GENERAL INSURANCE

MARKING GUIDE

A strong candidate will deal with the following issues:

- Insurecorp is currently charging very high profit margins on older customers, due to price elasticity optimisation. This is where the profit margin improvements have come from.
- CREAS probably wants the same profit margins (or even less) for older customers compared to other customers
- Profit margin must balance CREAS expectations versus market levels versus shareholder expectations. Margins of 0 to 15% are acceptable, with justification.
- Change in CEO may herald a change in strategy and risk appetite: top line versus bottom line. Catherine wants to show she can win a huge account.
- Pricing according to what CREAS wants means charging much less, so lower profit margin
- Winning the deal with CREAS brings with it the risk of cannibalisation of the existing business switching to CREAS, with a reduction in profit from that business.
- If Insurecorp doesn't win the CREAS account, then they risk losing a lot of their existing business
- Reputation risk if Insurecorp tells CREAS how much profit margin it has been making on older customers
- Both honesty and diplomacy are required to communicate current profit margins on older Caplandians.
- Ability to handle such large volume of elderly customers is unknown for sure, but is likely to be OK given the size of Insurecorp.
- Elderlies are more likely to have higher expense ratio as well (require more time on the phone vs. using internet)

END OF MARKING GUIDE

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