

Insurance business and finance

Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of the operation of insurance organisations in business and financial terms.

Assumed knowledge

It is assumed that the candidate already has knowledge of the fundamental principles of insurance as covered in IF1 Insurance, legal and regulatory or equivalent examinations.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the structure of the insurance industry	5
2. Understand the management of insurance businesses	3
3. Understand the main aspects of corporate governance	3
4. Understand the role of the various functions within insurance organisations	1
5. Understand accounting principles and practices and their application	6
6. Understand accounting standards and insurance company accounts	2
7. Analyse businesses using financial ratios	2
8. Understand the financial strength of insurance companies	3
9. Plus 25 case study-related questions from learning outcomes 1 to 8	

* The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

Important notes

- Method of assessment:

Mixed assessment consisting of two components, both of which must be passed. One component is a coursework assignment and one is a multiple choice question (MCQ) examination. The details are:

 1. an online coursework assignment using RevisionMate consisting of 10 questions which sequentially follow the learning outcomes. This must be successfully completed within 6 months of enrolment; and
 2. an MCQ exam consisting of 25 MCQs and 5 case studies followed by 5 MCQs each. 90 minutes are allowed for this exam. This exam must be successfully passed within 18 months of enrolment.
- This syllabus will be examined from 1 May 2020 until 30 April 2021.
- Candidates will be examined on the basis of 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/qualifications
 2. Select the appropriate qualification
 3. Select your unit from the list provided
 4. Select qualification update on the right hand side of the page

1. Understand the structure of the insurance industry

- 1.1 Explain the different types of insurance company, including proprietary, mutual, captive, takaful and reinsurance.
- 1.2 Describe the Lloyd's and London Market.
- 1.3 Describe the global perspective of the insurance market.
- 1.4 Explain the different types of stakeholder and their interests.
- 1.5 Explain the different distribution channels for insurance business.
- 1.6 Discuss the reasons for company growth, including mergers and acquisitions.
- 1.7 Discuss the reasons for using external service providers, including benefits and drawbacks.

2. Understand the management of insurance businesses

- 2.1 Describe the role and responsibilities of the board of directors and other senior executives.
- 2.2 Describe the key roles and responsibilities of managers, supervisors and non-managerial staff.
- 2.3 Explain the importance of business planning, performance monitoring, budgetary planning and control and decision making.
- 2.4 Explain the importance and use of management information and management reporting.

3. Understand the main aspects of corporate governance

- 3.1 Describe the corporate governance framework and the incorporation of businesses.
- 3.2 Describe the statutory reporting requirements.
- 3.3 Describe how risk can be managed within the corporate governance framework.
- 3.4 Explain the importance of accurate record keeping and reporting.
- 3.5 Explain the importance of the management and protection of confidential data.

4. Understand the role of the various functions within insurance organisations

- 4.1 Explain the role and significance of insurance related functions within insurance organisations, including:
 - Underwriting, including delegated authority.
 - Claims.
 - Risk management.
 - Compliance.
 - Actuarial, solvency and capital modelling.
 - Sales and marketing/customer service.
 - Investment.
 - Finance and treasury.
 - Strategic planning.

- 4.2 Describe the role of other functions within insurance organisations, including:

- Internal audit.
- Legal and company secretarial.
- IT and data management.
- Facilities management.
- HR/training and competence.

5. Understand accounting principles and practices and their application

- 5.1 Explain the purpose and function of financial accounting.
- 5.2 Distinguish between financial and management accounting.
- 5.3 Describe the users of financial information and their information requirements.
- 5.4 Apply the basic financial concepts and the accounting equation.
- 5.5 Describe accounting for receipts and payments.
- 5.6 Interpret a balance sheet, a profit and loss account and a cash flow statement.
- 5.7 Explain the principles of management accounting.
- 5.8 Interpret management accounting information.

6. Understand accounting standards and insurance company accounts

- 6.1 Outline the main accounting standards that affect insurance company accounts.
- 6.2 Explain the importance of accurate claims reserving.
- 6.3 Describe insurance company reserving method.

