Advanced Claims Management Examination

4th September 2022

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

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- 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

Emerald Insurance Agency Ltd is a well-established agency of Abacus Insurance Company Ltd, the latter being an insurance undertaking registered in Africa, serving the indigenous market.

Emerald, has decided to take business to another level and convert its status from Agency to Broker. This means that the new company, Emerald Insurance Brokers Ltd needs to have its own claims function and thus requires the setting up of its own department and respective operations.

QUESTION

You have been appointed as a Claims Director responsible to set the claims strategy, the design of the claims department (with its corresponding claims handling processes & procedures) and the claims service charter.

In this respect, present a comprehensive report to the Board of Directors, detailing how you would plan to achieve these requirements.

(80 marks)

PART II

Scenarios

Answer TWO of the following THREE questions.

Each question is worth 40 marks

QUESTION 2

SCENARIO

"Periodically, insurers decide that their respective claim departments represent an expense and is a function they can outsource. When they outsource, they may find that they save some money in adjusting costs, after all, they do not have to pay the salary, the benefits and the retirement for employees. Instead, the claims are serviced by outside independent contractors who do not hold an employer-employee relationship. Sometimes this works, but sometimes companies find that, even though they are saving money on the transaction side, they can incur more seepage and leakage on the indemnity or claims side".

QUESTION

Given the opinion in the scenario above, discuss your level of agreement or disagreement by giving concrete examples to support your arguments.

(40 marks)

QUESTION 3

SCENARIO

A Claims Management System (CMS) is one which provides the ability to process and track activity for all claims reported to the company. A CMS manages all aspects of claims, including coverage verification, reserving, reinsurance attachment, salvage and subrogation, litigation monitoring and complaints.

Nowadays these systems are automated and are managed by fully-fledged IT systems that can report back information instantly.

QUESTION

In the context of the above, discuss how, in practice, a company benefits from a CMS, explaining how this system is used and how the resultant data is managed for the effective running of the claims side of the business.

(40 marks)

QUESTION 4

SCENARIO

Piper Alpha, a North Sea oil production platform with 226 men on board, exploded in a ball of flames caused by a gas leak on 6 July 1988. Within two hours, the rig had collapsed from its position 300ft above the sea, and become a flaming ball of twisted metal. At its height, the fire could be seen 70 miles away; nearer to the disaster, the heat was so intense that a helicopter could only circle at a perimeter of a mile; a fishing trawler which tried to approach to save survivors found paint on its hull blistering and its handrails beginning to smoke.

QUESTION

Given the catastrophic nature of an overseas claim such as the one in the scenario, discuss the various technical issues involved in such a case. You are required to detail how a claims department would handle and deal with the settlement of such a claim.

(40 marks)