

# Economics and business

## Purpose

To enable candidates to understand relevant economic concepts and apply them to insurance business.

## 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 P92 Insurance business and finance or equivalent qualifications.

## Summary of learning outcomes

1. Understand the nature of the economy and relevant economic issues.
2. Understand and apply demand and supply concepts.
3. Understand market structures and the business environment.
4. Understand the impact of ethics, corporate governance, and risk management on insurance business.
5. Understand the macro economy and aspects of monetary and fiscal policy.
6. Understand international trading and financial relationships.
7. Understand the interaction between economics and accounting.

## 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](http://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 nature of the economy and relevant economic issues**

- 1.1 Analyse alternative economic systems.
- 1.2 Analyse economic challenges and opportunities in the global economy and their implications for the insurance industry.
- 1.3 Examine the role of insurance, finance and money in the economy.

## **2. Understand and apply demand and supply concepts**

- 2.1 Explain demand and supply theories and concepts.
- 2.2 Apply demand and supply analysis to show how equilibrium prices and quantities are determined in competitive markets, including the insurance market.

## **3. Understand market structures and the business environment**

- 3.1 Analyse market structures including their advantages and disadvantages.
- 3.2 Evaluate the business environment and its impact on the insurance industry and vice versa.

## **4. Understand the impact of ethics, corporate governance, and risk management on insurance business**

- 4.1 Evaluate the impact of ethics, environmental reporting and corporate social responsibility, and their specific importance in relation to the global insurance industry.
- 4.2 Evaluate corporate governance best practice, including in insurance organisations.
- 4.3 Explain the role of risk management in business and economics, including in insurance organisations.

## **5. Understand the macro economy and aspects of monetary and fiscal policy**

- 5.1 Explain the flow of income and expenditure in the economy.
- 5.2 Explain the demand for and supply of money and their main determinants.
- 5.3 Analyse employment, unemployment, inflation and deflation and the implications for the insurance industry.
- 5.4 Analyse monetary and fiscal policy in the macro-economy and the implications for the insurance industry.

## **6. Understand international trading and financial relationships**

- 6.1 Evaluate the nature of international trade, balance of payments, exchange rates and economic business cycles and the impact on the insurance industry.
- 6.2 Analyse international trading and its international financial relationships.
- 6.3 Evaluate the economic impact of UK membership of the European Union with specific reference to the insurance industry.

## **7. Understand the interaction between economics and accounting**

- 7.1 Analyse the role of financial planning, budgeting and budgetary control for an insurance organisation.
- 7.2 Interpret management accounts.
- 7.3 Examine the sources of business finance.
- 7.4 Analyse the interaction between economics and accounting.

## Reading list

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

**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.

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

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](http://www.cii.co.uk/knowledge).

### CII study texts

Economics and business. London: CII.  
Study text 530.

Insurance business and finance. London: CII.  
Study text M92/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](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto: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. 10th ed. Geoffrey Holmes, Alan Sugden, Paul Gee. Harlow, England: Pearson Education, 2008.

Accounting and finance for non-specialists. 8th ed. Peter Atrill and Eddie McLaney. Pearson Education Ltd, 2013.

Accounting for non-accounting students. J R Dyson. 8th ed. Harlow, Essex: Pearson Education, 2010.

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

Accounting and business ethics: an introduction. Ken McPhail, Diane Walters. London: Routledge, 2009.\*

Accounting for non-accountants: a manual for managers and students. 9th ed. Graham Mott. Kogan Page, 2013.\*

Frank Wood's business accounting. Frank Wood and Alan Sangster. 12th ed. Harlow, Essex: Pearson Education, 2012

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

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](http://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.\*

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](http://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.

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.\*

Executive's guide to solvency II. David Buckham, Jason Wahl and Stuart Rose. Wiley, 2011.\*

### Factfiles and other online resources

CII factfiles are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Covering general insurance, life and pensions and financial services sectors, the factfile collection includes key industry topics as well as less familiar or specialist areas with information drawn together in a way not readily available elsewhere. Available online via [www.cii.co.uk/ciifactfiles](http://www.cii.co.uk/ciifactfiles) (CII/PFS members only).

- The business of insurance broking. Ian Youngman
- Insurance accounting (general business). Ian Hutchinson.
- 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](http://www.cii.co.uk/knowledge) (CII/PFS members only).

## Journals and magazines

The Journal. London: CII. Six issues a year. Also available online via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/PFS 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](http://www.ft.com).

## Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

Code of ethics. London: CII, 2014. Available online at [www.cii.co.uk](http://www.cii.co.uk).

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

Lamont's glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009. Also available online via [www.cii.co.uk/lamont](http://www.cii.co.uk/lamont) (CII/PFS 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](http://www.cii.co.uk) to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Alternatively, if you have a current study text enrolment, the latest exam guides are available via [www.revisionmate.com](http://www.revisionmate.com).

Older guides are available (members only) via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge).

## 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](http://www.cii.co.uk/knowledge/iilrevision) (CII/PFS members only).