

# THE CHARTERED INSURANCE INSTITUTE

## 990

### Advanced Diploma in Insurance

Unit 990 – Insurance corporate management

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 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.

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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**

HAN Insurance plc (HAN) is a general insurer transacting commercial and personal insurances. HAN has underperformed its competitors in recent years when benchmarked against profitability, customer satisfaction and staff motivation. There is evidence from HAN's auditors and statements made by major shareholders, that HAN's corporate governance is weak.

The Board has a concern that senior managers place sales performance ahead of all other business priorities. Their concern has been reinforced by the recent notification from the Financial Conduct Authority (FCA) that it intends to impose a fine on HAN for weaknesses in senior management systems and controls.

HAN's Board is undertaking a strategic review and as part of their response to the FCA's notification, has commissioned an independent report on corporate governance. The Board has appointed you as an external expert on this subject.

**Question**

Prepare a report for the Board that:

- examines the general principles of good corporate governance, including specific requirements for insurers;
- analyses how HAN will address the FCA's concerns in regard to senior management systems and controls;
- evaluates how good corporate governance can support the delivery of any new strategy the Board subsequently decides upon.

Your report is not required to address the new strategy itself.

**(80)**

Part II questions can be found on pages 6 and 7

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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 an employee in the finance department of AAW Insurance plc (AAW) which is an insurer listed on the London Stock Exchange. It trades internationally and has shareholders located in several countries. AAW is regarded by insurance company analysts as a successful and growing organisation based on its performance in recent years.

AAW's Board is considering the need to increase its capital base in order to support further organic growth, future changes to solvency requirements and the possible acquisition of other insurers.

The Board is aware that there can be differing views between insurers and their shareholders as to the optimum level of capital which an insurer should hold.

**Question**

Prepare a report for the Finance Director which examines capital adequacy and evaluates the optimum level of capital. Your report should include analysis of the differing types of capital needs identified above and assess the impact of the shareholders' views.

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

Westbury Insurance plc (Westbury) is a profitable general insurer. Historically, its growth has been achieved entirely organically. However, given the growth expectations of Westbury's shareholders, its Board now considers that it needs to acquire another insurer.

You are a senior member of Westbury's strategic team reporting to the Strategy Director responsible for identifying a suitable insurer for acquisition.

**Question**

Prepare a report for the Strategy Director which identifies and reviews all the strategic considerations when planning an acquisition. Your report should provide detailed analysis of the **three** considerations you think are the most important, justifying your choices.

**(40)**

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**4. Scenario**

WAA Insurance plc (WAA) is a general insurer based in the UK. An increasing number of customer complaints in recent months are threatening damage to WAA's reputation. In anticipation of a forthcoming visit by the Financial Conduct Authority as part of its supervisory activity, WAA's management are determining what action needs to be taken.

WAA's management have already received an internal report from the audit department. This report has identified as a root cause of customer complaints, some unacceptable ethical behaviour on the part of staff, with practices conflicting with the principles of treating customers fairly.

You are a member of WAA's management, tasked with reviewing the requirements of good ethical behaviour and the management actions required for compliance with the principles of treating customers fairly.

**Question**

Prepare a report which examines how the principles of good ethical behaviour would benefit the business, help to reduce customer complaints and support compliance with treating customers fairly. Within your report analyse the issues and constraints that will influence management actions.

**(40)**

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