

P92

Diploma in Insurance

Unit P92 – Insurance business and finance

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 P92 – Insurance business and finance

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper, which contains 20 compulsory questions and carries a total of 200 marks.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- 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.
- It is important to show each step in any calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

Answer ALL questions**Note form is acceptable where this conveys all the necessary information**

1. **(a)** Outline **five** advantages of organic growth. **(5)**

 (b) Outline **five** disadvantages of organic growth. **(5)**

2. Identify **three** specific interests or expectations that **each** of the following stakeholders would have in an insurance business:

 (a) Employees. **(3)**

 (b) Regulators. **(3)**

 (c) Shareholders. **(3)**

3. **(a)** Explain briefly **three** disadvantages of outsourcing. **(6)**

 (b) Outline **three** expectations of the UK regulators when regulated businesses source and manage outsourcing. **(6)**

4. Dr John Adair's action centred leadership approach identified three key areas of a team leader's effectiveness. One of these key areas is the 'task'.

 Identify the **seven** 'task needs' a team leader should perform to ensure effectiveness. **(7)**

5. **(a)** Identify **two** specific examples of results-orientated key performance indicators (KPIs). **(4)**

 (b) Identify **two** specific examples of effort-orientated KPIs. **(4)**

6. Identify and explain briefly the **five** 'C's approach to the process of decision-making as suggested by The Industrial Society. (10)
7. (a) Explain briefly **three** matters that have to be included in the business review of a directors' report for a quoted company as required by the Companies Act 2006. (6)
- (b) State the **five** statutory registers that must be maintained by a public company under the Companies Act 2006. (5)
8. Explain briefly **five** recommended actions which should be undertaken to minimise the risk of insider dealing/improper disclosure. (10)
9. Explain briefly **six** of the functions/decisions that would typically be carried out by an insurance company's IT department. (12)
10. (a) Outline **five** areas an insurer will audit within a line slip or binding authority. (5)
- (b) Identify **six** marketing activities that insurance organisations rely on market research to accomplish. (6)
11. (a) Identify the **three** areas of activity that a cash flow statement analyses. (3)
- (b) Explain briefly what **each** of the **three** areas of activity you have identified in **part (a)** above relates to. (9)

QUESTIONS CONTINUE OVER THE PAGE

12. Using the entries below, construct a balance sheet for CG Holdings Ltd.

	£000s
Cash	350
Deferred tax	450
Land/Property	2,000
Stock	600
Retained profits	800
Long-term borrowings	1,100
Share capital	100
Creditors	1,250
Debtors	750

(13)

13. Explain briefly the interest that the following stakeholders will have in the financial information of an insurance company:

- (a) Directors and managers. (2)
- (b) Financial analysts. (2)
- (c) Employees. (2)
- (d) Intermediaries. (2)

14. (a) Define an unexpired risk provision. (3)
- (b) Explain briefly why financial information on claims is recorded by accounting period. (3)
- (c) State the **four** factors that need to be taken into account when deciding how to categorise claims statistics. (4)

15. Explain briefly the **four** principal objectives of the International Financial Reporting Standards Foundation. (8)

16. (a) Explain briefly what a gearing ratio measures in an insurance company, providing the formula for its calculation. (6)
- (b) Explain briefly **two** circumstances in which a high gearing ratio in an insurance company can be acceptable. (4)
17. (a) Provide the formulae, in an insurance company context, for **each** of the following ratios:
- (i) Solvency ratio. (2)
- (ii) Liquidity ratio. (2)
- (iii) Return on equity ratio. (2)
- (b) Explain briefly what an insurance company solvency ratio and liquidity ratio can demonstrate. (4)
18. (a) List the **three** main activity (or turnover) ratios for a typical manufacturing company. (3)
- (b) Provide the formulae of **each** of the above **three** main activity (or turnover) ratios. (6)
19. In the event of inadequate levels of capital, in particular a breach in minimum capital requirement:
- (a) state how an insurance company would be expected to react in immediate terms; (2)
- (b) outline the **two** basic options available to the company in the event of inadequate levels of regulatory capital; (2)
- (c) describe briefly **three** actions that could be taken for **each** of the two basic options identified in **part (b)** above. (6)

QUESTIONS CONTINUE OVER THE PAGE

20. (a) Identify the **three** resources an insurance company must, at all times maintain, as a regulatory requirement, to ensure there is no significant risk that its liabilities cannot be met as they fall due. (3)
- (b) Outline **four** examples of what would typically be included in an insurance company risk appetite statement. (4)
- (c) State **three** matters that an insurance company's risk appetite statement would be used to set. (3)

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