

INSTITUTE OF ACTUARIES OF INDIA

SA3 – General Insurance

November 2025 Examination

Indicative Solution

Introduction

The indicative solution has been written by the Examiners with the aim of helping candidates. The solutions given are only indicative. It is realized that there could be other points as valid answers and examiner have given credit for any alternative approach or interpretation which they consider to be reasonable.

Solution 1:

- i) Surplus reinsurance is a type of proportional reinsurance where the proportions are determined by the cedant for each individual risk covered by the treaty, subject to restrictions as defined in the treaty

A reciprocal quota share arrangement is a reinsurance agreement where both parties (the primary insurer and the reinsurer) agree to share a fixed percentage of both premiums and losses. This means that each party retains a portion of the risk and shares in the financial outcomes proportionally.

Surplus reinsurance arrangement with an established reinsurer:**Advantages:**

- Partnering with an established reinsurer provides access to their expertise and stability, which can enhance CoveRe's credibility in the market.
- More secure reinsurance arrangement since it is well-established and likely to offer greater financial security.
- More flexibility in size/variability of risks it writes and retains. This is of particular relevance for commercial property insurance where sizes and risks of policies can be quite varied.
- Surplus reinsurance allows CoveRe to retain a larger portion of premiums while transferring excess risk above a certain threshold, thereby improving capital efficiency.
- Established reinsurers often have robust risk assessment frameworks and data analytics capabilities, which can aid CoveRe in underwriting and risk management.

Disadvantages:

- The increased administrative cost, underwriting cost may make surplus reinsurance difficult to obtain and can potentially lead to higher costs
- The terms and conditions of surplus reinsurance arrangements can be more rigid, potentially limiting CoveRe's ability to customize coverage as per its specific needs.

Reciprocal Quota Share Arrangement with a Recently Established Insurer**Advantages:**

- A quota share arrangement allows CoveRe to share both premiums and losses with the other insurer, thus distributing risk more evenly.
- Partnering with another commercial property insurer can facilitate market entry and penetration in different regions, leveraging the local knowledge of the partner.
- might be more cost-effective compared to surplus reinsurance, especially if the insurer is looking to build its portfolio.

Disadvantages:

- even though the insurer is well-established, there may be operational risks, including uncertainties regarding its financial stability and claims handling capabilities.
- With limited experience due to volatile nature of business which is generally the case with commercial insurance, the partner even after being well-established may have limited data for risk assessment, which could affect the pricing and underwriting process.
- adverse selection if one party has better information about risks than the other, leading to imbalances in the shared risk pool.

The surplus reinsurance arrangement offers stability and expertise, while the reciprocal quota share arrangement could provide cost benefits and market expansion opportunities. Ultimately, the decision should align with CoveRe's strategic goals, risk appetite, and operational capabilities. (10)

ii) Maximum SI that can be written= 625

Q's share= $625 \times 4\% = 25$

This leaves 600 to be shared between CoveRe & S in the ratio 1:4

Thus Max. Retention = $600/5 = \text{INR } 120 \text{ crores}$ (2)

iii)

Policy 1: SI after QS = $0.96 \times 52 = 49.92$

As this is < 50 reinsurer S will not take anything.

Thus, the premium to S is zero.

Policy 2:

SI after QS = $0.96 \times 312 = 299.52$

Using all 4 lines splits the SI in the ratio 50:250, which is acceptable

Thus, the premium to S = $4/5 \times (0.96 \times 6.5) = 4.992$

Policy 3:

SI after QS = $0.96 \times 156 = 149.76$

As CoveSecure must retain at least 50 the balance of the risk (after the QS) is split with Company S in the ratio 50:100, i.e. 1:2

Thus the premium to S = $2/3 \times (0.96 \times 4.7) = 3.008$

Policy 4:

Since policies 1-4 are the largest, and since policy 1 is not large enough to place on the Surplus treaty, we know that no policies other than 1-4 could have been placed on the treaty and hence:

Prem to S = Total Reins. Prens – Total Prens for QS cover – Prens to Co. S i.r.o. policies 1, 2 & 3 = $60 - (0.04 \times 1200) - 5.3 = 4$

The assumptions made are as follows:

- Sum insured is the only measure to calculate the premium
- The risks are ceded into the treaty
- There are no other additional arrangements including stop loss arrangements with the reinsurer or no changes to the risk appetite/capacity, Underwriting considerations which affect ceding to the reinsurance company. (9)

iv) Co. S receives 4 of the 8 premium for policy 4, i.e. $\frac{1}{2}$ Hence $\frac{1}{2}$ of the claim can be recovered from S i.e. $\frac{1}{2} \times 100 = 50$ (2)

v) Two reasons why the data may not reconcile is:

- Timing differences- Actuarial data may be extracted as of a certain date (e.g., end of the month or quarter), while Finance data might reflect a later date.
This can be addressed by aligning the data cut-off dates between the teams.
- There may be some later adjustments, accruals, or post-period transactions (e.g., journal entries) which may not be present in the data used by the Actuarial team.
This can be addressed by requesting a detailed breakdown from Finance of adjustments or accruals included in their figures.
- If the reconciliation issue is not matching by a certain category, such as line of business, then there could be a mapping issue. This can be addressed by checking the policy mapping used by Finance against that by the Actuarial team. The mapping can also be understood from the Finance team.

- There may be a manual error by either of the teams. This can be addressed by checking the reconciliation again.
- There could be different reinsurance arrangements and the data for the same may come with a lag leading to reconciliation issues. This can be addressed by looking at the reinsurance arrangements and ensuring that the recoveries for the same are adequately updated
- Co-insurance balances may be improperly reconciled leading to mismatches in the data. This can be addressed by checking the balances in ETASS and ensuring that the same are properly updated
- Data related to RI inward business, pool, non-proportional business may not be available at the required time point leading to reconciliation issues. (6)

vi)

- The reporting process for reinsurers may involve delays.
- Additionally, intermediaries may exist between the primary insurer and the reinsurer, further complicating the process.
- Reinsurers struggle to compare data effectively due to the diverse exposures across different reinsurers.
- Aggregated industry figures often lack the necessary detail to be meaningful.
- IT departments face difficulties keeping up with data coding requirements, as the information that needs to be captured is constantly changing. There may be various data issues.
- Exposures can vary significantly among reinsurance products due to factors like retention limits, attachment points, and policy terms, leading to non-homogeneous data.
- The reporting timeline for reinsurance is extended because the cedant must first acknowledge the claim. Once recognized, it must flow through the pipeline to the reinsurer. Cedants may also undervalue claims for a prolonged period, and mass tort cases (such as asbestos claims) can lead to significant delays.
- The data reported by primary insurers may lack essential details, such as accident year (AY), forcing reinsurers to make assumptions. Reports can also be overly summarized or missing critical information needed for accurate reserving.
- Due to the diversity of coverage, data coding and IT systems are not frequently updated, which may lead to inaccuracies in reserve data.
- There may be changes in cedant over time, varying case reserving methodologies adopted by various cedants
- Coverages in multiple geographies with different local regulations, currency.
- There is a consistent rise in reserves, as claims are typically recorded at modal values, allocated loss adjustment expenses (ALAE) may be understated, and there are influences from social and economic inflation.
- Given the various forms of reinsurance, differing attachment points, and coverage types, the data is not uniform, rendering industry data less useful for comparative purposes. (4)

vii) The data gross and net of reinsurance recoveries needs to be collected.

The difference between gross and net data typically represents the amount of risk that is transferred to the reinsurer. This difference is crucial for accurate reserving and financial reporting.

Different methods can then be used for reserving for reinsurance:

- Reserve data net of reinsurance then gross up the net of reinsurance data using a gross to net ratio. The net to gross ratios that can be in proportion of historical net to gross premiums, claims. The reserves derived for net of reinsurance can then be subtracted from gross of reinsurance to arrive at reinsurance reserves.
Advantage- Simple to understand and apply to an automated reserving process
Disadvantage- since some reinsurance protections are new, it may be difficult to arrive at a net to gross ratio as historical ratio may not be apt.
- Triangulate reinsurance premium and recovery data, usually on a consistent basis with the gross data. Then apply standard reserving techniques (for example, chain ladder and Bornhuetter-Ferguson) to the reinsurance data to estimate ultimate reinsurance premiums and recoveries.
Advantage- Simple to understand and apply to an automated reserving process

Disadvantage-it may be hard to assess development patterns as data can be sparse for the surplus treaty in place.

