

# Risk management in insurance

## Purpose

To enable candidates to understand the management of risk within the context of an insurance organisation.

## 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

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| 1. | Analyse the role of risk management in the insurance sector                            |
| 2. | Analyse the elements of an effective risk management framework in the insurance sector |
| 3. | Understand the regulatory framework for risk management in the insurance sector        |
| 4. | Analyse the management of strategic risks  |
| 5. | Evaluate the management of core insurance risks  |
| 6. | Evaluate the management of financial risk  |
| 7. | Evaluate the management of operational risk  |
| 8. | Evaluate capital management in the insurance sector                                    |

## Important notes

- Method of assessment: 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.
- 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 from the list provided
  4. Select qualification update on the right hand side of the page

**1. Analyse the role of risk management in the insurance sector**

- 1.1 Explain the insurance and intermediary sectors in a global context.
- 1.2 Analyse the risks inherent in the insurance sector.
- 1.3 Discuss risk management in insurance organisations.
- 1.4 Discuss the risks issues with intermediaries and support organisations.
- 1.5 Evaluate stakeholder expectations for risk management.

**2. Analyse the elements of an effective risk management framework in the insurance sector**

- 2.1 Explain the components of a typical risk management process in the insurance sector.
- 2.2 Analyse the concepts of risk appetite and its uses in the insurance sector.
- 2.3 Analyse the roles, responsibilities and priorities of different management and functional groups.
- 2.4 Explain the purpose and use of policy, procedures and systems in supporting a risk management framework.

**3. Understand the regulatory framework for risk management in the insurance sector**

- 3.1 Discuss the rationale for risk management regulation.
- 3.2 Explain the three pillars approach to risk management.

**4. Analyse the management of strategic risks**

- 4.1 Analyse the relationship between strategy, business planning and risk management.
- 4.2 Analyse the risks associated with the strategies for insurance organisations.

**5. Evaluate the management of core insurance risks**

- 5.1 Discuss the difference between expected and unexpected losses.
- 5.2 Evaluate the management of underwriting risk.
- 5.3 Evaluate the management of claims and reserving risks.
- 5.4 Evaluate the use and application of reinsurance.

**6. Evaluate the management of financial risk**

- 6.1 Define financial risk in an insurance context.
- 6.2 Evaluate common techniques for managing financial risk.
- 6.3 Evaluate the drivers for an insurance company's financial risk management strategy.
- 6.4 Apply financial risk management techniques to specific scenarios.

**7. Evaluate the management of operational risk**

- 7.1 Discuss the scope of operational risk within an insurance organisation.
- 7.2 Analyse different techniques for assessing operational risk.
- 7.3 Evaluate how operational risk management can impact reputation.

**8. Evaluate capital management in the insurance sector**

- 8.1 Explain the role of operational capital.
- 8.2 Explain the role of solvency capital.
- 8.3 Evaluate the drivers for an insurance company's solvency capital requirements.
- 8.4 Evaluate strategies for capital management.

## 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. However, it is important to read additional sources as 10% of the exam mark is allocated for evidence of further reading and/or 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 listed here provide a wider coverage of syllabus topics.

### CII study texts

Risk management in insurance. London: CII. Study text 992.

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

### Books/eBooks

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.

Life insurance risk management essentials. Michael Koller. Heidelberg: Springer, 2011.

Risk management for insurers: risk control, economic capital, and Solvency II. Rene Doff. 3rd/2nd ed. London: Risk Books, 2015/2011.\*

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

Strategic project risk appraisal and management. Elaine Harris. Farnham, Gower/ London, Routledge 2009/2017.\*

### eBooks

The following eBooks are available via [www.cii.co.uk/elibrary](http://www.cii.co.uk/elibrary) (CII/PFS members only):

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

Dynamic risk assessment: the practical guide to making risk-based decisions with the 3-level risk management model. Stephen Asbury. Routledge, 2014.

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

Foundations of financial risk: and overview of financial risk and risk-based regulation. Richard Apostolik, Christopher Donohue. New Jersey: Wiley, 2015.

Fundamental aspects of operational risk and insurance analytics: a handbook of operational risk. Marcelo G. Cruz. Wiley, 2015.

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

Risk management and financial institutions. John Hull. Wiley, 2015.

### Journals and magazines

The Journal. London: CII. Six issues a year.

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

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

The Economist. London: Economist Newspaper. Weekly.

### Reference materials

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

Code of ethics. London: CII, 2017. Available online at [bit.ly/2UnNlgn](http://bit.ly/2UnNlgn).

Risk management: principles and guidelines (BS ISO 31000:2018). British Standards Institute, Feb 2018.

The UK Corporate Governance Code. Financial Reporting Council. September 2012. Available online via [www.frc.org.uk](http://www.frc.org.uk).

## Specimen guides

Specimen guides are available for all coursework units.

These are available on the CII website under the unit description / purchasing page. You will be able to access this page from the Qualifications section of the CII website: [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications).

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

## **Exam technique/study skills**

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