

Business of Insurance and Regulatory Environment

21st May 2023

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.

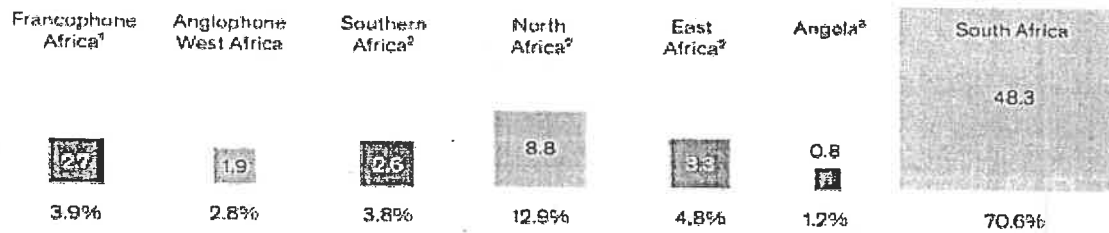
PART I
Case study

This question is worth 80 marks
You should include relevant examples and further reading in your answer where applicable

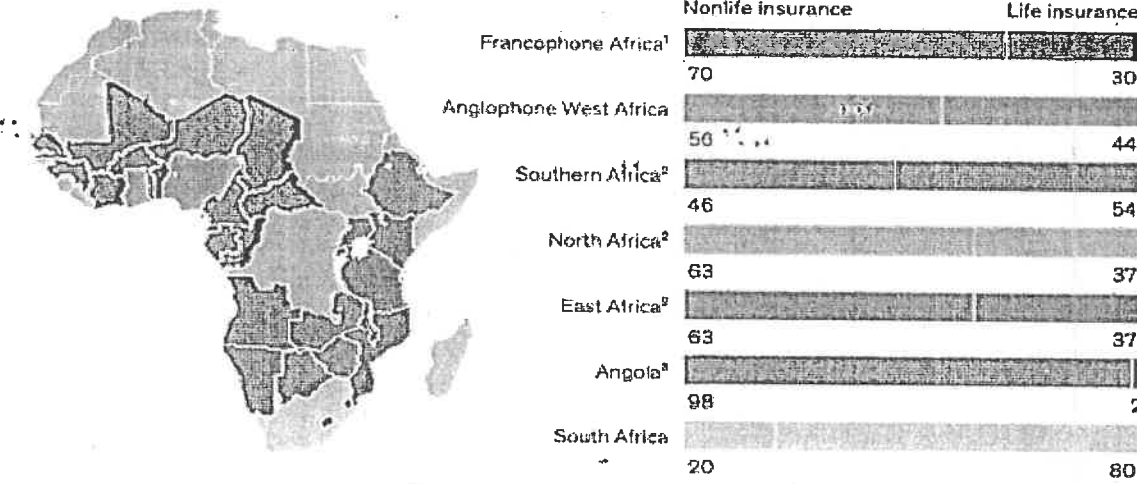
QUESTION 1

CASE STUDY

Gross written premium (GWP) in Africa by region (as share of Africa total) in 2018, \$ billion



GWP type in Africa by region in 2018, %



Insurance penetration (total GWP divided by nominal GDP) in Africa by region in 2017



Figure: Insurance market share, composition of insurance products, and insurance penetration by region

QUESTION

From the figure displayed under the case study, you are required to compare and contrast the various markets in the African region using the data provided. In your analysis you need to explain why some regions are more successful and profitable than others, using your knowledge of economic forces, market cycles, financial management, regulation and marketing strategies.

(80 marks)

PART II

Scenarios

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

QUESTION 2

SCENARIO

ABC Insurance Company is a publicly traded insurance company with a diverse product offering, including motor, home, and commercial insurance. The company has been in business for over 50 years and has a strong reputation for financial stability and customer service.

QUESTION

As an insurance financial analyst, you have been asked to evaluate ABC Insurance Company's financial statements and provide an analysis of the company's financial position.

Since you have never been involved with the company, you will need a plethora of documentation and financial records. Explain what information / data you would typically ask for, why you would require such and what reports would you present to the Board of Directors?

(40 marks)

QUESTION 3

SCENARIO

The insurance industry is a multi-billion-dollar business that provides coverage and protection to individuals and businesses against risks. Despite the importance of insurance in modern society, the industry has come under scrutiny for its unethical practices and lack of transparency.

The lack of transparency, discriminatory practices, and unethical behaviour in the insurance industry have led to a loss of trust and confidence among consumers. It is important for regulators and industry leaders to address these issues and work towards creating a more ethical and transparent insurance industry.

QUESTION

Discuss the effectiveness of regulatory frameworks in promoting ethical behaviour in the insurance industry and explain how it influences the behaviour of insurance companies, brokers, and agents.

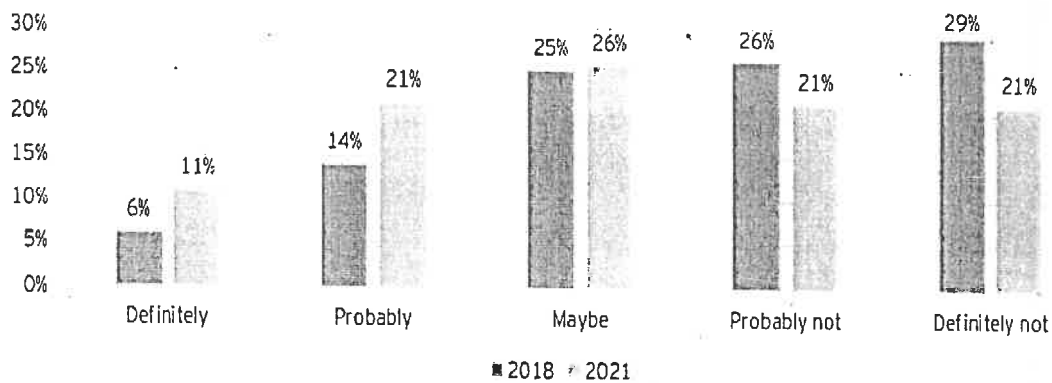
(40 marks)

QUESTION 4

SCENARIO

The following are the results of a consumer survey carried out in Belgium to identify and assess demand for household insurance distribution.

Willingness to buy home insurance online



Source: EY VODW Online Insurance Barometer 2021

QUESTION

Based on the information above, discuss the various marketing strategies that you think would work best, providing reasons for your answers.

(40 marks)