- Apply broad brush factors to projected gross data separately for each treaty. Adjust the gross claims data to reflect expected reinsurance recoveries using average recovery ratios or industry benchmarks. This method simplifies the adjustment process by applying a standard percentage based on historical performance rather than analysing each claim.

Advantage- For quota share arrangement, it is simple to apply as the cession percentage is known. The ultimate recoveries should be that percentage of the projected ultimate gross losses.

Disadvantage- For surplus treaty, it is slightly more complicated, as the proportion ceded for each risk will vary, depending on the number of lines used. However, it should be possible to calculate an overall percentage split fairly easily, either exactly from policy records, or approximately.

- Case by case reserving- For the largest claims, which may significantly impact reinsurance reserving. Evaluate the specifics of each large loss, including coverage limits, reinsurer terms, and potential recoveries. Apply the reinsurance terms to each large loss to assess net exposure accurately.

Advantage- consistent with corresponding gross losses (for those losses for which adjustments are made)

Disadvantage- may be time consuming as need to estimate losses that have not yet occurred (ie separate allowance needs to be made for recoveries on large IBNR claims)

- Develop All Individual Losses and Apply Reinsurance- For all claims, project the expected ultimate losses based on development patterns. Apply Reinsurance: After developing the ultimate losses, apply the relevant reinsurance terms and recoveries to each loss to determine the net reserve required.

Advantage- this method should treat the features of each contract accurately.

Disadvantage-complex and time consuming to set up and so not suitable for simple programmes

- Derive a Reserve Distribution Net of Reinsurance- a distribution for net of reinsurance can be derived using:
 - Derive a gross distribution, and scale down the distribution such that the mean equals the net best estimate. Under this method, we will usually overestimate the uncertainty surrounding net reserves because reinsurance protection will dampen down the volatility associated with individual large claims.
 - Use Monte carlo simulation to simulate individual claims and net down explicitly before aggregation.

Advantage- This distribution provides insight into the variability of reserves and helps in setting appropriate reserve levels.

Disadvantage- the distribution may not be apt for the treaties and may lead to incorrect projection.

(15)

viii)

1. Adequacy of Risk transfer: Quantify how much risk needs to be transferred to ensure reduced exposure, capital efficiency and optimal compliance with risk appetite
2. Choosing of strong retrocessionaires with strong credit rating to ensure low credit risk
3. Define the structure of retrocession- proportional/stop-loss basis risk appetite and objectives
4. Ensure that the pricing of the same is adequate. Compare the pricing against the risks written to ensure adequacy
5. Ensure that the documentation is proper highlighting the exclusions, limits, frequency of reporting and any residual litigation risks
6. Regulatory compliance needs to be adhered to ensure that the risk transfers are in compliance with the regulations
7. Cost-Benefit analysis: A cost benefit analysis needs to be done to quantify what % of profits are been ceded and what is the impact of reduced exposure and capital efficiency
8. Establish procedures of regular monitoring in light of emerging experience.

(4)

Solution 2:

i)

- **Pay as you drive (PAYD)** is a usage-based motor insurance offers flexible premium rate which varies depending on the milage driven. Using this telematics, customers benefit from low premium rates for lower usage. This approach can encourage the use of alternative transportation methods, such as public transit or carpooling, wherever feasible. Over time, this can help the environment by reducing carbon dioxide emissions.
- The adoption of vehicles powered by alternative fuel sources or hybrids, such as natural gas, biodiesel, or electric batteries, is essential for controlling carbon emissions.
- Battery coverage - Battery is the most expensive part in electric vehicles and insurers can provide specialized coverage options for EV batteries, including coverage for repair and replacement due to consequential damages arising out of water ingress/short circuit causing loss or damage to battery. This ensures EV owners are protected against the potential costs associated with battery replacement or repair.
- Coverage for home charging stations or reimbursements for public charging costs. (3)

ii)

