

Advances in strategic risk management in insurance

Purpose

To explore how advances in risk management lead to improved strategic decision making in an insurance context.

Assumed knowledge

It is assumed that the candidate already has the knowledge gained from a study of the relevant sections of IF1 Insurance, legal and regulatory or equivalent examinations.

Summary of learning outcomes

1. Understand the benefits of effective decision making for insurance operations.
2. Understand different perspectives on risk management decision making.
3. Understand how insurance operations make decisions in practice.
4. Understand different perspectives on setting and communicating risk appetite in insurance operations.
5. Understand risk culture in insurance operations.
6. Understand the impact that insurance and corporate governance regulation can have on risk management decisions.

Important notes

- **Method of assessment:** 3 x 80 marks course-work questions. These are submitted online within a 12 month enrolment period. Candidates are required to pass all three 4000 word coursework assignments to be awarded the credit for the unit.
- 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 benefits of effective decision making for insurance operations

- 1.1 Analyse the key corporate decisions for insurance companies.
- 1.2 Evaluate the impact of key influencers on strategy.
- 1.3 Evaluate the effect that good decision making can have on profit and efficiency over the long term.

2. Understand different perspectives on risk management decision making

- 2.1 Analyse the main elements and limitations of utility theory.
- 2.2 Evaluate the practical implications of modern finance theory for risk management.
- 2.3 Apply the cultural theory of risk to insurance operations.
- 2.4 Evaluate the stakeholder theory perspective on risk management.

3. Understand how insurance operations make decisions in practice

- 3.1 Examine how key decision makers may perceive risk.
- 3.2 Examine the effect that risk culture and group thinking can have on managerial decision making.
- 3.3 Examine the implications of incentives on risk taking.

4. Understand different perspectives on setting and communicating risk appetite in insurance operations

- 4.1 Examine how risk appetite is set in practice.
- 4.2 Examine the impact of risk appetite on the behaviour of the organisation.
- 4.3 Evaluate the top-down and bottom-up perspectives on risk appetite.
- 4.4 Evaluate the elements of an effective risk appetite communication strategy.
- 4.5 Discuss different approaches to disclosing risk appetite information in annual reports.

5. Understand risk culture in insurance operations

- 5.1 Discuss the importance of embedding risk cultures in organisations.
- 5.2 Evaluate techniques for assessing and managing risk culture.
- 5.3 Analyse the role of leadership in embedding the risk culture in the organisation.
- 5.4 Discuss the role of the human resource function in assisting in the monitoring and management of the organisational risk culture.
- 5.5 Evaluate the role of the risk function in supporting an appropriate risk culture.
- 5.6 Evaluate different perspectives on effective risk culture.

6. Understand the impact that insurance and corporate governance regulation can have on risk management decisions

- 6.1 Discuss the aims of insurance and corporate governance regulation.
- 6.2 Examine the practical impact of regulation on risk management decision making.

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.

CII study texts

Economics and business. London: CII. Study text 530

Insurance business and 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)

Accounting principles. Jerry Weygandt, Paul Kimmel and Donald Kieso. 10th ed. Hoboken : Wiley, 2012.

Interpreting company reports and accounts. Geoffrey Holmes, Alan Sugden, Paul Gee. Harlow, England: Pearson Education, 2008.

Accounting and finance for non-specialists. Peter Atrill and Eddie McLaney. 8th ed. Harlow: FT/Prentice Hall, 2012.

Accounting for non-accounting students. J R Dyson. 8th ed. Harlow: FT/Prentice Hall, 2010.

The meaning of company accounts. Walter Reid and D R Myddelton. Aldershot, Hampshire: Gower, 2008.

Accounting and business ethics. Ken McPhail, Diane Walters. Routledge, 2009. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Accounting for non-accountants: a manual for managers and students. 8th ed. Graham Mott. Kogan Page, 2008. 7th ed 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).

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

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).

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).

Insurance brokers: an industry accounting and auditing guide. 5th ed. M Grice, S Ouarbya. London: CCH Wolters Kluwer, 2012.

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).

Essentials of Economics. John Sloman and Dean Garratt. 6th ed. Prentice Hall, 2013.

50 economics ideas you really need to know. Edmund Conway. London: Quercus, 2009.

Economics. Stephen Ison, Stuart Wall. 4th ed. Harlow: FT/Prentice Hall, 2007

The European Union: economics and policies. 9th ed. Ali El Agra. Cambridge: Cambridge University Press, 2011.

The economic value of general insurance. London: ABI, 2005. Also available via www.abi.org.uk.

Risk management and insurance: perspectives in a global economy. Harold Skipper and W Jean Kwon. Oxford: Blackwell, 2007.

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

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).

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).

- The business of insurance broking. Ian Youngman
- Insurance accounting (general business).
- Insurance in the single market. Paul Clarke.
- Factors leading to a “hard” or “soft” insurance market. Ian Searle.
- Efficiency tactics within the insurance industry. Ian Searle.
- Recent developments to Solvency II. Brad Baker.

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).