Insurance
## Module Specification

### 1. Title
Insurance

### 2. Start date
Valid for sessions commencing from 1 November 2011

### 3. Level of module
5 (within QAA Framework for Higher Education)
Subject benchmark: General Business & Management

### 4. Number of credits
30 credits

### 5. Status
Option module

### 6. Recommended prior modules
- Organisational Management in Financial Services.

### 7. Programmes of study to which module contributes
Foundation Degree in Banking Practice and Management/Professional Diploma in Banking Practice and Management

### 8. Purpose/rationale/positioning

Insurance is an option module within the Foundation Degree programme and is aimed at students who wish to understand how insurance and insurance organisations operate.

This module provides students with an understanding of the principles and practice of the insurance market and how insurance companies operate in the property and casualty (P&C) and long-term insurance markets in the UK and worldwide. Given that students might not have encountered insurance as a subject area in their previous studies, this module assumes no prior knowledge of the insurance marketplace. Therefore, this module has been designed to provide students with a sound understanding of all aspects of the nature and role of insurance, from basic principles through to how the industry works in practice. This includes how the insurance market functions and the relationship between the organisations involved, including why and how they are regulated. It also provides an overview of the types of products available.

Studying this module will enable students to understand the various business functions and activities undertaken by an insurance company and how they fit into the wider operational and ever-changing business environment. As such, this module gives a good foundation for anyone considering entering a first line management or supervisory role in an insurance organisation.
Through the assessment, students will have the opportunity to demonstrate their ability to apply their existing knowledge of broader financial services in the context of insurance organisations and the products they offer. Students will be in a position to compare the relative merits of different insurance products and their suitability for customers in different circumstances. They will also have the opportunity to demonstrate their understanding of product lifecycle and pricing aspects, how insurance companies operate and the insurance sector’s positioning within the wider financial services environment.

9. Intended subject-specific learning outcomes and, as appropriate, their relationship to programme learning outcomes

On completion of this module, students will be able to:

1. understand the principles of insurance and the benefits of insurance to individuals and the economy;
2. describe the composition of the p&c and long-term insurance markets and their relationship to the wider financial services market;
3. understand the different organisations involved in the insurance market;
4. explain the role of the different categories of organisations in the insurance market;
5. understand the regulation and control of insurance operations;
6. discuss the concepts of insurance law and the law of agency as applied to insurance;
7. explain the principles underlying the development of insurance products;
8. understand the range of p&c and long-term insurance products;
9. explain the workings of the technical functions of insurance operations, including pricing, underwriting, customer management, claims and investment management; and
10. discuss some of the current and future issues facing insurance operations, including the changing nature of risk, developments in technology, bancassurance and outsourcing.

These intended module learning outcomes contribute to the following programme learning outcomes: A1, A2, A3, A4, A7, A9, A11, A12 and A13 together with the generic programme skills set out in section B-D of the programme specification.

10. Intended generic learning outcomes and, as appropriate, their relationship to programme learning outcomes

On completion of this module students will be able to demonstrate achievement of the following generic learning outcomes:

1. Ability to learn through reflection on practice and experience.
2. Ability to undertake detailed research on a particular area and work with complex material.
3. Ability to analyse problems, identify appropriate solutions and make decisions.
4. Ability to work and study independently and utilise resources effectively.
5. Ability to communicate effectively in a manner appropriate to the context and audience.

These intended generic learning outcomes contribute to the generic programme skills set out in section B-D of the programme specification.
11. Methods of delivery

Students are required to follow an approved course of study that provides them with learning support. There are three distinct modes of study:

1. At approved Academic Centres authorised by ifs to provide tuition for the programme.
2. On a distance learning basis with tutorial support being provided by ifs’ network of academic associates.
3. On a flexible learning basis which is distance learning plus 3 enhancement workshops delivered by your academic associate.

Students will be provided with access to my ifslearning (our secure learning environment) that provides access to relevant materials and support for each module. Links to appropriate readings are available from ifs KnowledgeBank, our e-library.

Students may opt to pursue the module by either of the above modes of study, and will undertake their learning for each module within designated study sessions that will culminate in a final assessment.

Study hours:

The module is the equivalent of 300 notional learning hours. This learning may be acquired in a variety of ways:

- Via the support offered by Academic Centres, ifs distance learning provision or flexible learning provision.
- By private study.
- By completing formative assignments.
- By learning acquired and applied in the work environment.
- By reflecting on and utilising previous learning.

