

Strategic Claims Management

3rd March 2024

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

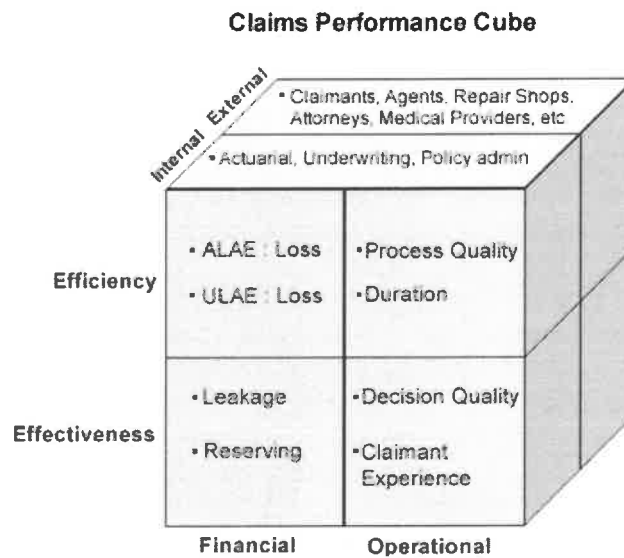
- You should answer the question in Part I, and two out of the three questions in Part II.
- You are advised to spend no more than 90 minutes on Part I and 45 minutes on each question selected in Part II.
- It is recommended that you spend 15 minutes reading and planning your answer to the case study 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



**ALAE: allocated loss adjustment expenses: the portion of an insurance company's reserves set aside for unpaid losses, investigation and adjustment for losses*

**ULAE: Unallocated loss adjustment expenses: costs incurred by an insurance company that cannot be attributed to the processing of a specific claim.*

The above performance cube was developed by Celent of Canada, in their publication called Technology-Enabled Claims Performance Improvement Report.

QUESTION

Discuss the various components of the cube and their respective relationships, explaining how these may be adopted by an insurance company to achieve the most optimal claims performance.

(80 marks)

PART II
Scenarios
Answer TWO of the following THREE questions

Each question is worth 40 marks

QUESTION 2

SCENARIO

In the early hours of Sunday 11 December 2005, a number of explosions occurred at Buncefield Oil Storage Depot, Hemel Hempstead, Hertfordshire. At least one of the initial explosions was of massive proportions and there was a large fire, which engulfed a high proportion of the site. Over 40 people were injured; fortunately, there were no fatalities. Significant damage occurred to both commercial and residential properties in the vicinity and a large area around the site was evacuated on emergency service advice. The fire burned for several days, destroying most of the site and emitting large clouds of black smoke into the atmosphere.

QUESTION

In the light of the Buncefield losses scenario, discuss the factors that would have enabled the insurer on risk, to accept coverage given the huge potential claims impact. Your answer must explain claims strategy, financial impact, risk management and corporate strategy.

(40 marks)

QUESTION 3

SCENARIO

Tesla Motors Limited is an Introducer Appointed Representative of UK Insurance Limited, the latter being duly authorised by the Prudential Regulation Authority (UK) and regulated by the Financial Conduct Authority (UK). Their respective insurance package known as 'InsureMyTesla' offers three plans for fully comprehensive motor vehicle insurance.

QUESTION

Discuss the different claims management culture and operations of UK Insurance Ltd when compared to that of a traditional motor insurer in a typical insurance market.

(40 marks)

QUESTION 4

SCENARIO

Insurance companies need to embrace the new evolving risks and challenges of the modern business world, not only to meet the rising expectation of customers, but also to ensure compliance with conduct and prudential regulation by the relevant authorities.

QUESTION

In the context of the challenges to strike a balance between customers' and regulators' expectations, explain how a claims strategy would ensure systems and operations are in place to satisfy both requirements.

(40 marks)