7. Analyse businesses using financial ratios

- 7.1 Discuss the general uses and benefits of financial ratios.
- 7.2 Interpret general accounts through the use of financial ratios including:
 - Profitability.
 - Productivity.
 - Liquidity.
 - Activity, including turnover.
 - Gearing.
- 7.3 Interpret insurance company accounts through the use of financial ratios, including:
 - Solvency.
 - Liquidity.
 - Profitability, including return on equity, gearing, combined ratio, commission ratio.
 - Outstanding claims.

8. Understand the financial strength of insurance companies

- 8.1 Explain the role of rating agencies and the rating process.
- 8.2 Explain the regulatory solvency requirements and how the financial strength of insurance companies is analysed.

Reading list

The following list provides details of further reading 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 resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

CII/PFS members can access most of the additional study materials below via the Knowledge Services webpage at <https://www.cii.co.uk/knowledge-services/>.

New resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources, please go to <https://www.cii.co.uk/knowledge-services/> or email knowledge@cii.co.uk.

CII study texts

Insurance business and finance. London: CII.
Study text M92.

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

Books (and ebooks)

A practical guide to corporate governance. 5th ed. Mark Cardale. London: Sweet and Maxwell, 2014.

Accounting and finance for non-specialists. 8th/10th ed. Peter Atrill and Eddie McLaney. Pearson Education Ltd, 2013/2017. *

Accounting ethics. 2nd ed. Ronald Duska, et al. Hoboken: Wiley-Blackwell, 2011. *

Accounting for non-accountants. 10th ed. David Horner. Kogan Page, 2015.

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.

Solvency II handbook: practical approaches to implementation. Rene Dorf. London: Risk Books, 2014.

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

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

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

The Financial Times guide to using the financial pages. 6th ed. Romesh Vaitilingam. Prentice Hall/Financial Times, 2011.

The valuation of financial companies: tools and techniques to value banks, insurance companies and other financial institutions. Mario Massari, et al. Hoboken: Wiley, 2014.*

Ebooks

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

Accounting for non-accountants. 11th ed. David Horner. London: Kogan Page, 2017.

Accounting standards: a comprehensive question book on international financial reporting standards. 16th ed. H R B Opperman, et al. Claremont: Juta and Company, 2015.

Basic financial accounting. 4th ed. Willen Bosua, Madri Schute. Claremont: Juta and Company Ltd., 2015.

Corporate governance and financial management: computational optimisation modelling and accounting perspectives. Situ Nuryanah, Sardar N M Islam. Basingstoke: Palgrave Macmillan, 2015.

Treatises on Solvency II. Meinrad Dreher. Heidelberg: Springer, 2015.

Factfiles and other online resources

CII fact files are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Written by subject experts and practitioners, the fact files cover key industry topics as well as less familiar or specialist areas of general insurance, life, and pensions and financial services, with information drawn together in a way not readily available elsewhere. Available online via www.cii.co.uk/ciifactfiles (CII/PFS members only).

The Insurance Institute of London (IIL) podcast lecture series features leading industry figures and subject experts speaking on current issues and trends impacting insurance and financial services. Available online at <https://www.cii.co.uk/insurance-institute-of-london/> (CII/PFS members only).

Insurance accounting (general business). Ian Hutchinson, updated by Alex Barnes.

Risk control. Ian Searle.

Risk identification. Ian Searle.

Recent developments to Solvency II. Brad Baker.

Further articles and technical bulletins are available at <https://www.cii.co.uk/knowledge-services/> (CII/PFS members only).

Journals and magazines

The Journal. London: CII. Six issues a year. Archive available online at <https://www.thepfs.org/search-results/?q=the+journal> (CII/PFS members only).

Post magazine. London: Incisive Financial Publishing. Monthly. Contents searchable online at www.postonline.co.uk.

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

Access to further periodical publications is available from the Knowledge website at www.cii.co.uk/journalmagazines (CII/PFS members only).

Reference materials

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

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

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2007.*

Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the MCQ exam component.

These are available on the CII website under the unit number before purchasing the unit. They are available under the following link www.cii.co.uk/qualifications/diploma-in-insurance-qualification.

These exemplar papers are also available on the RevisionMate website (www.revisionmate.com) after you have purchased the unit.

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 (CII/PFS members only).