

Strategic Claims Management

27th March 2021

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) 40 marks each for a total of 80marks

- 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
You should include relevant examples and further reading in
your answer where applicable

QUESTION 1

CASE STUDY

What was a small family business managed by its founder, has today grown into a fully-fledged corporate. The Company, Jones Insurance Ltd, is today a shareholder-owned organisation with a tier of senior and junior management personnel and a complement of over 100 staff members servicing the UK market and insuring risks in Europe.

Previously, the owner was the decision maker and ran the organisation on a one-man-show basis having a few technical members of staff who were engaged in the operations.

Today, the company has separate divisions for underwriting, claims, personal and commercial lines and large corporate clients.

This growth and development brought increased challenges and responsibilities. The senior management team felt the need to rewrite the policies and procedures of the organisation as these were largely outdated.

QUESTION

If you were assigned to write the claims policies and procedure of Jones Insurance Ltd, what regulatory checks would you need to include to ensure that the claims division is compliant with the prudential and conduct regulations.

Present a brief detailing the impact that these compliance rules and regulations might have on the claims strategy of the firm, explaining how the claims function should manage its regulatory responsibilities and the implications of outsourcing claims.

(80 marks)

PART II
Scenarios
Answer TWO of the following THREE questions.
Each question is worth 40 marks

QUESTION 2

SCENARIO

Mr Joe Smith is a 64-year-old experienced Head of claims at AB Insurance Company plc and has served the company for the past 20 years. Although he was an excellent technical person, the Board of Directors were not at all happy with his work mentally and management skills.

Ahead of the forthcoming retirement of Mr Smith, the Board of Directors have instructed the senior management to recruit a replacement.

QUESTION

In the light of the planned recruitment process, you have been appointed to prepare a detailed report, to the interviewing panel, in which you are to advice on what roles and skills they should be looking at when conducting the relevant interviews.

In this report, you should also explain the difference between a manager and a leader, as AB Insurance Company plc is not sure which role and position they should fill.

Present your report.

(40 marks)

QUESTION 3

SCENARIO

QW Insurance is reviewing its annual figures for the year ending 31st December 2020. The financial controller has presented a summary of some performance indicators which show how these have varied when compared to the same period for the year 2019:

	Year end 2020	Percentage change from 2019
Number of claims	20,293	2.5% increase
Average claim costs	\$39.73	2.15% increase
Reserves	\$1,385,654	11% increase
Claims leakage	\$85,564	12.3% increase
Operating expenses	\$120,000	9.6% increase

QUESTION

You are the assistant of the financial controller and were actively involved in collecting the figures.

Assuming that you were in the Board meeting of QW Insurance and you are being asked to comment on the management information claims indicators.

Explain to the Board, the messages that these figures are presenting and the possible drivers that have driven the corresponding percentage increases as compared to last year's (2019) performance.

(40 marks)

QUESTION 4

SCENARIO

Developments in today's world have brought about corresponding emergent risks that insurance claims departments have had to face, deal and litigate.

Such risks have evolved from a marked development in IT, advances in healthcare and climate change.

QUESTION

You are assigned to give a talk to university students, taking an Insurance Major, on certain risks that have changed and emerged as well as the impact these risks have had on insurance businesses.

Your talk must focus on claims, detailing how such risks manifest themselves as opportunities and/or threats to a typical claims business function.

Present your talk.

(40 marks)
