



Institute  
and Faculty  
of Actuaries

# EXAMINERS' REPORT

**SA3 - General Insurance**

**Specialist Advanced**

September 2022

## **Introduction**

The Examiners' Report is written by the Chief 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. The Examiners have access to the Core Reading, which is designed to interpret the syllabus, and will generally base questions around it but are not required to examine the content of Core Reading specifically or exclusively.

For numerical questions the Examiners' preferred approach to the solution is reproduced in this report; other valid approaches are given appropriate credit. For essay-style questions, particularly the open-ended questions in the later subjects, the report may contain more points than the Examiners will expect from a solution that scores full marks.

The report is written based on the legislative and regulatory context pertaining to the date that the examination was set. Candidates should take into account the possibility that circumstances may have changed if using these reports for revision.

Sarah Hutchinson  
Chair of the Board of Examiners  
December 2022

## **A. General comments on the *aims of this subject and how it is marked***

The aim of the General Insurance Specialist Advanced subject is to instil in successful candidates the ability to apply knowledge of the general insurance environment and the principles of actuarial practice to providers of general insurance.

Our expectation of a passing candidate at this stage is that they should demonstrate not only a grasp of the technical aspects of general insurance actuarial work, but also a good sense for products, the competitive marketplace, regulatory environments and the operational aspects of an insurance company. They should be able to pull these areas of understanding together to provide well rounded advice to the users of their services.

We would offer candidates two key pieces of advice - (i) read the question properly and (ii) order your answer before committing to paper. We would stress that candidates do not need to make the majority of the points included in this report to achieve a pass mark (there are significantly more than 100 marks available for the points in this report). Therefore, time spent making sure that you are answering the question that is asked is more valuable attempting to make as many points as possible, regardless of whether they are relevant.

The wording of the question has been carefully chosen. Therefore, it is essential to read the question properly. Various examples from this paper of recurrent failure to read a question are noted in the commentary for the questions.

If something is not asked for then candidates will waste valuable time writing answers that will gain no marks. These broader answers may be a logical next step to the question and so may be appropriate for candidates to discuss in a professional context. However, this is an exam with a finite number of marks available and so the scope must necessarily be limited and specifically defined.

If a question does specifically mention something, candidates should also assume that there are marks available for this aspect of the question. During the exam setting process, any content that is superfluous will have been removed. A clear implication of that is that if there are numbers provided in the question paper then there are marks available for comment and consideration of those numbers.

Wording of question sections should also be considered in the context of the position within the overall question. Where new question information is provided between sections, candidates should recognise that this information is specifically relevant to the following section or sections. When answering preceding question sections, candidates should not consider any subsequent information in their answers (although it may cover similar ground).

On the second issue, candidates should note that SA3 is the key paper at which we test candidates' deeper thinking.

Successful candidates will be able to display some capacity for independent and broad thinking, as well as to reward instances where these skills are displayed. When reviewing past papers, candidates should assume that the marks available for generic points are generally fewer than those awarded for the more challenging points that would be the

mark of high quality professional insight in a practising actuary. Marks available for list items from knowledge are lower still.

We strongly recommend that candidates step back and take the time to thoroughly think about what is actually asked in question situations proposed rather than simply considering numbers to be analysed with standard techniques. For example, candidates might stop to think about what claims actually are for a particular class of business, considering factors such as what event causes the claim, who reports the claim, how it is dealt with once reported, what makes one claim small while another substantial, etc.

This perspective will help candidates to consider items such as practical issues, stakeholders involved and their potentially diverging objectives, wider impacts, regulatory or ethical issues, inappropriateness of certain actuarial techniques for the specific situation, current economic or cyclical effects, etc.

This is likely to lead to significantly broader point generation (and indeed reflects the thought processes of the examiners in drafting the questions and solutions) and a more rounded understanding of the underlying risks and dynamics which should also be of value to candidates when dealing with different stakeholders in their professional life. Some examples of this failure to think more widely on the current paper are noted in the commentary for the questions below.

More generally, we would also advise candidates to employ basic exam techniques such as well-structured answers and effective time management. The online delivery of the exams should assist candidates with providing well-structured answers. Bullet points within answers can help make answers clearer, and we would advise candidates to ensure that separate points are split into separate bullets and that they do not duplicate the same point across separate bullets.

Candidates should also consider the command words used and tailor the depth of their answers accordingly.

Candidates who give well-reasoned points relevant to the specific question being asked, which are not in the marking schedule, are awarded marks for doing so.

