



THE CHARTERED INSURANCE INSTITUTE

**960**

## **Advanced Diploma in Insurance**

### **Unit 960 – Advanced underwriting**

**October 2013 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 Liability Underwriting Manager for ABC Insurance Company. Your account is currently focused on small and medium enterprises with the majority of income derived from employers' liability for such companies.

Your main competitor, XYZ Insurance Company, has recently launched a new commercial combined (property and liability) product which can be purchased online. This product is targeted at small, commercial businesses and has proved very popular so far. As a result, you have lost a significant number of your key customers. Although the premium from such policyholders is relatively low, they account for a large proportion of your customer base and therefore generate a significant amount of income overall.

You have been appointed to manage a project team to consider the merits, implications and costs of your company adopting a similar approach and launching a rival product for a similar customer base.

**Question**

Write a report which discusses:

- the implications of and considerations for offering a new commercial combined policy that includes performing a cover comparison with XYZ Insurance Company;
- the ways in which ABC Insurance Company could best differentiate its product from its main competitor, XYZ Insurance Company;
- the changes that might be needed in the current underwriting policy and how these changes should be managed most effectively.

**(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 the Commercial Property Insurance Manager for a medium-sized insurance company which was established approximately five years ago. During this time, the company has only written UK business but it is now looking to expand overseas to increase business opportunities and growth.

The Board of Directors are keen to move this plan forward but have concerns over weather related risks, natural disasters and the potential for accumulation of claims arising from single events.

**Question**

Discuss briefly, using examples, the potential risks that may arise from writing business overseas and explain how the aggregation of these risks can be effectively managed, including the relevant reinsurance arrangements that should be considered.

**(40)****3. Scenario**

You are an underwriting manager for a large personal lines insurance company. At present, all your household business is written direct, however you are considering setting up a binding authority for this type of insurance going forward. The company is concerned however, that, if a binding authority is used, there will be insufficient control over the business that is underwritten.

**Question**

Outline briefly why a binding authority could be used and discuss the advantages and disadvantages for the company of using a binding authority for this type of business. Your answer should consider how the concerns over loss of underwriting control can be addressed.

**(40)****4. Scenario**

The property account within your insurance company has recently suffered a significant increase in claims, including thefts from retail premises in central city locations and floods in residential properties.

To address this issue, you are proposing a review of the system for classifying and categorising risks so that, where appropriate, a suitable premium can be established.

**Question**

Discuss the stages for classifying and categorising risks within the property account and analyse what other internal and external data should be considered when pricing a risk and establishing an appropriate premium.

**(40)**

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