12. Assessment

Achievement of the learning outcomes for each option module is assessed in two ways:

- Via a written examination.
- Via a summative coursework assignment. This assessment uses the underpinning subject knowledge assessed in the examination as the framework within which to assess the achievement of the intellectual, subject-specific and transferable skills summarised in the module specification. It is recommended for each module that the summative assignment should not be submitted for marking until the associated formative assignments have been submitted and tutor feedback has been received.
Examination:

Examination questions will be practical, application-based and be focused at an operational level. According to the nature of the subject matter, a variety of question styles and approaches will be included in the examination. Questions might be based on case study materials and require a discursive answer, a business report or a series of shorter answers. Students will typically be required to explore and compare the technical aspects of an issue or topic or to apply their understanding to, for example, solve a problem or provide a recommended solution for a customer. Feedback will be provided on this component.

The question paper will be structured as follows:

- Two compulsory 20-mark questions; and
- One 10-mark question from a choice of two.

The pass mark for this component is 40%.

Time allowed: Two hours [plus 15 minutes preparation time].

You may use a scientific calculator but it must not be programmable, nor have a wireless-communications capability, nor be capable of storing textual information. It must also not require a mains electricity supply. Calculators with any further functions are not allowed in the examination room.

Summative coursework assignment:

This component will contribute 50% of the overall assessment and will be based upon the submission of one assignment at the end of the course but prior to the examination. The assignment will include questions based on stimulus material. Students will be expected to collect information, undertake research, etc, and the assignment will allow the opportunity to reflect on or analyse comparative perspectives, eg different cultures, countries, organisations, etc. Feedback will be provided on this component.

At regular intervals during the course of study, students will be expected to submit three short formative assignments. These assignments will take the form of developmental learning activities towards the assessed coursework and unseen examination components and will be integrated within the study plan. They will provide students both with opportunities to reinforce their learning as they progress through the course of study and the opportunity to prepare for both the summative assignment and unseen examination.

Whilst these formative assignments will not contribute to the overall assessment, students are strongly advised to take the opportunity to complete them, as feedback will be provided from their tutor on their progress through the course of study.

The pass mark for this component is 40%.
13. Syllabus overview

This module has been designed to provide the requisite skills, knowledge and understanding to enable students acquire a broad picture of the principles of insurance and the key areas of insurance practice and operations.

Students are firstly provided with an overview of the principles of insurance, with a focus on insurance as a risk transfer mechanism and the benefits this brings to the individual and the economy. The specific requirements of insurance contract law are also covered and include the legal requirements of insurance agency agreements. The focus then broadens to look at both the P&C and long-term insurance market and how they operate, including their relationship with the investment and banking markets. This includes the role of regulation and the specific requirements of UK legislation such as Financial Services Markets Act 2000 (FSMA 2000). However, the international element of the module is emphasised here by making comparisons with other regulatory regimes.

Whilst a detailed knowledge of insurance products is included in this module, an understanding of how products are classified and constructed is covered. This enables students to analyse a wide range of products and compare those available across borders and product categories.

The module then focuses upon how an insurance company operates. This is done by considering the product lifecycle from pricing, through underwriting and customer management, to claims. The syllabus also looks at the key issues facing insurance as it works to manage the numerous political, economic, social and technological changes such as regulation and changes in the insurance value chain. Finally, the syllabus looks at the possible changes that the industry may face in the future.

14. Syllabus

1. Principles of insurance

This section of the syllabus has been designed to provide students with an overview of the main principles of insurance. It covers insurance as a risk transfer mechanism, why individuals and organisations might seek to purchase insurance, what risks and perils are insurable, and the benefits to be derived.

Its focus is learning outcome 1 and covers the following issues:

- Insurance as a risk transfer mechanism.
- Insurable risks.
- The need for insurance.
- Benefits of insurance, e.g. economic and social role.
2. Composition of the insurance market

This section of the syllabus examines the composition of the insurance market and its relationship with the wider financial services marketplace. It covers the role of the different players, including insurance operations and service providers, in the insurance value chain.

Its focus is learning outcomes 2 and 3 and covers the following issues:

- P&C insurance market.
- Long-term insurance market.
- The insurance value chain.
- Role of other insurance service providers.
- Relationship with the investment and banking markets.

3. Organisation and working of insurance operations

This section of the syllabus examines how the wide variety of organisations in the insurance market work together to ensure an effective market operates. It distinguishes between the producers, distributors and reinsurers of insurance. In doing so, it also examines how these parties who work together also compete against each other in some situations.