## **B. Comments on candidate performance in this diet of the examination.**

A number of specific comments are provided next to the questions where there were repeated reasons for candidates to score lower marks. These include issues taking enough time to read the question properly and lack of consideration of secondary factors to assist with point generation and time management.

## **C. Pass Mark**

The Pass Mark for this exam was 62  
360 presented themselves and 103 candidates passed.

## Solutions for SA3 - September 2022

### Q1

#### (i)(a)

Due to higher claims frequency and / or severity	[½]
Higher repair costs for property damage claims	[½]
Higher labour cost/wages for motor damage claims	[½]
Higher treatment/medical cost for personal injury claims	[½]
Higher indexing (Ogden rates) used for settlement of liability claims	[½]
Demand surge resulting in temporary increase in costs for property classes	[½]
Increase in fraudulent claims	[½]
Changes in excess may results in higher claims frequency	[½]
Higher claims handling costs	[½]

*(Marks for other reasonable points - ½ mark per point)*

[Marks available 4½, maximum 3]

#### (i)(b)

Reinsurance, e.g. cost of coverage, impact on indexation	[½]
Investment locked in at lower rates	[½]
Higher operating expenses, e.g. higher salaries for core functions, higher rental/office space cost	[½]
Impact on capital modelling, e.g. higher reserve risk through increased inflation volatility	[½]
Impact on business mix due to changes in volumes and exposure	[½]
Underestimation of reserves, e.g. inadequate inflation allowance	[½]
Inaccurate pricing, e.g. inadequate premiums	[½]
Impact on business planning and assessment of profitability	[½]

*(Marks for other reasonable and well explained points -½ mark per point)*

[Marks available 4, maximum 2]

#### (ii)

General points:

Differentiate between general economic inflation and 'superimposed'/excess inflation	
Any approach requires an assumption on expected future inflation rate	
Subjected to significant uncertainty, linked to macroeconomic conditions	
communicate uncertainty via range of reasonable best estimates	
Basic chain-ladder method assumes that future inflation is like past inflation	
Different method may need to be applied for different classes of business	
The impact of inflation will be more significant on long-tailed liability classes	[2]

Different methods:

Method: explicit additional inflation allowance in the loss ratio / IELR, inflation rate based on published data, e.g. medical inflation for bodily injury claims	[1]
inflation rate may be based on expert judgement	
difficulty in determining appropriate rate as likely to vary by line of business	
Method: partial allowance to expected rate changes in the IELR calculations, but depends on how claims inflation has been reflected in the rate changes	[1]
Method: implicitly allowing for higher-than-expected claims inflation by taking a more cautious approach when interpreting claims trend, rely on trends in the more recent years as may be more representative of future	[1]

inflation

subjective and relies on expert judgement

Method: inflation-adjusted chain ladder to reflect change in inflation expectations. [1]

index applied to past claims data to bring it in line with latest year inflate projected claims to the expected year of payment method requires explicit assumptions for both past and future claims inflation.

Method: frequency severity or other average cost of claims methods, [1]  
 assessing trends to derive % year on year inflation  
 more granular data required

Method: allowing impact of inflation in discounting. [1]

Method: other simulation/distribution-based methods to reflect uncertainty, e.g. Mack, Bootstrap. [1]

*(1 mark for naming a method, and 1 mark for each specific and well explained point on the method, up to maximum 3 marks per method. Marks awarded for other reasonable methods not described above. Maximum of 2 marks for generic points provided, e.g. subjectivity of method, data limitations etc.)*

[Marks available 23, maximum 10]

(iii)

Industry best practice on acceptable methods, if any [½]

Regulators might not allow certain methods, e.g. implicit methods [½]

Type of business written may make some methods better than others [½]

longer tailed liability classes are often subject to higher levels of inflation [½]

therefore, may require more expert judgement over the longer term [½]

Inflation adjusted chain ladder method may not be suitable [½]

Depends on level of uncertainty [½]

Current reserving methodology - explicit allowance easier to incorporate in average cost per claims methods [½]

Quality of data - availability, relevance, and granularity [½]

Availability of resources to carry out extended study [½]

Company's reserving policy / historical approach taken to changes like this Input from other business areas, e.g., Pricing, Claims [½]

Input from experts [½]

Consider the need for a range of estimates [½]

IT constraints. [½]

The extent of the increase in inflation [½]

Consider the purpose of the exercise [½]

Consider the ease of communicating the method and results [½]

[Marks available 8½, maximum 5]

**[Total 20]**

*Candidates scored reasonably well in part (i) of this question, however we would have expected more candidates to score highly on this part, given its relatively straightforward nature. Better candidates were able to give different areas of insurers' operations (outside claims) that can be impacted by higher inflation, such as Pricing and Capital Modelling.*

*Candidates did not score as well as for parts (ii) and (iii), and in particular for part (ii) where they found challenging to demonstrate knowledge of different possible methods.*

Candidates should note in the marking scheme that they can also score from giving general points, before going into specific methods.

