

Strategic Claims Management

5th March 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

In 1997, the giant media-service provider Netflix was born. Previously, the Netflix model offered customers monthly subscriptions to have movies posted to their door. This meant they avoided the late fees which traditional movie rental business imposed upon customers.

From the beginning, Netflix proved to be a disruptive organisation which has likely resulted in its capability to transform and adapt to the changing world. Streaming began in 2007 for the business and meant subscribers no longer needed to wait for DVDs to come through the mail.

Netflix successfully implemented change management to meet the needs of the consumers that would begin to watch content online. At one stage, it was at a crossroads, when its long-term sustainability was dependent on how it managed the changes posed by the external environment.

After surviving a drop in subscription numbers and stock figures, Netflix subscribers grew from 23 million in 2011 to more than 137 million in 2018. So, trusting their plan worked, as the business knew DVDs were on their way out and they needed to shift gears.

QUESTION

Using the case study of Netflix above, discuss how an insurance company can adopt a similar strategy to its claims management operations to aim to contribute to the efficiency and profitability of the organisation within the volatility of a changing insurance environment.

(80 marks)

PART II
Scenarios

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

QUESTION 2

SCENARIO

ABC Ltd is a fully-fledged claims administration office set up to deal with personal lines insurance claims in the Asian market, dealing with 25,000 claims per year having 20 fully qualified and dedicated claim handlers to front these losses and manage them efficiently and effectively.

Due to its success and established reputation, ABC Ltd has attracted the attention of a major insurance company in Ghana that is seeking to outsource its commercial claims function especially since the Ghanaian company has seen an increase in the average claim cost together with increase in servicing costs, added resources, increase in claims leakage and deteriorating reputation.

QUESTION

If the request to outsource the commercial claims function made by the Ghanaian insurer to the Claims Director of ABC Ltd was accepted, what would be the challenges and the opportunities to both the Ghanaian insurer and ABC Ltd as a result?

Your answer must also explain the business strategies that ought to be adopted by ABC Ltd in the circumstance.

(40 marks)

QUESTION 3

SCENARIO

"Innovation through new technologies is a key driver of change in the financial sector and this has led to immeasurable efficiency gains, even though these changes can initially be accompanied by uncertainty and doubt. The insurance sector is no exception to such developments, with possibilities of new methods of service provision as well as greater opportunities for data collection and fraud detection that can lead to better risk identification and mitigation measures, which are being referred to as InsurTech".

QUESTION

The above is what was reported by OECD in their report headed as 'Technology and Innovation in the insurance sector'. In the context of claims management, discuss the relevance, or otherwise, of the extract by OECD above.

(40 marks)

QUESTION 4

SCENARIO

Risk culture can be described as the way in which decision makers at all levels within an insurance organisation consider and take risks. When risk appetite is fully agreed and understood, all employees are conscious of risk in their everyday decision-making, appreciate the trade-offs between risk and reward, and consider the interests of the wider organization above their individual objectives.

QUESTION

In the context of a claims department, explain how an organisational culture is built in the light of a changing external environment that is affecting insurance business globally.

(40 marks)
