

EXAMINATIONS

10 September 2001 (pm)

Subject 403 — UK Fellowship General Insurance

Paper Two

**You must answer this subject only,
you may not attempt another subject in the 400 series.**

Time allowed: Three hours

INSTRUCTIONS TO THE CANDIDATE

1. *You have 15 minutes at the start of the examination in which to read the questions. You are strongly encouraged to use this time for reading only but notes may be made. You then have three hours to complete the paper.*
2. *You must not start writing your answers in the booklet until instructed to do so by the supervisor.*
3. *Write your surname in full, the initials of your other names and your Candidate's Number on the front of the answer booklet.*
4. *Mark allocations are shown in brackets.*
5. *Attempt both questions, beginning your answer to each question on a separate sheet.*

AT THE END OF THE EXAMINATION

Hand in BOTH your answer booklet and this question paper.

*In addition to this paper you should have available
Actuarial Tables and an electronic calculator.*

- 1**
- (i) Discuss the desirable characteristics of a general insurance product from the point of view of all relevant parties. [15]
 - (ii) Describe how and why mis-selling of general insurance products might occur, giving examples of mis-selling and remedies to avoid potential mis-selling where appropriate. [10]
 - (iii) You are the actuary for a general insurance company that is considering distributing its personal lines products via either the telephone or internet.

Draft a report to the Directors of the company describing the main features of, and relative merits of, these two distribution channels under the following headings:

- (a) Characteristics
- (b) Product Design
- (c) Sales Motivation Techniques
- (d) Quality Issues
- (e) Security
- (f) Cross Selling
- (g) Claims Handling
- (h) Data

[50]

[3 marks for drafting]

[Total 75]

- 2**
- You are an actuary employed by UK general insurance Company A, which writes Motor, Property and Liability classes of business. Company A purchased general insurance Company B on 1 January 2000. Company B is about half the size of Company A and writes the same classes of business.

It is now January 2001, and you have been asked by your Finance Director to determine a best estimate of the technical reserves of the merged entity as at 31 December 2000.

Discuss the impact of the merger on your estimation process under the headings below:

- (a) Data
- (b) New Business written since the merger
- (c) Claims Handling Process
- (d) Actuarial Reserving Methodology to determine a Best Estimate

[25]