## Q2

(i)

Property cover for personal items	[1/2]
e.g., theft, loss of items	[1/2]
Public liability cover	[1/2]
e.g., liability cover for work that requires clients to visit insured's workplace worksite.	[1/2]
Medical cover	[1/2]
e.g., hospital/treatment costs	[1/2]
Travel insurance cover	[1/2]
e.g., flight cancellation and delays etc	[1/2]
Personal accident cover	[1/2]
e.g., death or disability caused due to an accident	[1/2]
Cyber cover	[1/2]
e.g., loss of data due to cyber-attack	[1/2]

*(Marks for other reasonable points - 1/2 mark per point)*

[Marks available 6, maximum 3]

(ii)

Occupation/industry	[1/2]
may give an indication of low risk/high risk	[1/2]
e.g., use of gadgets/high value laptops	[1/2]
Position/seniority of insured	[1/2]
More senior staff may be expected to travel more often	[1/2]
More senior staff may have more access to sensitive information and be target of theft	[1/2]
Estimated value of personal properties	[1/2]
Preferred country of work, may be more than one	[1/2]
time difference may mean that working at night makes policyholder lower at risk from night theft	[1/2]
General safety standards in the country	[1/2]
Some countries more at risk of extreme weather events	[1/2]
Medical questionnaire:	[1/2]
any underlying health issues or conditions that may require regular treatment	[1/2]
Estimated frequency of travelling:	[1/2]
indication of frequency of travel-related claim	[1/2]

*(Marks for other reasonable points based on the types of cover in part (i). 1/2 mark per factor and 1/2 mark per explanation - maximum 5)*

[Marks available 14½, maximum 5]

(iii)

Use claims data from existing products	[1/2]
consider different lines of business, regions and cover	[1/2]
Reinsurer/broker to supplement internal data	[1/2]
Industry/benchmark data on similar products, e.g., inflation indices.	[1/2]
Data from other countries if similar policies have been sold elsewhere	[1/2]

(Marks for other reasonable points - 1/2 mark per point, maximum 2)

[Marks available 2 1/2, maximum 2]

(iv)

No historical experience so likely use simple loss ratio/ELR methods. Require estimates of both premium written and expected loss ratios [1/2]  
 but these would be subjected to significant uncertainty due to lack of data [1/2]  
 Consider uplift/buffer in loss ratios to reflect uncertainty [1/2]  
 Run sensitivities to give a range of results, e.g., optimistic, central and pessimistic scenarios to show impact of different assumptions [1/2]  
 May want to split modelling by type of cover/heads of damage given differences in claims profile [1/2]  
 Consider claims inflation which would vary by type of cover/benefit [1/2]  
 Exchange rates between the country of sale and potential country of claim [1/2]  
 Cost of handling claims which may be higher for international claims [1/2]  
 Expected mix of business [1/2]  
 Expected volumes and exposure [1/2]  
 Potential for latent claims [1/2]  
 Premium estimates require input from sales managers and underwriters. Annual payment patterns to estimate yearly claim payments/reserve releases [1/2]  
 Property damage claims are shorter tailed and bodily injury claims (if any) are longer tailed [1/2]  
 Consider cost of reinsurance, e.g., simple net to gross ratio approach [1/2]  
 Consider likely changes in legislation over the next 5 years [1/2]  
 Consider expected changes in macroeconomic condition [1/2]  
 e.g. if a recession is predicted [1/2]  
 Type of distribution channel and costs associated [1/2]  
 Consideration between deterministic or stochastic approaches [1/2]  
 (1/2 per factor, and 1/2 per each explanation and discussion point, maximum 6)

[Marks available 9 1/2, maximum 6]

(v)

