

Strategic Claims 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) 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

ABC Insurance Company Ltd has, as its business philosophy, a claims charter that incorporates the following wording:

".....being there for our customers when they need us most, so we aim to pay every legitimate claim as fast as we can and with compassion and care. We pride ourselves on delivering exceptional customer experiences and guiding customers through some of the most difficult moments in their lives. It is what makes us different in the market and what drives us to keep improving the claims service we provide.....".

The company also states that in order to achieve these objectives, they regularly train their claims personnel to manage claims efficiently and deal with every customer with empathy and care.

QUESTION

In order to ensure that ABC Insurance Company Ltd fulfills its promises, explain how these strategic objectives are achievable in practice, focussing mainly on how an internal corporate culture needs to be developed, the appropriate use of resources and the importance of leadership in ensuring that what is being communicated and promised to the insurance claimant, is what in fact being delivered.

Outline your strategic claims operational plan.

(80 marks)

PART II

Scenarios

Answer TWO of the following THREE questions.

Each question is worth 40 marks

QUESTION 2

SCENARIO

The insurance value chain refers to the value activities of an insurance company which seeks to obtain competitive advantage based on investment management, product management, marketing, underwriting and claims management.

Value chains tend to be customised and involve sub-activities and processes that are specific to a particular customer's needs. Activities such as claims processing and loss adjusting are key value chain drivers.

With respect to claims management, insurers develop their own claims value chain which is assembled around expertise, infrastructure and other resources.

QUESTION

In the light of claims value chains, explain how loss adjusters and other suppliers are selected, based on the value and cost analysis of this delegated function.

(40 marks)

QUESTION 3

SCENARIO

"In May 2001 Independent Insurance (UK) announced that it expected to make a £150 million (\$211 million) rights offering to shore up its capital base. Its actuary, Watson Wyatt, expressed "reservations" about its liability account, the rights offering never materialized, Independent's shares were suspended from trading on the London Stock Exchange and three weeks later, a midnight court order put the company into liquidation".

The above is what was reported when Independent Insurance (UK) went out of business due to inconsistent and inaccurate claims reserving, portraying a financial position which was far from the truth.

QUESTION

If you were the financial controller of Independent Insurance well before it had reached the point of liquidation, what measures would you have adopted to ensure that the claims reserving strategy adopted would have avoided a negative financial impact on the organisation.

(40 marks)

QUESTION 4

SCENARIO

DEF Insurance Brokers have made a huge investment in technology and have designed a fully-fledged digital system to serve claimants and to assist them with their needs.

Going digital presents various challenges for market players and such a change has an impact on the stakeholders, particularly the employees and the customers.

QUESTION

Explain how such a switch to a fully digitalised claim service environment could present both positive and negative repercussions to DEF Insurance Brokers and also comment on how the company ought to prepare and embrace the emerging challenges.

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27th March 2021

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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)
