

990

Advanced Diploma in Insurance

Unit 990 – Insurance corporate management

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 990 – Insurance corporate management

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 Manager of the Strategy Department in Jubilee Insurance plc (Jubilee), which is a general insurer listed on the London Stock Exchange. Jubilee's strategic objectives are stated as:

'To be the preferred insurer throughout the underwriting/insurance cycle, in those countries and classes of business in which we trade.

To foster and grow our culture and ethical standards by employing the best people.

To use our underwriting expertise to focus on organic growth.'

Jubilee's equity shareholder base is dominated by institutional investors who place few demands on Jubilee's Board, as long as the share price gradually appreciates over time and that it is accompanied by an annually increasing dividend income per share. Jubilee has a reputation for excellent corporate governance, using capital effectively and delivering underwriting profits.

Recently, a new investor has acquired 25% of Jubilee's equity and has suggested that the strategy needs reviewing with the intention of making Jubilee a much faster growing business where the increase in the share price, over three year periods, is the single most important measure of success.

Jubilee's Board are keen to demonstrate to the new investor that their current strategy is preferable to a more aggressive one.

Question

Prepare a report for the Board for presentation to the new investor.

In the report, explain why the current strategy is appropriate and analyse the risks associated with adopting a more aggressive rate of growth.

Your report should include consideration of corporate governance, risk appetite, capital and profitability.

(80)

Part II questions can be found on pages 6 and 7

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 recently appointed senior manager in a general insurance company, responsible for ensuring that your management colleagues have accurate and timely information which they can take into account when making decisions.

The Board has informed you that it has concerns about the extent and quality of non-financial management information available within the company.

You are asked by the Board to carry out a review and make recommendations for improvement.

Question

Prepare a report for the Board which describes appropriate non-financial management information and tools which can be used to assist the control of performance against plan.

Your report should include analysis of the relative importance of corporate social responsibility, employee motivation and benchmarking in managing the company. **(40)**

3. Scenario

Heathly Insurance plc (Heathly) is a general insurer underwriting a limited number of products. Heathly's Board believe that to sustain an acceptable future level of growth it will need to add at least one new product to its portfolio in each of the next five years.

You are Heathly's Strategy Manager and the Board wants you to explain to it the key considerations regarding successful product launches in a competitive environment.

Question

Prepare a report for the Board which, with reference to **one** suitable strategic planning tool, assesses the actions necessary to create a product development strategy. **(40)**

4. Scenario

Mayfield Insurance plc (Mayfield) has recently announced that it will not achieve its profit target for 2014 by a significant margin. The announcement has resulted in the share price falling by 25%.

An internal review within Mayfield has identified that the shortfall in profitability was known to some managers some months ago, however it was not reported to Mayfield's Board. This review has exposed inadequacies in Mayfield's risk management process.

You are an external risk management consultant recruited by the Board to review the risk management process.

Question

Prepare a report for the Board which evaluates a suitable risk management process and assesses how it can assist the Board to achieve its risk management and regulatory responsibilities.

(40)

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