Quota share arrangement [1/2]  
 claims likely to be driven by property component [1/2]  
 accumulation of claims unlikely. [1/2]  
 given that unlikely to have concentration of policyholders in one location [1/2]  
 but global events, e.g., pandemics, could lead to multiple claims on travel [1/2]  
 and medical portion of cover like diseases [1/2]  
 unknown performance of the product, QS will limit the impact of any volatility in performance on the rest of the company. [1/2]  
 Risk XoL cover [1/2]  
 for personal injury/bodily injury claims which could be significant [1/2]  
 for cyber claims which could be significant for employees in certain industries [1/2]  
 Aggregate XoL: [1/2]  
 to protect the entire book. [1/2]  
 Stop Loss: [1/2]  
 to protect against poor performance from either attritional or large losses. [1/2]

(Marks for other reasonable points - 1/2 mark per point up to maximum of 1 1/2 marks per type of reinsurance cover, maximum 4)

[Marks available 7, maximum 4]

**[Total 20]**

*Candidates scored reasonably well on this question as whole, in particular for parts (i) and (v).*

*For part (i) better prepared candidates gave types of cover, but also the related benefit, e.g., cyber cover covering loss of data.*

*Candidates did not score as well on part (iv) of this question, failing to generate sufficient points to score highly.*

*For part (v) candidates should be able to score highly by thinking of all the different types of reinsurance cover that can be provided, and then how each would be suitable for product in question.*

**Q3**

(i)

An insurer that is wholly owned by an industrial or commercial enterprise [½]

set up with the primary purpose of insuring the parent or associated group of companies [½]

and retaining the premiums and risk within the enterprise (subject to reinsurance) [½]

A captive may insure external companies but strictly speaking this is not a true definition of captive [½]

(ii)

If the purpose of the captive is to provide cover exclusively for the risks of the undertaking or group to which it belongs [½]

and so does not provide cover for third parties or other insurable risks outside the group [½]

If the captive demonstrates good risk management or achieves risk diversification. [½]

Captive might achieve greater efficiency, [½]

Captive might operate in region with lighter regulator requirement [½]

Captives will usually have more reinsurance cover, thus leading to lower net capital requirements [½]

[Marks available 3, maximum 2]

(iii)

Rates particularly expensive during this period of the market cycle, so more likely to charge cheaper premiums in captive [½]

Aside from being expensive, given reduced capacity, cover may not even be available in the market [½]

Or the cover might be available but with unacceptable for the company terms and conditions [½]

The way ESG trends are moving, perhaps capacity/reduced premiums may not return, so perhaps will need to establish captive at some point, so should do now as opposed to delay [1]

Could select against insurance market by increasing retention in captive when in hard market [½]

If captive insures third parties, would benefit from higher profits [1/2]  
 [Marks available 3½, maximum 2]

(iv)

Advantages:

Rather than passing insurance profits onto external insurers, the company retains these [1/2]

This could therefore further improve the profitability of the group's accounts on a consolidated basis [1/2]

Could also benefit from further profits by selling products to customers of the company [1/2]

Promotes greater awareness to senior management of managing risk within the company rather than passing to an insurer [1/2]

A captive may pass on good experience and risk management improvement savings through lower premiums quicker than an external insurer [1/2]

Direct access to reinsurance markets and expertise [1/2]

Assists in negotiating desired cover, terms and conditions with reinsurers [1/2]

There may be tax advantages if located in certain domiciles, e.g. Bermuda [1/2]

Or regulatory advantages, in particular lighter capital / reporting requirements [1/2]

Reserves/premiums are built up as pre-tax profits [1/2]

Reduces insurer credit risk exposure [1/2]

Reduces exposure to the insurance cycle [1/2]

*(Marks should be given for valid points in either part (iii) or (iv), but not both for the same idea- ½ mark per point, maximum 2)*

[Marks available 6, maximum 2]

(v)

Disadvantages:

Ties up the group's capital so potential conflict of opportunity cost of captive versus alternative better returns in group activities. [1/2]

Increased volatility in group results dependent on reinsurance retention levels, i.e., lack of risk-transfer [1/2]

Costly to set up and subsequent running costs [1/2]

Complex in operations thus requiring specialist expertise [1/2]

May pull management time and resource away from main Group activities [1/2]

Might not have the economies of scale of an external insurer so may overall be more expensive even though not giving away profit margin [1/2]

Accumulation of risk [1/2]

Given the nature of business, high exposure to very large losses [1/2]

in particular environmental losses [1/2]

Might not be as advantageous once market is soft again [1/2]

[Marks available 5, maximum 2]