- Expansion into a new business and market: The shift to green and sustainable products by insurers will help expand their product offerings as well as appeal to a different set of customers who are sustainable oriented. Insurers who move to this market early enough will harvest the reward of such a niche market.
- Many governments provide incentives for environmentally friendly practices, including reduced premiums for electric vehicles (EVs) or subsidies for sustainable insurance. By aligning with these initiatives, SustainSure can encourage more consumers to purchase insurance, thereby increasing penetration rates.
- Market share growth: The expansion by insurers into a new market/business will enable the penetration into new business areas. This will help grow the market share of insurers as the world in general is going “green”. For instance, the introduction of electric vehicles by the automobile industry will bring about the need for insuring such automobiles which will be different from the traditional insurance of automobiles. As a result of the need to insure a green product, the market share of insurers who write green products will be on the rise
- Collaborating with government bodies, environmental organizations, and automotive companies focused on sustainability can help SustainSure expand its reach. These partnerships can facilitate outreach and marketing efforts, further boosting insurance penetration. (3)

iii) **Adverse Selection** is a term used in insurance and economics to describe a situation where there is an imbalance in information between buyers and sellers, leading to higher-risk individuals being more likely to purchase insurance than lower-risk individuals. This can result in a disproportionate number of high-risk policyholders, which can negatively affect the insurer's profitability.

- Sustainable motor insurance products can incorporate telematics and data analytics to better understand driving behavior and vehicle usage. This allows for more accurate risk assessments, reducing the likelihood of adverse selection by attracting a broader range of policyholders.
- The implementation of sustainable products can lead to the collection of rich data on policyholders' behaviors and preferences. This data can be used to refine underwriting practices, ensuring that risks are better understood and priced appropriately, further reducing the impact of adverse selection.

- By offering discounts for low mileage or eco-friendly driving habits, SustainSure can encourage safe driving practices. This can help mitigate the risk of adverse selection, as lower-risk drivers are incentivized to participate in the insurance pool.
 - By specifically targeting environmentally conscious consumers, SustainSure can attract individuals who are more likely to engage in responsible driving behaviors. This focused approach reduces the risk of attracting high-risk drivers, thereby mitigating adverse selection.
- (4)

iv) Introducing sustainable motor insurance products comes with several uncertainties that the insurer, SustainSure, may face. These uncertainties can impact underwriting, pricing, and overall business performance:

- There may be a lack of awareness or understanding of sustainable motor insurance products among consumers, affecting demand.
 - Consumers may be hesitant to pay a premium for sustainable options, especially if traditional products are perceived as more cost-effective.
 - The regulatory environment surrounding sustainable insurance is still developing. Changes in regulations can create uncertainty regarding compliance and product offerings.
 - The availability and stability of government incentives for sustainable practices may vary, impacting pricing and market competitiveness.
 - Limited data on the risk profiles of eco-friendly vehicles or driving behaviors can make it challenging to accurately assess and price risks.
 - Sustainable vehicles, such as electric cars, may introduce new risk factors (e.g., battery-related issues) that are not yet fully understood.
 - The claims experience for sustainable motor insurance may differ from traditional products, introducing uncertainty regarding frequency and severity.
 - There may be an increased risk of fraudulent claims if sustainable products attract individuals looking to exploit the system.
 - The entry of new players into the sustainable insurance market can create competitive pressures, impacting pricing and market share.
 - As more insurers introduce similar products, distinguishing SustainSure's offerings may become challenging, affecting customer retention.
 - The reliance on technology for risk assessment (e.g., telematics) involves uncertainties regarding data accuracy and integration capabilities.
 - Advances in automotive technology (e.g., autonomous vehicles) may outpace the insurer's ability to adapt its products and underwriting processes.
 - Economic conditions can affect consumers' willingness to purchase insurance, particularly for higher-priced sustainable options.
 - Changes in the broader market, such as fuel prices or consumer preferences, can impact the attractiveness of sustainable vehicles and, consequently, the insurance products offered.
- (6)

v) Ongoing monitoring of trends is crucial for SustainSure to address challenges and optimize the success of its new sustainable motor insurance offerings:

- Establish KPIs to measure the success of sustainable product offerings, such as policy sales, customer retention rates, and claims ratios.
- Maintain a robust database that captures all claims related to sustainable motor insurance products, including details such as claim amounts, types of claims, and the circumstances surrounding each incident.

