

Insurance corporate management

Purpose

At the end of this unit, candidates should be able to evaluate the following issues and concepts in relation to the management of an insurance organisation:

- Capital, capital adequacy and solvency rules, and their impact on insurance enterprises;
- Management structures and organisational issues;
- Corporate finance concepts in insurance;
- Planning and control processes in insurance;
- Roles of investment management and insurance regulation;
- Challenges to insurance management.

Assumed knowledge

It is assumed that the candidate already has the knowledge gained from a study of insurance organisations, finance and regulations as typically covered in IF1 Insurance, legal and regulatory or P92 Insurance business & finance or equivalent examinations.

Summary of learning outcomes

1. Understand the need for capital and its influence on the organisation.
2. Understand the management structures of insurance organisations.
3. Understand the organisational issues of insurance organisations.
4. Evaluate and apply corporate finance concepts in insurance.
5. Evaluate and apply planning processes in insurance.
6. Evaluate and apply control processes in insurance.
7. Understand the role of investment management in insurance organisations.
8. Understand the role and impact of insurance regulation.
9. Evaluate the purpose and impact of capital adequacy and solvency rules on insurers.
10. Understand the current and future challenges to the management of insurance organisations.

Important notes

- Method of assessment:
 - Written exam – Part I 1 compulsory question (case study) (80 marks). Part II 2 questions selected from 3 (scenarios) (80 marks). Total of 160 marks. Three hours are allowed for this exam.
 - Coursework – 3 online assignments (80 marks). Each assignment must be individually passed.
- The syllabus is examined on the basis of English law and practice unless otherwise stated.
- The general rule is that the exams are based on the English legislative position six months before the date of the exams.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
 - 1) Visit www.cii.co.uk/qualifications
 - 2) Select the appropriate qualification
 - 3) Select your unit on the right hand side of the page

- 1. Understand the need for capital and its influence on the organisation**
 - 1.1 Need for capital;
 - 1.2 Ownership models and their application in insurance;
 - 1.3 Sources of capital;
 - 1.4 Nature of holding companies, groups, subsidiary companies, associate companies, joint ventures.
- 2. Understand the management structures of insurance organisations**
 - 2.1 Role of the board;
 - 2.2 Role of the key management positions in insurance;
 - 2.3 Corporate governance;
 - 2.4 Corporate risk management – obligations and approach;
 - 2.5 The stakeholder model and its influence on management in insurance.
- 3. Understand the organisational issues of insurance organisations**
 - 3.1 Principles of organisation;
 - 3.2 Centralisation v decentralisation;
 - 3.3 The aims and challenges of outsourcing – effective management of service level agreements.
- 4. Evaluate and apply corporate finance concepts in insurance**
 - 4.1 Role of the finance function;
 - 4.2 Principles of financial reporting;
 - 4.3 International accounting standards;
 - 4.4 Ratio analysis;
 - 4.5 Cashflow analysis;
 - 4.6 Interpreting insurance accounts;
 - 4.7 Financial and tax planning;
 - 4.8 Investment/project appraisal;
 - 4.9 Raising capital;
 - 4.10 Acquisition and disposal of businesses;
 - 4.11 Managing credit;
 - 4.12 Managing liquidity.
- 5. Evaluate and apply planning processes in insurance**
 - 5.1 Levels of planning corporate v business;
 - 5.2 Strategic and operational planning;
 - 5.3 Basic planning process – PEST/PESTLE, SWOT, objective setting, gap analysis, option development, option selection, implementation, monitoring.
- 6. Evaluate and apply control processes in insurance**
 - 6.1 Budgeting process;
 - 6.2 Non-financial measures of performance;
 - 6.3 Balanced scorecard and benchmarking;
 - 6.4 Internal auditing.
- 7. Understand the role of investment management in insurance organisations**
 - 7.1 Financial markets;
 - 7.2 Objective of investment;
 - 7.3 Main types of investments;
 - 7.4 Choice of investments and investment strategies;
 - 7.5 Asset/liability management.
- 8. Understand the role and impact of insurance regulation**
 - 8.1 Purpose of regulation and its effectiveness in insurance;
 - 8.2 International convergence: Basel II, IAIS, EU;
 - 8.3 Distinction between prudential and conduct of business regulation;
 - 8.4 Impact of Data Protection Act, Anti Money Laundering Rules and Bribery Act 2010.
- 9. Evaluate the purpose and impact of capital adequacy and solvency rules on insurers**
 - 9.1 UK capital adequacy regime;
 - 9.2 EU Solvency II Directive;
 - 9.3 Capital management techniques;
 - 9.4 Financial modelling;
 - 9.5 Credit rating agencies.
- 10. Understand the current and future challenges to the management of insurance organisations**
 - 10.1 Information Technology;
 - 10.2 Data management;
 - 10.3 Change management;
 - 10.4 Run off issues;
 - 10.5 Ethical practices and Treating Customers Fairly.

Reading list

The following list provides details of various publications which may assist with your studies.

These will help candidates keep up-to-date with developments and will provide a wider coverage of syllabus topics.

Note: The examination will test the syllabus alone. However, it is important to read additional sources as 10% of the exam mark is allocated for evidence of further reading and the use of relevant examples.

The reading list is provided for guidance only and is not in itself the subject of the examination.

CII/Personal Finance Society members can borrow most of the additional study materials below from Knowledge Services.

CII study texts can be consulted from within the library. For further information on the lending service, please go to www.cii.co.uk/knowledge/resources.

CII study texts

Insurance corporate management. London: CII. Study text 990

Insurance business & finance. London: CII. Study text P92.

Insurance, legal and regulatory. London: CII. Study text IF1.

