Northern Ireland.

For all clients, BAS undertake regular coverage reviews and pricing checks. Issues arising are resolved with insurers. BAS also provide product knowledge. Crucially independent advice is provided based on the client's 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 client's interests at the forefront of their considerations and actions. The training incorporates the Chartered Insurance Institute (2021) Code of Ethics and the Financial Conduct Authority (2021) (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 the ability of BAS to add value to insurers and clients

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

The FCA Business Plan 2022/2023 lists several priorities, with these being reflected in the following list:

- Reducing and preventing serious harm-dealing with problem firms, improving the redress framework, reducing harm from firm failure, improving oversight of appointed representatives, reducing and preventing financial crime and delivering assertive action on market abuse.
- Setting and testing higher standards-putting consumers' needs first, enabling consumers to help themselves, ESG priorities, minimising the impact of operational disruptions and setting and testing higher standards.
- Promoting competition and positive change. (FCA 2022).

Against the above changing regulatory background, BAS can find its added value declines as it may no longer fully understand insurers' value propositions, i.e., the values that matter to insurers in terms of generating a sustainable competitive advantage. This may be a serious impact on BAS as insurers require different approaches to achieve this competitive advantage. All the insurers BAS deal with publish their strategic objectives which include their own value propositions. One such insurer is Aviva plc. Aviva (2023) for example very clearly states its purpose, values and strategy.

There are also common themes across insurers. These themes are evidenced in The Insurance Industry Outlook 2023 (Deloitte) which, amongst many factors, identifies inflation, talent retention, the transformation of life insurers, partnerships, the importance of value, ESG, EDI and heightened client requirements and preferences as future issues to consider. BAS has to understand and be aware of such trends discussing them accordingly with its insurance partners.

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 comply 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. A very important new principle from 1 July 2023 will be Consumer Duty.

Further major changes have included the UK General Data Protection Regulation. 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 insurers and clients feel it is no longer a trustworthy partner.



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The above in turn strongly points towards several major challenges in the changing external environment that BAS face which in summary are:

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

The four factors listed above are now considered in specific terms of the impact on BAS's ability to add value to insurers and clients.

Increasing competition

BAS has seen its share of the personal lines market and small commercial business 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. Direct Line has also grown very rapidly in the small business market. All spend very significant sums on marketing and advertising.

Hastings Group Holdings plc; Direct Line Group plc; Admiral Group plc; 2023

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 required standard to be followed. To delight clients, so reaching the levels that many of them expect, requires a client-focused approach to service delivery. Achieving this level of service delivery requires a deep understanding of clients so that investment in business efficiency and effectiveness is accordingly targeted. BAS's understanding revolves around fairly easy-to-obtain facts and figures. Qualitative information is lacking.

Challenge of technology

The internet is used by increasing numbers of clients for the arrangement of their insurances, particularly for personal lines business. Aggregators compete very aggressively, particularly in terms of price. In addition, clients are taking advantage of the rapid growth in technological developments and social media for business and personal use. The internet is also being accessed more on mobile devices.

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 both a challenge and an opportunity for BAS. The challenge for BAS is to ensure clients are communicated with in the way they prefer to be communicated with and BAS uses 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 a real opportunity for BAS of understanding what clients and insurers want and then the implementation of solutions which, wholly but not exclusively, may well have a technological component whilst retaining appropriate human interactions.



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Increasing client expectations

Alexanderson (2021) suggests that consumers require “cross-channel experience... connected journey... accuracy and privacy... choices... chatbots... mobile apps... recommended products... automation” and “voice-activated devices” in their dealings with firms. 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.

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 on a fairly traditional approach to 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 or conducive to a strong and deep relationship. BAS does not appear to best satisfy many clients who will expect far more regular digital contact.

The BAS approach is in rather sharp contrast to many service industries where regular contact is a key component of both the marketing activity and indeed the basic servicing 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 their clients, by email or text, of the due date. They may also direct clients to other information at this time. This contact is then the basis for building a relationship which is much wider than simply seeking to cross-sell and/or pursue upsell opportunities.

Recommendations

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 best ensuring its continued existence.

Merely continuing as BAS has, with incremental changes in performance, will greatly impact BAS in its ability to add value. 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.

BAS need to appreciate that the scale and nature of the changes cannot be addressed simply by existing internal resources. For example, creating omnichannel capabilities requires external partners. It may be possible to source these from a range of potential knowledgeable partners. However, the clearest way forward would appear to be securing such resources through the use 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 in a broker network.

Develop an omnichannel approach to client engagement so clients choose how and when to engage with BAS. Also increase the extent to which client engagement, and transfer of data to/from insurers, is handled automatically in real-time.



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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 several complimentary sub-themes:

- 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 another 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.
- d) BAS can, for example, follow the RAC (2023) 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 is to increase client loyalty. The RAC also have quite distinctive personal and business approaches.

BAS must 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.

Further practical examples for BAS to continue to add value include: -

- Ensuring that all client-facing staff within BAS can deal empathically and speedily with client enquiries. This requires that all past and current client engagement is readily available to client-facing staff. Various software is available to achieve this.
- Seeking to widen the opportunities to add value for clients, by BAS developing a range of fee-based services, such as risk management and claims handling services. BAS should also consider special services for High Net Worth (HNW) clients and insurance solutions for affinity groups.
- Additionally, whilst BAS already undertakes various basic administrative tasks for clients concerning 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.
- Segmentation of the business, to concentrate resources in areas where the greatest value can be added, so enhancing BAS's long-term profitability.
- Investment in continuous professional development for all BAS staff. BAS should consider requiring all new employees to achieve relevant qualifications within a stipulated timescale and include this as a condition in their contracts of employment.
- To survive the shift to direct writers and aggregators BAS must achieve added value for its clients, insurers and itself. BAS, amongst its current and prospective clients, must stand out if it is to justify being their preferred partner. To add future value BAS must become an integral part of its clients' businesses, as valued business partners. An example is being involved, by a client, in considering the insurance and risk implications of business growth ideas from the planning stage onwards.



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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.