- Segment the data based on various factors, including vehicle type (e.g., electric vs. traditional), policyholder demographics, and geographic areas to facilitate targeted analysis.
- Monitor the number of claims over time to identify trends in frequency. For example, assess if claims are increasing for specific vehicle types or demographics.
- Evaluate the average cost per claim and identify any patterns in the severity of claims. This includes analyzing factors that contribute to higher costs, such as damage extent or injury claims.
- Ensure that insights gained from claims analysis are integrated into the underwriting process. Adjust underwriting criteria based on identified risk factors associated with sustainable vehicles.
- Use the analysis to inform pricing strategies. If certain vehicle types are associated with higher claims, consider adjusting premiums to reflect the increased risk.
- Conduct consumer surveys to gauge awareness, preferences, and willingness to purchase sustainable motor insurance. This helps in understanding changing consumer attitudes.
- Organize focus groups with potential customers to gather qualitative insights into their perceptions of sustainability in insurance.
- Continuously analyze claims data specific to sustainable products to identify patterns in frequency and severity, allowing for adjustments in pricing and underwriting.
- Utilize telematics to monitor driving behavior and vehicle usage, offering insights into risk profiles and informing future product enhancements.
- Regularly assess competitors' offerings, pricing strategies, and market positioning to stay informed about industry trends and identify opportunities for differentiation.
- Subscribe to industry reports and publications to keep abreast of developments in sustainable insurance and emerging competitors.
- Keep track of regulatory changes and government incentives related to sustainability and motor insurance to ensure compliance and adapt offerings accordingly.
- Gather feedback from policyholders during the claims process to identify areas for improvement and enhance customer satisfaction.
- Monitor advancements in automotive technology, such as electric vehicles (EVs) and autonomous driving, to adapt products and underwriting processes.
- Implement emerging technologies (e.g., AI and machine learning) to enhance data analysis capabilities and improve decision-making.
- Conduct regular internal meetings to review performance against KPIs, discuss trends, and strategize on necessary adjustments. (10)

vi)

- Reinsurers- If a reinsurer providing coverage for SustainSure's sustainable motor insurance faces financial difficulties (e.g., due to high claims from natural disasters), this could lead to delays or reductions in recoveries for claims that SustainSure has ceded. The insurer may face increased liability and cash flow issues if the reinsurer cannot meet its obligations.
- Policyholders-If policyholders engage in risky behavior (e.g., not maintaining their electric vehicles properly), leading to a higher frequency of claims, SustainSure could experience unexpected losses. This could lead to a deterioration in profitability and necessitate raising premiums, which might deter new customers.
- Regulatory Authorities- If regulatory bodies impose new sustainability standards or penalties for non-compliance that affect SustainSure's operations, this could incur additional costs for the company. Failure to meet these regulations could result in fines or increased scrutiny, impacting the financial health of the insurer.

- Suppliers of Green Technologies- If suppliers of green technologies (e.g., electric vehicle manufacturers or charging station providers) face financial instability, leading to supply chain disruptions, SustainSure may struggle to provide adequate services or discounts to policyholders. This could affect customer satisfaction and retention rates, ultimately impacting revenues.
- Failure of a Financial Organisation / Bond issuer in which the Insurer has assets. The insurer could lose those assets.
- Investors and Financial Backers- If investors lose confidence in SustainSure's sustainable initiatives, leading to a withdrawal of funding or support, the company may face financial constraints. This could hinder the development of future products and impact growth potential.
- Third-Party Service Providers-If third-party service providers (e.g., claims adjusters or repair shops specializing in sustainable vehicles) experience financial difficulties, it could delay claims processing or repairs for policyholders. This could lead to increased operational costs for SustainSure and customer dissatisfaction.
- Employees- If key employees responsible for the sustainable product line leave the company due to financial instability or dissatisfaction, this could lead to knowledge loss and decreased operational effectiveness. This might result in higher costs for hiring and training new staff, impacting profitability. (7)

vii)

- Limit the amount of reinsurance that Insurance companies can place with a single Reinsurer.
- Impose or increase a Statutory Minimum Solvency Margin
- Limit the amount of assets the insurer can invest in a single company / bond issuer.
- Having agreements with third party vendors.
- Require the licensing of intermediaries / brokers.
- Require insurers to hold a bad debt reserve
- Require insurers to hold certain asset classes or restrict asset classes
- Require reinsurers to deposit assets / collateral to back their obligations to Insurers.
- Require that reinsurers and other financial organisations have sufficient credit rating and are supervised more stringently.