Its focus is learning outcomes 3 and 4 and covers the following issues:

- Distribution channels/models, eg:
  - Direct.
  - Intermediaries.
  - E-commerce.
- Types of organisations in insurance, eg:
  - Mutual.
  - Captive.
  - Composite.
  - Bancassurers.
  - Brandassurers.
  - Intermediaries.
  - Pools.
  - State as insurer.
- Lloyd’s model and the London market.
- Reinsurance:
  - Traditional.
  - Alternative Risk Transfer.
4. Regulation of insurance operations

This section of the syllabus provides an overview of why the insurance industry needs to be regulated and identifies the key components of regulation, such as capital adequacy, consumer protection, compliance and complaints. It explores the regulatory regime in the UK but there is also an international focus, within which other regulatory regimes are considered and contrasted.

Its focus is learning outcome 5 and covers the following issues:

- Rationale.
- Role of the supervisor and regulator, eg consumer protection.
- Solvency.
- Capital adequacy.
- Developments following Basel 2.
- Basic accounting practices in insurance.
- Example of a regulatory advanced regime: key elements of the UK regime under FSMA 2000.
- Comparisons with other regulatory regimes, eg USA.
- Application of other regulation to insurance, eg data protection, money laundering.
- Compliance and complaints.

5. Insurance law

This section of the syllabus provides an overview of the legal principles that are specific to insurance and go beyond the usual laws of contract. There is an emphasis on how specific principles make certain aspects of insurance different from other areas of financial services. This includes the law of agency as it applies to insurance.

Its focus is learning outcome 6 and covers the following issues:

- Insurable interest.
- Utmost good faith.
- Proximate cause.
- Indemnity:
  - Subrogation.
  - Contribution.
- Law of agency as applied to insurance.
6. **Insurance products**

This section of the syllabus aims to identify the key components of insurance products and to draw out the common factors so that products can be compared and contrasted across product categories and international markets. A list of the actual individual insurance products will be provided for reference in the learning materials for this module, but the emphasis is on helping students to understand the ways in which different classifications of products are grouped, developed and delivered.

Its focus is learning outcomes 7 and 8 and covers the following issues:

- **Classifications of insurance:**
  - Statutory.
  - Market practice.
- **Key elements of an insurance product:**
  - Peril.
  - Subject matter.
  - Customer type.
  - Customer segment.
  - Monoline and packaged products.
- **Documentation.**

7. **Business functions in insurance operations**

This section of the syllabus introduces and explores the key business functions in an insurance company. The key processes involved in pricing, underwriting, customer service, claims and investment management are explained, enabling students to gain an appreciation of the technical functions of insurance operations and enhance their ability to interact with, and inform, customers effectively.

Its focus is learning outcome 9 and covers the following issues:

- **Pricing:**
  - Role of the actuary.
  - Standard cover.
  - Pricing for profit, eg burning cost/exposure methods, risk premiums, flat premiums, adjustable premiums.
  - Charging structures, eg transparency, CAT standards.
  - Use of data, eg CMI, ABI stats, underwriting cycles.
- **Underwriting:**
  - Role of the underwriter.
  - Underwriting authority, eg use of software.
  - Proposal.
  - Assessment.
  - Moral and physical hazard.
  - Survey and further investigations, eg Access to Medical Records Act.
  - Acceptance.
  - Policy terms and conditions.
- Customer service:
  - Role of customer services manager.
  - Customer relationship management.
  - Maintenance of records and Data Protection.
- Claims:
  - Role of the claims manager.
  - Reserving.
  - Claims handling processes.
  - Role of the loss adjuster, loss assessor, claims investigator.
  - Fraudulent claims.
  - Investment management.

### 8. Key issues facing insurance

This section of the syllabus identifies and explores the key issues currently facing the insurance industry. It discusses how organisations within the industry have responded to various challenges to date, and goes on to create an awareness in students of possible future challenges and what future response options may be available to the industry.

Its focus is learning outcome 10 and covers the following issues:

- The changing nature of insured risk, eg the compensation culture, emerging risks, climate change, terrorism.
- Harnessing new technology: e-business in insurance.
- Disaggregation of the insurance value chain, eg outsourcing, brand assurance, joint ventures, run off.
- The growth of bancassurance.
- Regulatory and legal developments.
- Reputation of the insurance market, eg mis-selling.
- Consideration of what the future holds for insurance.