

Advanced Insurance Broking Examination

3rd September 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 80 marks

- 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

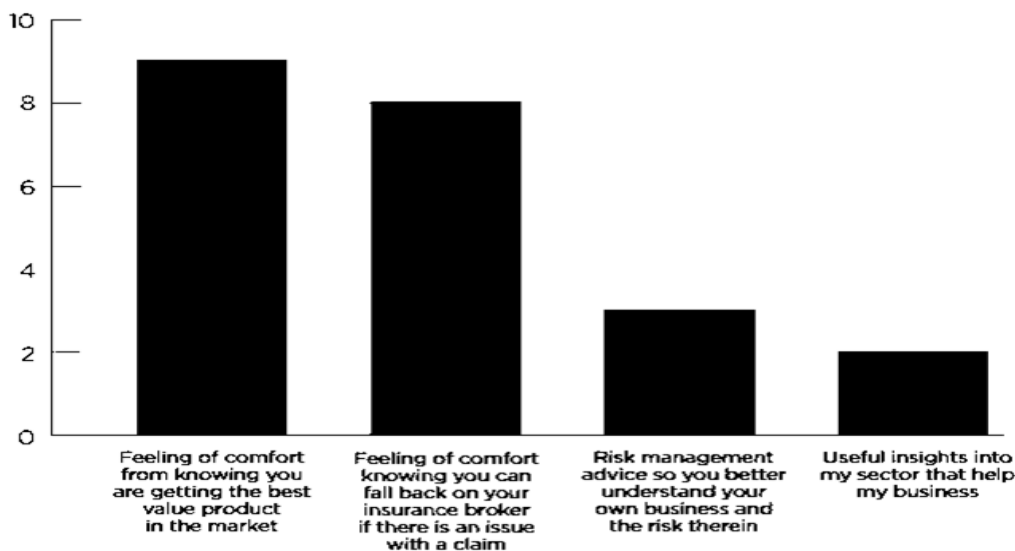
This question is worth 80 marks

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

QUESTION 1

CASE STUDY

Which of the following do you get from your insurance broker?



Source: PKF Littlejohn

The above figure has been extracted from a recent publication titled "The Future of Commercial Insurance Broking." This journal is a collaborative effort between the Chartered Insurance Institute (CII) and PKF. The graph illustrates the sentiments of commercial insurance consumers when they were asked to express their opinions on the value of utilising an insurance broker.

QUESTION

Based on the survey results provided above, analyse how insurance brokers endeavour to deliver client value by employing a well-crafted distribution strategy, fostering effective communication, establishing trust through transparency, and ensuring quality assurance. Substantiate your responses with pertinent examples and industry practices. (80 marks)

PART II

Scenarios

Answer TWO of the following THREE questions.

Each question is worth 40 marks

QUESTION 2

SCENARIO

You are the head of compliance at an international insurance brokerage firm that operates across various countries. Your firm prides itself on maintaining the highest standards of ethical conduct and regulatory compliance. Recently, there have been concerns regarding the effective implementation of laws and regulations affecting insurance brokers internationally. Your CEO has asked you to address these concerns comprehensively.

QUESTION

Considering the international nature of your brokerage firm and the relevant laws and regulations governing your firm, discuss challenges and strategies your firm should employ to ensure compliance with these laws and regulations while maintaining ethical business practices and fair treatment of customers.

Support your answer with specific examples of the relevant laws and regulations applicable in your discussion.

(40 marks)

QUESTION 3

SCENARIO

In light of the challenging market conditions in several sectors, insurance brokers may face the temptation of resorting to new inexperienced insurers and wholesale facilities. However, this inclination could lead to engaging with insurers that possess subpar (or no) financial ratings, merely to secure favourable terms for their clients.

This situation is particularly prevalent with emerging risks, as conventional insurers may be apprehensive about covering new and unfamiliar risks, resulting in reluctance to provide quotes for such risks that lie beyond their realm of experience.

QUESTION

If you are the regulator observing the market phenomenon in the case scenario above, what market guidelines would you issue to ensure that brokers consider solvency, transparency and due diligence when selecting an appropriate risk-bearer in the best interest of the proposer?

(40 marks)

QUESTION 4

SCENARIO

In Ghana, the property insurance market has experienced significant fluctuations over the past five years. During the first two years, the market witnessed a surge in demand for property insurance, resulting in increased premiums and high insurer profits. However, in the subsequent three years, the market experienced a decline in demand due to economic challenges, leading to reduced premiums and profitability for insurers.

QUESTION

Based on the case scenario above and your knowledge of insurance broking in Ghana, analyse the insurance market cycle and discuss the critical role of brokers in navigating this cyclical environment. Provide insights into how insurance brokers can add value to both insurers and clients during market upswings and downturns and propose strategic measures brokers can adopt to maintain stability and competitiveness in the property insurance market.

(40 marks)
