

LM2 - Case Study 1

Maria Thompson is an experienced Underwriter working for a syndicate managed by Meridian Managing Agency. She specialises in marine insurance, focusing on global shipping and cargo risks. A significant portion of her portfolio includes vessels and cargo shipments passing through high-risk areas, such as regions prone to piracy or severe weather conditions. The values of insured marine risks vary widely, from small shipments to high-value vessels.

Maria relies heavily on data regarding potential exposure to marine hazards, such as storms, piracy, and collisions. For complex or high-value risks, she often commissions independent marine Surveyors to inspect the vessels or cargo and provide detailed reports. Her Assistant Underwriter, James, supports her in managing these accounts. James is authorised to write follow lines up to \$1,500,000 but is not allowed to lead on any risk. He is required to notify Maria immediately if he writes any risk that includes coverage for piracy or war risks.

The syndicate has arranged a 15% quota share reinsurance covering marine risks worldwide, excluding U.S.-based shipping operations. They also have excess of loss reinsurance covering losses exceeding \$20,000,000, distributed across three layers. The top layer provides \$150,000,000 excess of \$550,000,000. The reinsurance manager estimates that a catastrophic loss, such as a major storm affecting several vessels insured by the syndicate, could result in a maximum loss of \$600,000,000.

Maria has the authority to write up to \$6,000,000 for any individual marine risk. For larger risks, she may write a proportional share of the total insured value.

1. Maria has underwriting authority to write up to \$6,000,000 per risk. A shipping company proposes coverage for a vessel valued at \$12,000,000. If Maria writes 50% of this risk, how much is she committing to, and is it within her authority?
 - A) \$6,000,000, Yes
 - B) \$3,000,000, Yes
 - C) \$6,000,000, No
 - D) \$3,000,000, No
2. What action is James required to take if he writes a risk that includes piracy or war risks?
 - A) Notify the claims team immediately
 - B) Obtain explicit approval from the Reinsurance Manager
 - C) Advise Maria immediately
 - D) Increase the reinsurance coverage for that risk
3. The syndicate's reinsurance program includes a 15% quota share for marine risks worldwide, excluding which region?
 - A) Canadian shipping
 - B) U.S.-based shipping
 - C) European shipping
 - D) South American shipping
4. The maximum estimated loss due to a catastrophic event affecting several vessels in the syndicate's portfolio is:
 - A) \$500,000,000
 - B) \$600,000,000
 - C) \$550,000,000
 - D) \$150,000,000
5. A severe storm causes a total loss of \$620,000,000 across several vessels insured by the syndicate. The reinsurance structure covers losses exceeding \$20,000,000, with the third layer providing \$150,000,000 excess of \$550,000,000. How much will Reinsurers pay across all layers?
 - A) \$100,000,000
 - B) \$120,000,000
 - C) \$150,000,000
 - D) \$170,000,000