

# **INSTITUTE AND FACULTY OF ACTUARIES**

## **EXAMINERS' REPORT**

### **Subject CA3 - Communications (Written Paper)**

#### **Scenario: Motor Insurance Policyholder**

##### **Introduction**

The Examiners' Report is written by the Principal Examiner with the aim of helping candidates, both those who are sitting the examination for the first time and using past papers as a revision aid and also those who have previously failed the subject.

The Examiners are charged by Council with examining the published syllabus. For the CA3 communications examination the examination is designed to examine the communication of an "actuarial" concept to a non actuarial audience. Sufficient technical detail on the scenario is provided in the question so that candidates from all backgrounds are able to answer the question.

One approach to a solution is reproduced in this report; other valid approaches were given appropriate credit.

Fiona Layton  
Chairman of the Board of Examiners

March 2016

A possible answer is given below. This is not intended to be a model solution. In practice, a wide number of solutions were acceptable and candidates would have achieved good pass standards without having the same level of detail as the answer below.

Candidates were asked to draft a letter to a policyholder who thinks that there has been a mistake in her car insurance premium as it has increased following her grandson passing his driving test.

The main points that the Examiners were looking for and some common problems encountered were as follows:

1. Most candidates produced scripts that looked like a letter to a policyholder. Scripts gained marks for having a clear introduction clearly explaining what the letter would cover.
2. There was no evidence of candidates running out of time and therefore not completing their answer.
3. Poor scripts were unstructured with no clear headings, long sentences and poor explanations.
4. A number of candidates used language that would not be appropriate for the policyholder. (The policyholder described herself in her letter as “an older careful lady driver” whose grandson takes her “on local outings during the day”.) Eg “There is a higher risk of your grandson having an accident.” This may have worried the policyholder.
5. Most candidates included the points requested by their manager in their letter. Better scripts provided simple explanations and examples to cover the points being made. Poorer scripts provided unnecessarily complex examples and explanations.

For example, candidates were asked to include one suitable statistic to demonstrate that premiums are likely to drop once the driver has demonstrated good driving experience. To assist candidates in determining a suitable statistic a table showing the reduction in premium rates after a year driving without any incidents was provided in the question. Although this table broke the change in premium rates into age bands the reduction in premiums was virtually the same in all age bands. Better candidates chose a reduction of around £80 as a suitable statistic. Some candidates provided statistics that had an unnecessary degree of accuracy or were too mathematical for the policyholder. Eg premium changes calculated to the nearest pence depending on the age of the driver or a description such as “a reduction of around 30% of the additional premium” etc.

6. Better scripts concluded with a summary of the main messages and a clear message on the actions that the policyholder needed to take.
7. There was not that much opportunity for candidates to use jargon in their letter. However, candidates lost marks for providing unnecessary information eg telling the policyholder that *in 99.95% of cases* the telematics box will be fitted in an hour or providing details of the failure rates of telematics boxes etc.

8. A few scripts suffered from poor spelling, grammar and punctuation.
9. The guideline length was around 600 words. Scripts which were very short (below 500 words) generally missed out some of the content that their manager had asked them to include. Scripts which were much longer (over 700 words) often lost marks for including unnecessary detail or being repetitive.

## SOLUTION

< ABC Motor Insurance Company letterhead >

<Address>

<Date>

Dear Mrs Patel

**Ref: ABC Motor Insurance Company – Policy Number B5200367**

Thank you for your letter to the Customer Services Department of 1 August 2014. You expressed your concern about the increase of £250 in your motor insurance premium as a result of your grandson passing his test. Firstly, I'd like to congratulate your grandson on passing his driving test. The increased premium is correct. Below I will explain why. I have also provided details of a new car monitoring system which may be of interest and which could save you money on your premium.

### **Increase in premium after passing driving test**

As a learner driver your grandson needed to be accompanied by a driver with a full licence, such as yourself, when driving. Learner drivers are also not permitted to drive on a high speed road, such as a motorway. However, now that your grandson has passed his test and has a full licence, he will be entitled to drive unaccompanied and on motorways. Evidence shows that newly qualified drivers are more likely to make insurance claims than more experienced drivers. The increase in premiums is made to recognise this and is £250 up to the end of your policy year.

### **Reduction in premiums once experience gained**

After your grandson has gained some driving experience, your insurance premium should reduce, provided he is not involved in any insurance claim. The reduction to the premium after a new driver has gained one year's experience is currently around £80.

### **ABC Daytime Car Monitoring System**

We have recently introduced a car monitoring system that enables us to offer reductions to motor insurance premiums where the car is only used between specific hours. Cars are monitored by fitting a telematics box which automatically sends us details of when the car is being driven. In order to be eligible, the insured vehicle must not be used between the hours of 11 pm and 4 am.

I understand from your letter that you may fall into this category. If you have a telematics box fitted to your car, this would entitle you to a saving of £100 in your amended premium to the end of your policy year. This means that you would now be required to pay us £150 rather than the £250 previously quoted.

I have enclosed a leaflet giving details about the telematics box, which I have summarised below:

**Fitting the telematics box**

- there is no cost for the box being fitted
- the work can be carried out on your drive; and
- the box takes less than 1 hour to fit

**Additional information for telematics box policies**

- every month you will receive details of the times and dates that your car has been driven
- if your car has been driven between the hours of 11pm and 4am you would be immediately liable to pay back the saving in premium

**Telematics policies are therefore only suitable for policyholders who are sure that their car will not be driven during the disallowed time (11 pm to 4 am).**

**Summary**

Your premium has increased because your grandson can now drive unaccompanied and on motorways. If neither of you will drive between 11 pm and 4 am, fitting a telematics box will reduce your premium.

Your options are:

- Pay an additional premium to include your grandson on your policy of £250, **OR**
- Pay an additional premium to include your grandson on your policy and to have the ABC telematics box fitted of £150.

Please note that your grandson should not drive your car until you have confirmed the level of cover that you would like.

Please let us know how you would like to proceed or if you have any questions. You can either telephone our policyholder helpline on 0800 100 200 or contact me at the address above.

Yours sincerely,

Your name  
Customer Services Department  
ABC Motor Insurance Company

**Word Count = 629 (excluding title and sign-off)**

**END OF EXAMINERS' REPORT**