

# Introduction to risk management

## Objective

To provide knowledge and understanding of the basic elements of risk and the role of insurance within these principles.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the basic elements of risk	19
2. Understand how risk can be identified and analysed	11
3. Understand how risk can be evaluated	10
4. Understand how risk can be treated	16
5. Understand how risk is managed in practice	12
6. Understand the elements of business continuity, continuity management and crisis management	7

## Important notes

- Method of assessment: 75 multiple choice questions (MCQs). 2 hours are allowed for this examination
- This syllabus will be examined from 1 September 2016 to 31 December 2017.
- The syllabus is examined on English law and practice unless otherwise stated
- 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/updates](http://www.cii.co.uk/updates)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page

## **1. Understand the basic elements of risk**

- 1.1 Describe the components of risk
- 1.2 Explain the role of risk in society (complexity of modern life creating new risks, volatility: frequency and severity of disasters both natural and man-made, corporate crises, societal risk aversion, compensation culture, government's readiness to introduce legislation)
- 1.3 Describe risk perception
- 1.4 Describe risk appetite
- 1.5 Describe the main types of risk (upside, downside, operational, corporate)
- 1.6 Describe the main categories of risk (financial/non-financial, pure/speculative, particular/fundamental, homogeneous, emerging risks, reputational risks)

## **2. Understand how risk can be identified and analysed**

- 2.1 Explain the need for risk information
- 2.2 Describe the potential sources of risk information (internal/external)
- 2.3 Describe the main methods of collecting risk information (including surveys)
- 2.4 Describe how and why risks are analysed (probability, severity, risk mapping)

## **3. Understand how risk can be evaluated**

- 3.1 Describe how risk is evaluated
- 3.2 Explain the main criteria for evaluating risk (risk appetite: financial, legal, moral)
- 3.3 Describe the possible risk decisions (accept, avoid, treat)
- 3.4 Describe the use and content of risk registers in risk evaluation and the importance of regular review

## **4. Understand how risk can be treated**

- 4.1 Explain the various risk control methods (Timing: before, during, after events and including Nature: prevention, containment, hard/soft)
- 4.2 Describe how and why risks may be spread
- 4.3 Describe how and why risks may be hedged
- 4.4 Describe the use of insurance as a risk transfer mechanism (insurability, benefits of insurance, co-insurance)
- 4.5 Describe other risk transfer mechanisms (commercial contracts, disclaimers, self-insurance, alternative risk transfer (ART) and captives)
- 4.6 Describe how risk may be financed

## **5. Understand how risk is managed in practice**

- 5.1 Describe the risk management roles and responsibilities within organisations (Board, executives, managers, risk management specialists and all employees)
- 5.2 Describe the generic risk management process and the role of enterprise risk management (ERM)
- 5.3 Describe the risk categories applying to insurance organisations
- 5.4 Describe how insurance-related risks affect the risk management process in insurance operations (Insurers: underwriting and reserving risk. Brokers: professional indemnity)
- 5.5 Describe the range of risk management services available in the market

## **6. Understand the elements of business continuity, continuity management and crisis management**

- 6.1 Describe the role and importance of business continuity management
- 6.2 Describe the three levels of business continuity (crisis management, continuity planning and business recovery)
- 6.3 Describe the 6-step process of business continuity planning

## Reading list

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

**Note: The examination will test the syllabus alone.**

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

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

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

## CII study texts

Introduction to risk management. London: CII. Study text 111.

## Books (and ebooks)

Handbook of insurance. Georges Dionne. New York: Springer, 2013.\*

Handbook of the economics of risk and uncertainty. Mark Machina, W. Kip Viscusi. North Hollans, 2014.\*

Introduction to risk management and insurance. 10th ed. Mark S Dorfman, David A Cather. Upper Saddle River, New Jersey: Pearson Prentice Hall, 2013.

Principles of risk management and insurance. 12th ed. George E. Rejda, Michael J. McNamara. Pearson Education, 2014.

## eBooks

The following ebooks are available through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only):

A short guide to operational risk. David Tattam. Gower, 2011.

Enterprise risk management: a common framework for the entire organisation. Philip E.J. Green. Oxford: Butterworth-Heinemann, 2016.

Enterprise risk management: from incentives to controls. James Lam. 2nd ed. Hoboken: Wiley, 2013.

Ethics and risk management. Lina Svedin. Charlotte, NC: Information Age Publishing, 2015.

Fundamentals of risk management: understanding, evaluating and implementing effective risk management. Paul Hopkin, Kogan Page, 2014.

Fundamentals of enterprise risk management: how top companies assess risk, manage exposure and seize opportunity. John J. Hampton. New York: American Management Association, 2015.

Principles of risk analysis: decision making under uncertainty. Charles E. Yoe. Boca Raton, Florida: CRC Press, 2012.

## 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).

- Efficiency tactics within the insurance industry. Ian Searle.
- An examination of factors leading to a “hard” or “soft” insurance market. Ian Searle.
- Risk control. Ian Searle.
- Risk identification. Ian Searle.
- Risk quantification. Ian Searle.
- Role of insurance professionals in the risk management sector. Ian Searle.

Institute of Risk Management [www.theirm.org](http://www.theirm.org).

## Journals and magazines

Financial times. London: Financial Times. Daily. Also available online at [www.ft.com](http://www.ft.com).

Post magazine. London: Incisive Financial Publishing. Monthly. Also available online at [www.postonline.co.uk](http://www.postonline.co.uk).

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).

Further periodical publications are available at [www.cii.co.uk/journalmagazines](http://www.cii.co.uk/journalmagazines) (CII/PFS members only).

## Reference materials

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.\*

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

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).

Risk management: principles and guidelines (BS ISO 31000:2009). British Standards Institute, March 2010.

\*Also available as an ebook through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only).

## Examination guides

An examination guide, which includes a specimen paper, is available to purchase via [www.cii.co.uk](http://www.cii.co.uk).

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate ([www.revisionmate.com](http://www.revisionmate.com)). Details of how to access Revisionmate are on the first page of your study text.

It is recommended that you only study from the most recent versions of the examination guides.

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