(4)

[37 Marks]**Solution 3:**

i)

- filling insurance needs unmet by private insurance
 - Certain risks, such as natural disasters, terrorist attacks or catastrophic events, may be deemed uninsurable by private insurers due to their high unpredictability and potential for significant loss. Government programs can step in to provide coverage for these risks, ensuring that individuals and businesses are protected. This can be done by making it mandatory to contribute to a pool of insurance or through other regulations/guidance set forth from time to time.
 - In many regions, especially rural or underdeveloped areas, private insurance may not be available at all due to scalability issues. Government and regulatory intervention can help to ensure that basic coverage is accessible to all citizens, regardless of their location or socioeconomic status.
 - Sometimes, the private market fails to offer affordable insurance options for specific populations, such as low-income families or individuals with pre-existing conditions. Government programs can help bridge this gap, making necessary coverage available to those who might otherwise go uninsured. For example, offering a low cost bundled insurance product targeting key risks
- compulsory purchase of insurance
 - Certain types of insurance, like auto liability insurance or workers' compensation, are required by law. The government can enforce these requirements more effectively, ensuring compliance and protecting the public.
 - When insurance is compulsory, the government has a responsibility to ensure that insurance products are available to consumers and at right price. This ensures that

individuals are not left without coverage for essential services, such as health care or auto insurance.

- Mandating insurance coverage helps to stabilize the market by spreading risk across a larger pool of insured individuals, thereby reducing the financial burden on the healthcare system and other public services.
- for greater efficiency” or “government expertise”
 - Government-run insurance programs may operate more efficiently than private companies, as they do not bear the same profit motivations or marketing costs. This can result in lower premiums for consumers and more straightforward administration.
 - Governments often have access to data and expertise that can enhance the delivery of insurance services. By leveraging this knowledge, they can create more effective programs that better meet the needs of the population.
- social purposes
 - The government often takes on the role of providing insurance to fulfill its social obligations, such as offering unemployment benefits, crop insurance, social security, and Medicare. These programs are designed to protect citizens from economic hardship and ensure a basic standard of living.
 - By providing insurance coverage in times of crisis, such as during natural disasters or economic recessions, the government can help mitigate the impact on individuals and businesses, promoting overall economic stability.
- regulatory purposes
 - Fair and equitable treatment of consumers. Some insurance is compulsory, and so regulation is necessary. Regulators ensure the reliability, solvency, and financial solidity of insurance institutions. (5)

ii) Relaxing norms for opening new insurance companies:

- Increased Competition- the relaxation of norms encourage more players to enter the market. This increased competition may drive innovation leading to better quality of products and improve service quality among private insurers. This can also lead to reduced market share for the company and/or reduction of profit margins due to increased competition
- The company may need to allocate more resources to marketing and customer retention to maintain their market share amidst the influx of new competitors.

Mandating insurance companies to have a certain % of premium through mandated rural geographies

- This will lead to changes in strategy. The insurance company would have to spend of expanding into new geographies which would lead to opening of new offices, accessing different sales channels to ensure penetration. The company would have to change the product suite to cater to the target audience as well.
- This mandates a strategic shift towards rural areas, requiring the company to develop tailored products that meet the specific needs and affordability of rural consumers.
- The reinsurance structures may also have to undergo a change to allow for this additional risks.
- The insurer would need to enhance its risk assessment model to accommodate the unique risks associated with rural geographies, which may differ from urban areas.

Launching of standard products as prescribed by the regulator with price and experience monitoring mechanisms by the regulator

- The company would have to file, price and launch low cost products. These could be bundled products catering to different risks at low cost merged into a single product.
- The insurance company would have to understand the sales and distribution strategy to ensure that the prescribed % of premium comes from these products and the products are viable.
- The company may need to invest in establishing distribution networks, such as local agents or digital platforms, to effectively reach rural populations.

- The regulations may set a price for the products and basis the company's own experience the same might not be viable. As such the company would need to find cross-sell/ up-sell opportunities to meet the target margins.
- Additionally, having standard products with similar prices would increase competition and the company would need to increase the cost of distribution to ensure that their presence increases in new geographies. This can put a significant pressure on the P&L, especially if they cannot achieve economies of scale
- The introduction of standard products can simplify options for consumers, but it may limit the ability of the private company to differentiate itself through unique offerings.
- The company may need to adjust its operational model to comply with the new standards, including training staff and upgrading technology to monitor compliance effectively.
- there would be cost of complying with the regulations and if not adhered to the regulator might put fines on the insurance company.

(6)

[11 Marks]
