

# THE CHARTERED INSURANCE INSTITUTE

## 960

## Advanced Diploma in Insurance

### Unit 960 – Advanced underwriting

April 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.**



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## 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.

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**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 Director of a large personal lines insurance company, specialising in household insurance. Most of this business is currently written direct but some high value risks are written through a few key brokers.

The account has run profitably for the last few years but premium income has not been increasing. Given the need to grow the account, the company is now considering expanding into commercial property insurance which includes some overseas business.

To help facilitate the expansion plans, you are proposing to set up household schemes with your key brokers. This should enable underwriters to concentrate on the new commercial risks which are more complex in nature.

The Board of Directors are keen to expand into both commercial and overseas business but are concerned with how this change in underwriting strategy will be managed without adversely impacting the existing household business.

**Question**

Prepare a report for the Board of Directors in response to its concerns.

You should:

- discuss the considerations of expanding into commercial overseas business and how the change in underwriting strategy and policy should be effectively managed in order to improve account performance;
- explain why it may be in the company's interest to write household insurance business through designated schemes and what key considerations should be taken into account.

**(80)**

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**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 Underwriting Director of a large commercial lines insurance company. The underwriting managers must report to you with information to demonstrate performance against their targets. These reports are required on a monthly basis and the managers are becoming increasingly frustrated by the amount of information they have to provide.

**Question**

Discuss the importance of the planning and budgeting process and the key elements and figures which are essential to the process.

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

XYZ Insurance Company is a medium-sized personal lines insurer considering the need to introduce a new motor product aimed at customers aged 50 and above.

**Question**

Examine the considerations when targeting this specific customer segment and explain how a suitable risk premium for this new product should be projected.

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

You are the Claims Director responsible for liaising with actuaries to establish accurate reserves on the liability account. Recent claims triangulations show a significant increase in incurred claims costs for previous years.

**Question**

Prepare a presentation for underwriters explaining the reserving process on the liability account, including how claims triangulations assist the process.

**(40)**

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