

960

Advanced Diploma in Insurance

Unit 960 – Advanced underwriting

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 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 responsible for the liability account of DEF Insurance Co Ltd. Most of your account consists of small to medium size businesses. Over the past few years, certain areas of business have proved problematic and, as a result, you are planning to revise the underwriting strategy and acceptance criteria.

There have always been significant employers' liability and public liability claims in the trades of scaffolding and roofing due to the height at which work is undertaken. As a result these trades have always produced poor results.

Recently there has been an increase in the number of industrial deafness claims made by employees working within large factories.

Historically, small offices and retail businesses have been regarded as desirable because they have produced the fewest claims and this trend appears to be continuing.

Question

- Explain how the use of standardised acceptance and renewal criteria can help improve underperforming areas within the account and recommend ways in which the underwriting strategy should be updated.
- Explain how risk improvement criteria can be introduced to reduce the likelihood of claims.
- Describe other measures that can be put into place, including reinsurance, to improve the overall profitability of the account.

(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 a member of the Board of Directors for a commercial lines insurance company. The current portfolio of business consists of 75% commercial property, 20% motor fleet and 5% liability insurance.

Given recent weather-related claim events affecting the majority of the company's portfolio of business, there is a growing concern about the current business mix.

Question

Draft a report for the Board that outlines the company's concerns and discusses the processes and considerations required to establish a suitable business mix.

(40)**3. Scenario**

JKL Insurance Company's recent annual results have highlighted that, although there is sufficient capital to meet the Prudential Regulation Authority's minimum requirements, some key areas of business could benefit from further capital provision to reflect the nature of the business underwritten.

Question

Prepare a report which addresses these concerns explaining the importance of capital, its adequacy, and requirements in a regulatory framework.

(40)**4. Scenario**

You have recently been appointed as the group operations manager for XYZ Insurance Company (XYZ). Staff appear to be de-motivated partly due to the current procedures for monitoring individual performance. Breaches of underwriting authority are also evident.

Question

Discuss the appropriate operational controls that you would introduce to overcome XYZ's current issues.

(40)

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