Advanced Insurance Broking Examination

5th September 2021

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

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QUESTION 1

CASE STUDY

Joe Bloggs started working at the age of 18, going around households in his district selling Home and Life Assurance policies on a door-to-door basis. He did this for a number of years earning a commission on every policy sold. As his clientele was established and his confidence grew, he approached several insurance companies in a bid to act as an agent on their behalf, a venture which he secured with ABC Insurance Company Ltd.

After a decade acting as an agent on behalf of ABC Insurance, Joe Bloggs is now considering setting up his own fully-fledged independent business as an insurance broker.

QUESTION

If Joe Bloggs approached you for advice on the legal, technical and administrative operations of the broking business, discuss what advice you would give to Mr Bloggs particularly in relation to the broking environment, broking operations, broking distribution, compliance and client services.

Outline your guidance and advice.

(80 marks)

PART II

Scenarios

Answer TWO of the following THREE questions.

Each question is worth 40 marks

QUESTION 2

SCENARIO

Any authority regulating the broking industry intends to protect the consumer, among other objectives. Quite notably, is the regulatory requirement bestowed upon brokers to ensure that they act in the best interest of the inquiring consumer as early as the onset of the insurance negotiations. Particularly and vital to the observance of the service expected by the regulator, is the need to carry out a full fair market analysis prior to making any insurance offer to the prospective consumer.

QUESTION

Discuss the requirement of fair market analysis explaining what it is, the practical challenges it presents and the professional criteria that are adopted in the fulfilment of this regulatory obligation.

(40 marks)

QUESTION 3

SCENARIO

RANK	**BROKER**	**REVENUE IN $ MILLIONS**
1	*Marsh & McLennan*	*$ 16,839*
2	*Aon PLC*	*$ 10,717*
3	*Willis Towers PLC*	*$ 8,413*
4	*Arthur J Gallagher &Co*	*$ 5,106*
5	*Hub International Ltd*	*$ 2,146*
6	*BB&T Ins Holdings Inc*	*$ 2,016*
7	*Brown and Brown Inc*	*$ 2,009*
8	*Lockton Cos LLC*	*$ 1,705*
9	*USI Insurance services LLC*	*$ 1,665*
10	*Acrisure LLC*	*$ 1,378*

World's largest insurance brokers (*Source: Business Insurance 2019 data and rankings*)

From the above table, Marsh & McLennan tops the charts in terms of revenue size. Typically, successful companies are the result of sound business strategies among other factors.

QUESTION

In your opinion, discuss what better business strategy Marsh & McLennan might have over Acrisure LLC.

(40 marks)

QUESTION 4

SCENARIO

During one of the coffee breaks at the office, you overhear your colleagues say:

"I will never go to an insurance broker for my insurance needs since I assume I will be charged more premium than if I had to go directly to an insurance company…..let's face it, no one does anything for nothing".

QUESTION

As an insurance student, you know that this statement is incorrect and you step in to explain how broker remuneration works and to assure that the broking business is compliant and transparent.

Discuss what your clarification to your colleagues would be, explaining the types of fees, how these are arrived at and how these are disclosed pre-contract.

(40 marks)