(vi)

Management level of risk tolerance [1/2]

Projected expenses associated with running the captive [1/2]

Projected capital requirements [1/2]

Including initial capital required to establish the captive [1/2]

As well as regulatory capital [1/2]

As well as Management's own view as to the level of capital required [1/2]

Expected extent of use of reinsurance [1/2]

Investment strategy [1/2]

Adequacy of reserves	[½]
Expected volatility of claims	[½]
Any trends in claims over the last number of years	[½]
e.g., due to climate change	[½]
Consider the historic claims and claims trends by policy type	[½]
e.g., commercial fire may have had some one-off large losses of oil rigs	[½]
e.g., employers' liability may have suffered latent claims	[½]
Consider trends in inflation associated with claims, expenses	[½]
Consider any changes in exposure or mix of business over time	[½]
Is the company expanding/contracting more/less oil rigs	[½]
Have there been changes in health & safety measures in place	[½]
Consider the levels of premiums paid for regular insurance	[½]
what the company is currently paying for various covers	[½]
Consider currency exchange and tax impacts	[½]
given the multinational nature of the parent organisation	[½]
<i>(Marks for other reasonable points - ½ mark per factor, ½ mark for example / extension, up to 2 marks for one factor with examples, point to a maximum of 10)</i>	

[Marks available 11½, maximum 10]

(vii)(a)

The level of risk appetite of the Group Level of free assets	[½]
How liquid the Group's assets are Extent of cashflow	[½]
Views on future energy price trends Desired level of retention	[½]
Security status of available reinsurers Impact on capital requirements	[½]
Risk management procedures that are in place Extent purchased by competitors	[½]
History of large losses	[½]
Climate trends and consequential impacts on claims/exposures	[½]
Size of the captive	[½]
If it intends to insure 3rd parties	[½]
Reinsurance availability and associated cost	[½]
Whether alternatives are available	[½]
Insurance Linked Securities/CAT bonds available?	[½]
<i>(Marks for other reasonable points - ½ mark per point to a maximum of 5)</i>	

[Marks available 6, maximum 5]

(vii)(b)

Quota share to reduce volatility/accumulation of risk	[½]
Agg XoL for aggregation of losses, e.g. at one site	[½]
Catastrophe XoL for one-off CAT-type events	[½]
Fac XoL for one-off large exposures	[½]
Surplus treaty will be needed for commercial fire type exposures	[½]
Excess of loss for motor, liability, etc	[½]
Stop loss to limit overall losses and protect solvency	[½]
Impact different types have on regulatory capital requirements	[½]
Availability of technical expertise from reinsurers depending on type purchased	[½]
Commissions associated with different types	[½]
<i>(Marks for other reasonable points - ½ mark per point to a maximum of 5)</i>	

[Marks available 5, maximum 5]

**[Total 30]**

*Candidates generally scored well on this question, across the different parts and aspects examined.*

*Well prepared candidates were able to generate a wide range of points for part (vi), scoring highly as a consequence. An approach to generating such a wide range of points would be to think through the different areas of an insurer's operations, from Reserves, to Risk, to Investments, etc.*

#### Q4

(i)

Unknown stage:	[½]
The policy covering the risk in question has been accepted but the identity of the latent claim is not yet known	[½]
Potential stage:	[½]
Information about the possible identity of the claim type emerges but no clear link or liability has been proven	[½]
Emerging stage:	[½]
the claim type has emerged as a latent claim, but the full extent of the liability is still developing	[½]
Emerged/closed stage:	[½]
the latent claim type has occurred and is fully developed with no more exposure taking place, or it is still emerging but in a predictable way that can be allowed for when the policies are underwritten	[½]

(ii)

General points:	
Climate change is high on the industry's agenda and there have been an increasingly number of climate related lawsuits	[1]
Regardless of the outcome of the lawsuit, public opinion and "anti-corporate" sentiment may have negative impact on the insurer's reputation	[1]
The financial impact from the lawsuit will be dependent on the policy limits	[1]
Any impact will also depend on other parties involved, e.g., insurers covering Palm Ltd after 1980	[1]
Regardless of the outcome, there will be significant legal and court fees which depending on the policy cover might be claimable	[1]
In any outcome, there might be significant reputational damage by just being associated with such a case	[1]
Lawsuit against Palm Ltd is unsuccessful:	
Insurer not liable for any claims if there is no proven link between the company's past practices and losses suffered by the group of local communities	[1]
e.g., unable to conclusively prove deforestation of coastal ecosystems to increased frequency and severity of floods	[1]
Lawsuit against Palm Ltd is successful:	
Give example of policies that may respond	[1]
e.g., directors and officers policies - directors could be held responsible for failing to consider the impact to the environment of their decisions	[1]

