

NAME OF SUBJECT	INSURANCE OPERATION & FINANCE
LEARNING & SKILL OUTCOMES	OBJECTIVES (MO)
Illustrate the structure, management and main aspects of corporate governance of insurance businesses	<ul style="list-style-type: none"> <li>• Illustrate the structure of the insurance business</li> <li>• Demonstrate the management of insurance businesses</li> <li>• Illustrate the main aspects of corporate governance</li> </ul>
Illustrate the common functions within insurance organisations	<ul style="list-style-type: none"> <li>• Show other common functions within insurance organisations</li> </ul>
Illustrate the main accounting principles and practices of insurance company accounts	<ul style="list-style-type: none"> <li>• Demonstrate the main accounting principles and practices</li> <li>• Illustrate the main practices of insurance company accounts</li> </ul>
Demonstrate the use of financial ratios to assess businesses	<ul style="list-style-type: none"> <li>• Employ financial ratios to assess businesses</li> </ul>
Demonstrate the financial strength of insurance companies	<ul style="list-style-type: none"> <li>• Appraise the financial strength of insurance companies</li> </ul>
CONTENT OUTLINE	
<p><b>THE STRUCTURE OF THE INSURANCE BUSINESS</b></p> <ul style="list-style-type: none"> <li>• Business Structure <ul style="list-style-type: none"> <li>○ Different types of insurance company : <ul style="list-style-type: none"> <li>▪ Proprietary</li> <li>▪ Mutual</li> <li>▪ Captive</li> </ul> </li> <li>○ Different sellers of insurance and the way they transact insurance</li> <li>○ Importance of the customer expectations and customer focus</li> <li>○ Importance of other stakeholders: addressing their influence and interests</li> <li>○ Importance of business ethics and integrity in insurance market including treating customer fairly</li> <li>○ The London Market and the requirements for an international market</li> <li>○ The Malaysian Insurance Market <ul style="list-style-type: none"> <li>▪ Labuan Offshore</li> <li>▪ Impact to the insurance industry in relation to Malaysian Financial Master Plan</li> </ul> </li> </ul> </li> <li>• Structural trends and factors <ul style="list-style-type: none"> <li>○ Company growth and mergers and acquisitions: main trends and drivers</li> <li>○ Outsourcing: benefits and drawbacks</li> <li>○ Delegated authority in underwriting <ul style="list-style-type: none"> <li>▪ UK practice</li> <li>▪ Malaysia practice</li> </ul> </li> </ul> </li> </ul>	
<p><b>THE MANAGEMENT OF INSURANCE BUSINESSES</b></p> <ul style="list-style-type: none"> <li>• The role of the board of directors and senior executive officers in running businesses</li> <li>• Key roles and responsibilities of the manager, supervisor and non-managerial staff</li> <li>• Common management styles and their uses</li> <li>• The role of budgetary planning and control</li> <li>• The role of planning and the types of plans commonly used</li> <li>• The decision making process</li> <li>• Management information systems <ul style="list-style-type: none"> <li>•Main characteristics</li> <li>•Methods of data collection and uses</li> </ul> </li> <li>• Knowledge management systems:</li> </ul>	

- Main characteristics
- Functions and uses

### **MAIN ASPECTS OF CORPORATE GOVERNANCE**

- The roles of the
  - Company secretary
  - Finance director
  - Actuary
- Purpose and contents of the memorandum and articles of association
- Purpose and structure of the annual report and accounts
- Other statutory reporting including Anti Money Laundering
- The role of the audit function
- Obligatory meetings and their purposes
- Content of agendas and minutes, including the presentation of the meeting outputs
- Requirement for corporate governance and the main provisions of key governance reports
- Confidential information:
  - Main characteristics
  - Need for information security and confidentiality
  - Principles of disposal and storage
- Data Protection Act

### **OTHER COMMON FUNCTIONS WITHIN INSURANCE ORGANISATIONS**

- Marketing
  - The marketing function
  - Key marketing concepts:
    - Goods and services
    - Needs and wants
    - Market segments
    - The marketing mix
  - The market research process
  - The product development process, including the product life cycle
  - Communications and promotions:
    - Main methods
    - Their uses
- Human Resources
  - Development and scope of the human resource management function
  - The recruitment and selection process
  - Appraisal and reward systems
  - Training and development:
    - Main methods
    - Benefits
  - Motivation and morale: methods of employee engagement
  - Legislation relevant to the workplace: main legislation requirements
    - Employment Act :
      - EPF and SOCSO
    - OSHA 1994

### **THE MAIN ACCOUNTING PRINCIPLES AND PRACTICES**

- The purpose and function of financial accounting
- The difference between financial and management accounting
- The users of financial information and their information requirements
- Basic financial concepts and the accounting equation
- Receipts and payments:
  - Systems for recording
  - Systems for monitoring
- The construction of statement of financial position
- The construction of statement of :
  - Profit or loss

- Other comprehensive income
- Statement of cash flow:
  - Their uses
  - Format
  - Presentation
- The purpose of the statutory notes to the financial statements

#### **THE MAIN PRACTICES OF INSURANCE COMPANY ACCOUNTS**

- Main accounting standards that affect insurance
- Malaysian Financial Reporting Standard (MFRS)
  - Insurance company reserves
    - The importance of accurate reserving
    - Reserving methods
  - Incurred but not reported (IBNR) and its role in insurance company accounts
  - Over and under estimation of the IBNR impacts on financial results

#### **USE OF FINANCIAL RATIOS TO ASSESS BUSINESS**

- The general uses and benefits of financial ratios
- General financial ratios
  - Profitability ratios
  - Productivity ratios
  - Liquidity ratios
  - Activity (turnover) ratios
  - Gearing ratios
  - Current asset ratio
  - Other financial ratio
- Ratios in the insurance industry
  - Security, including solvency
  - Liquidity
  - Profitability
    - Return on equity
    - Gearing
    - Combined ratio
    - Commission ratio
  - Claims ratios

#### **FINANCIAL STRENGTH OF INSURANCE COMPANIES**

- Financial strength of insurance companies
  - Rating agencies and their ratings
  - The rating process
  - Implication of the rating outcomes
- Solvency margins
  - The required minimum margin
  - Reasons for minimum solvency margins
  - BNM solvency Directives and Financial Services Authority requirements in outline in comparing with UK and/or
    - Selected Asian countries
  - Risk Based Capital (RBC)
    - BNM's RBC framework