Assignment 1

You are the newly appointed Risk Manager for SF plc, a UK-based insurance broker.

SF plc has a long-established and profitable business. It has a good reputation with all its stakeholders. Its historic expansion in turnover and customer numbers has been through organic growth. SF plc has never acquired another company or sold part of its existing business.

SF plc operates two distribution methods.

The first method is sales of commercial insurance products, which it places with insurers with whom it has agency agreements.

The second method is sales of specialist commercial insurance products to companies operating in the leisure and tourism sector. This is through a wholly owned, separately branded, managing general agent (MGA), which operates under delegated authority agreements from three insurers.

Information about these distribution methods is as follows:

Distribution method 1 – Sale of products through SF plc

- This method generates 40% of total revenue and 55% of profit.
- Revenue is generated through brokerage and client fees.

Distribution method 2 – Sale of products through SF plc's MGA

- This method generates 60% of total revenue and 45% of profit.
- Revenue is generated through brokerage, client fees, profit share commission and volume overriders.

SF plc completed a strategic review shortly before you joined. This review established that:

- Distribution method 1 is more likely to produce a successful long-term business strategy and it should be the future focus for SF plc.
- Long-term business success is still likely in the leisure and tourism sector, however not through an MGA distribution method. The MGA should therefore be sold.

- The proceeds from the sale of the MGA will support the implementation of the strategic review, including the acquisition of a small insurer that specialises in the leisure and tourism sector.

Before this strategic review is implemented, the Board of SF plc have asked you to consider the significant risk implications.

Question

- Explain briefly, **four significant risks** that SF plc will potentially face, should it implement the strategic review.
- Analyse the potential implications for the long-term business strategy of SF plc arising from **each** of these risks.
- Make recommendations, based on your analysis, to mitigate the implications for each of these risks.

For attempting the assessment, go through the following instructions:

1. Understand the Scenario First

SF plc is:

- A UK insurance broker.
- Has two distribution methods:
  Method 1: Standard commercial insurance (40% revenue, 55% profit).
  Method 2: MGA selling specialist leisure/tourism insurance (60% revenue, 45% profit).

A strategic review says:

- Method 1 is better for long-term strategy.
- Leisure/tourism is still a strong sector, but not through the MGA model.

- MGA should be sold.
- Proceeds will fund acquisition of a specialist small insurer.

Your role: Identify risks of following this plan and give recommendations.

You must choose risks that logically follow from selling the MGA and shifting business strategy. Recommendations must be:

- Specific
- Practical
- Directly linked to each risk

Keep the Structure Clear

A. Four Risks (short explanation)

B. Implications for Strategy (one paragraph each)

C. Recommendations (solutions matched to each risk)

For each question, the word count is 1100 words, Ariel font 11. Append graphs and images, wherever applicable.