e.g., public liability - company failed to take necessary actions to prevent third party property damages	[1]
Consider type of cover - claims made basis or losses occurring basis	[1]
Directors and officers usually on claims made so risk to insurer may be mitigated	[1]
Public liability could be on losses occurring so insurer more at risk	[1]
But equally, public liability could be on claims made basis, so risk to insurer may be mitigated	[1]
Insurer may not necessarily be liable to pay out claims it has number of legal defences	[1]
Event might not be covered under policy terms, e.g., exclusions such that the event may not constitute a 'covered' occurrence	[1]
Unable to pinpoint to a specific policy sold by the insurer in the past	[1]
May be due to continuous negligence of the directors over a longer period where the insurer stopped providing coverage	[1]
Insurers may find themselves under pressure from governments and the public to pay put claims, regardless of the exclusions in place	[1]
If the settlement figure is significant and Insurance ABC is liable to cover the loss, this might impact the solvency position of the Insurance ABC	[1]
and therefore, also have impact on other policyholders	[1]

Palm Ltd reaches out of court settlement:

There would still be associated le.g.al fees payable	[1]
The insurer might be included in any settlement discussions	[1]
and may influence the amount awarded	[1]
or how the different parties will contribute to financing the compensation	[1]

[Marks available 26, maximum 10]

(iii)

General Points:

Any estimates would be subjected to significant uncertainty	[½]
Full extent of liability is unknown, it is still developing	[½]
Subjected to significant expert judgement	[½]
Lack of industry consensus and market best practice	[½]
Could consider each class of business separately and apply different method for each class	[½]
Should consider any policy exclusions which might limit the exposure to these types of claims	[½]

[Marks available 3, maximum 2]

Methods:

Top down approach	[1]
Make population-wide estimate of liability losses and apply to the insurer's market share	[½]
This could be done based on the premium or policy volumes	[½]
Bottom up approach	[1]
Review liability policies to identify those at risk to climate litigation losses	[½]
Need to estimate probability of making successful claims based on past court cases	[½]
Identify trends in climate litigation to assess frequency of lawsuit	[½]
But this may change given changing public opinion etc	[½]
Use output from capital model to determine losses based on return period	[½]

Scenario and stress testing	[1]
Develop various scenarios and assess impact to the business	[½]
e.g., pessimistic, optimistic, and best-case scenarios	[½]
Can include feedback loops / mitigation actions	[½]

[Marks available 8, maximum 6]

(iv)

Recent attention on climate change and changing public opinion may influence court's decision [1]

Pressure on large corporations to 'right a wrong' and to pay back to the community for any exploitation [1]

Growing scientific studies on climate change providing evidence of causative links [1]

Changing climate change-related legislation, regulations and reporting requirements [1]

Decisions in courts on climate litigation may set new precedent for future cases [1]

Unclear policy wordings may be challenged in court [1]

*(Marks for other reasonable points -1 mark per point)*

[Marks available 6, maximum 4]

(v)

Stop writing similar policies [½]

e.g. types of cover / line of business [½]

e.g. trade sectors [½]

e.g. regions [½]

Tighten policy wordings [½]

e.g. introduce peril or cover exclusions [½]

e.g. add sunset clauses [½]

Get expert/legal opinion [½]

Get reinsurance cover [½]

e.g., stop loss [½]

Improve underwriting guidelines/practices [½]

e.g., limit accumulations [½]

Attempt to 'price-in' risk [½]

but this may be difficult due to uncertainty [½]

[Marks available 7, maximum 4]

**[Total 30]**

*Many candidates found this final question to be challenging overall.*

*In particular, for the parts of the question with the highest allocation of marks, only well prepared candidates demonstrated the deep thinking required to generate sufficient points to score highly on these parts.*

*For part (ii), high marks can be scored by thinking through and answering the question firstly with general points, and then in the scenario the lawsuit is successful, unsuccessful, or where there is an out of court settlement.*

*For part (iii), better candidates were able to list but also describe methods that could be used, e.g. Top down approach by making population-wide estimate and applying insurer's market share.*

**[Paper Total 100]**

**END OF EXAMINERS' REPORT**



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