Additional reading

Additional reading materials are available through the library or on the Knowledge Services website.

New materials are added frequently – for information about new books and articles in your area of interest, please visit www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

Books (and ebooks)

Global perspectives on insurance today: a look at national interests versus globalisation. C Kempler et al. London: Palgrave Macmillan, 2010.

A guide to insurance: combining governance, compliance and regulation. Nigel Feetham. London: Spiramus Press, 2012.

Corporate governance. R A G Monks, N Minow. 4th ed. Chichester, West Sussex: John Wiley & Sons, 2008.

Corporate governance. Christine A Mallin. 3rd ed. Oxford: Oxford University Press, 2010.

The FT guide to strategy. Richard Koch. Harlow: FT/Prentice Hall, 2006.

Management: an introduction. D Boddy. 4th ed. Harlow, Essex: Pearson Education, 2008.

Strategic management. R Lynch. 5th ed. Harlow, Essex: Pearson Education, 2009.

Accounting for non-accounting students. J R Dyson. 7th ed. Harlow, England: Pearson Education, 2007.

The Financial Times guide to using and interpreting company accounts. W McKenzie. 4th ed. Harlow, Essex: Pearson Education, 2010.

Accounting for non-accountants: a manual for managers and students. Graham Mott. Kogan Page, 2008. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Frank Wood's business accounting, Vol 1 and Vol 2. 10th ed. Ft Prentice Hall Financial Times, 2005. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

FT guide to using and interpreting company accounts. 4th ed. FT Prentice Hall, 2010. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Audit and accountancy pitfalls: a casebook for practising accountants, lawyers and insurers Emile Woolf and Moira Hindson. Wiley, 2011. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Forensic accounting for dummies. Frimette Kass-Shraibman and Vijay S. Sampath. Wiley, 2011. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

International financial reporting standards: a practical guide Hennie Van Greuning, Darrel Scott and Simonet Terblanche. World Bank Publications, 2011. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Corporate finance law: principles and policy. Louise Gullifer, Jennifer Payne. Oxford: Hart Publishing, 2011.

Bank and insurance capital management. Frans De Weert. Chichester: Wiley, 2011.

Solvency II: stakeholder communications and change.

Capital structure and corporate financing decisions: theory, evidence, and practice H. Kent Baker and Gerald S. Martin. Wiley, 2011. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Executive's guide to solvency II. David Buckham, Jason Wahl and Stuart Rose. Wiley, 2011. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

The law of insolvency. Ian Fletcher and Letitia Crabb. 4th ed. London: Sweet & Maxwell, 2009.

The Financial Times guide to using the financial pages. Romesh Vaitilingam. Prentice Hall/Financial Times, 2006. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

The FT guide to mastering operational risk. Toy Blunden & John Thirlwell. Harlow: FT/Prentice Hall, 2010.

Holistic risk management in practice. P Hopkin. London: Witherby, 2002.

Corporate risk management. Tony Merna and Faisal F. Al-Thani. Wiley, 2005. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Global financial regulation: the essential guide. H Davies and D Green. Cambridge, UK: Polity, 2008.

Smarter outsourcing: an executive guide to managing successful relationships. Harlow: FT/Prentice Hall, 2006.

Essentials of business process outsourcing. Thomas Duening and Rick Click. Chichester: Wiley, 2005.

Bowstead and Reynolds on agency. Peter Watts & FMB Reynolds. 19th ed. London: Thomson Reuters, 2010.

The role of agents in insurance business. Chapter – MacGillivray on insurance law: relating to all risks other than marine. 11th ed. London: Sweet & Maxwell, 2008.

Factfiles and other online resources

CII factfiles are written by subject matter experts within the insurance and financial services industry. They are updated annually, and interim update bulletins are included where necessary to take into account any major changes during the year. All are available online via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

- Alternative risk transfer. David Kaye; updated by Ian Searle.
- Risk control. Ian Searle.
- Risk identification. Ian Searle.
- Enterprise risk management. Ian Searle.
- Recent developments to Solvency II. Brad Baker.
- Insurance accounting (general business). Ian Hutchinson.
- Insurance in the single market. Paul Clarke.
- The business of insurance broking. Ian Youngman
- Factors leading to a “hard” or “soft” insurance market. Ian Searle.
- Efficiency tactics within the insurance industry. Ian Searle.

Association of Insurance and Risk Managers
www.airmic.com

Bank of England’s Financial Stability Role
<http://www.bankofengland.co.uk/financialstability/Pages/default.aspx> (accessed 10 January 2013).

Institute of Risk Management www.theirm.org

Further articles and technical bulletins are available at www.cii.co.uk/knowledge (CII and Personal Finance Society members only).

Journals and magazines

The Journal. London: CII. Six issues a year. Also available via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Post magazine. London: Incisive Financial Publishing. Weekly.

The Economist. London: Economist Newspaper. Weekly.

Financial times. London: Financial Times. Daily. Also available online at www.ft.com.

Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Code of ethics. London: CII, 2009. Available online at www.cii.co.uk/cii/about/stand/code_of_ethics.aspx

International Financial Reporting Standards. IFRS Foundation. London: IFRS Foundation. Annual.

Lamont’s financial glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Manual of accounting. 4v. PriceWaterhouseCoopers. Haywards Heath: Bloomsbury Professional. Annual.

Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners’ comments on candidates’ performance and key points for inclusion in answers.

You are strongly advised to study guides for the last two sittings. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Older examination guides are available (for members only) via www.cii.co.uk/knowledge. Alternatively, if you have a current study text enrolment, the latest exam guides are available via www.revisionmate.com.

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at www.cii.co.uk/knowledge/iilrevision (CII/Personal Finance Society members only).