



## Introduction

Every person, organization, living or non-living item, is exposed to risks which can result in losses. Insurance seeks to minimise or eliminate the effects of risks on people and organizations, to act as a “transfer mechanism” whereby responsibility for losses from risks are transferred to insurers, and by which risks are “managed”. An insurance company is a “business”, and needs to be run well and profitably.

This Program has wide-ranging application for individuals, business people, insurance practitioners; it deals with the background and development of modern insurance practice, and the principles on which it is based. It covers the main classes of insurance business, insurance company organisation, and much more.



## Module One: Nature and Purpose of Insurance

### Risk:

- What risk might involve
- losses from risks
- increased risks
- what insurance seeks to achieve
- the mathematical law of average
- the nature of risk
- types of risks:
  - fundamental risks
  - particular risks
  - pure risks
  - speculative risks
- risk and insurance:
  - controlling the financial aspects of the unknown
  - reducing risks
  - problems with moral hazard

### The main function of insurance:

- compensation or indemnity:
  - forms which indemnity may take

### How insurance differs from wagers:

- the legal position
- insurable interest
- utmost good faith
- indemnity
- likelihood of the event occurring

### Insurable risks

- Examples and tests of insurability

### Uninsured risks:

- risks which cannot be insured, examples
- why some risks are not insured

### Means of reducing risks:

- risk control methods

### Subsidiary benefits of insurance:

- reducing fear of the future
- encouraging confidence for new ventures
- assisting people to save investments
- reducing demands on social services

### Insurance and the law:

- practical example

### Contracts:

- definition of a contract
- agreements which are not contracts
- the six essentials for a genuine contract:
  - intention that it is to be legally binding
  - unrevoked offer
  - unqualified acceptance
  - consideration
  - legality
  - capacity of the parties

### Insurance contracts

## Module Two: Insurable Interest and Utmost Good Faith

How insurance developed

Classes of insurance business

Categorisation by object or event

Subject-matter:

- what it may be in insurance
- examples in the classes of insurance

Insurable interest:

- explanation and definition
- the legal position
- requirements for valid insurable interest
- those who can have insurable interest
- those with limited insurable interest
- those who have no insurable interest
- when insurable interest is necessary:
  - the Life Assurance Act, 1774
- examples of insurable interest
- insurable interest and life insurance:
  - insurable interests allowed in law
- timing of insurable interest:
  - time of purchase
  - time of loss
- assignment of insurable interest:
  - assignment of the proceeds of a policy
  - assignment of the policy itself
- transfer and resale of life insurance
- transfer and resale of non-life insurance:

Utmost good faith

- what is involved
  - legal obligations
  - onus placed on the insurers and the proposer
  - material facts:
    - definition
    - legal rulings
    - facts which are material:
      - examples in classes of insurance
  - facts which need not be disclosed
  - timing of utmost good faith
  - facts which must be disclosed
- Void and voidable contracts:
- nondisclosure
  - concealment
  - representations
  - fraudulent misrepresentation
  - innocent misrepresentation
  - warranties:
    - express warranties
    - implied warranties
    - declarations
  - differences between representations and warranties
  - contemporary thinking on disclosure:
    - unfair contract terms
    - statements of practice

## Module Three: Indemnity

The contract of indemnity:

- the purpose of indemnity

Forms of indemnity:

- cash payments
- replacement
- repair
- reinstatement

Value at the time of loss

Applications of the principal of indemnity:

- variations between classes of insurance
- total loss
- partial loss:
  - examples

Agreed value or valued policies

Replacement or reinstatement policies

Indemnity for partial losses:

- difficulties in assessing value
- betterment
- large partial losses
- cover after partial losses
- modifications of indemnity:
  - contract conditions
- underinsurance:
  - example
- excess

Subrogation:

- definition and purpose
- rights in damaged property:
  - practical example
- effects of the doctrine of subrogation
- subrogation in practice
- timing of subrogation
- two or more policies on the same subject matter
- intercompany agreements:
  - knock for knock
  - third party sharing
- waiver of subrogation

Contribution:

- risk insured under two or more policies:
  - practical examples
- the doctrine of contribution
- conditions for the application of contribution:
  - differences between subrogation and contribution
  - the need for common interest
- timing of contribution
- avoidance of contribution rights:
  - non-contribution clause
  - more specific clauses
  - specific market agreements

## Module Four: Proximate Cause, Physical and Moral Hazard

Types of perils:

- insured perils
- excepted perils
- uninsured perils

Proximate cause:

- definition
- a "train" or "chain" of related causes, factors, or events
- concurrent causes
- non-concurrent unrelated causes
- meanings of:
  - proximate
  - remote
- practical examples
- general rules for applying proximate cause

- conditions for proximate cause
- application of proximate cause to claims
- consequential loss:
  - damage caused by thieves
  - damaged cause by fire-fighting
  - legal costs

Moral hazard:

- fraud
- carelessness
- circumstances
- steps to be taken to reduce bad moral hazard

Physical hazard:

- examples in different classes of business
- steps which can be taken to reduce bad physical hazard

## Module Five: Proposal Forms and Policies

Buyers and sellers of insurance:

- proposers and insurers

Methods of selling insurance

Stages in buying insurance

Proposal forms:

- formats: printed, file attachments, electronic
- the questionnaire
- their functions:
  - to obtain information
  - to make a legal offer
  - to elicit a quotation
  - to describe the cover available
  - advertising/publicity
  - to establish a warranty
- the declaration:
  - specimen
- layout and contents:
  - information required:
    - name, address, occupation, age
    - insurance and claims history
    - sum insured
    - medical history
  - use of postal codes in claims analysis and statistics

When proposal forms are not used in different classes of insurance

Direct writing

- telesales and online sales

Offer and acceptance:

- documents in which acceptance might be shown

The premium:

- when premiums are paid
- deposits

Proof of insurance cover:

- cover notes:
  - when and why they may be issued
  - how they may be issued
  - claims whilst they are valid
- certificates of insurance:
  - when and why they may be issued
  - how they differ from cover notes
  - employers liability insurance certificates:
    - information they contain
  - motor insurance certificates:
    - information they may contain
  - green cards and bail bonds

Policies:

- what they are
- their sections and what those contain:
  - the preamble
  - the operative clause
  - exceptions and provisos
  - the schedule
  - the policy conditions
  - the attestation clause
- endorsements:
  - what they are
  - why they are used
- legal interpretation of policies:
  - meanings of the words
  - typed or handwritten words
  - benefits of reasonable doubt
  - general and particular statements

### Underwriting:

- underwriting factors
- average claims experience
- effects of underwriting factors
- proposer's characteristics
- premium versus claims value

### Premiums:

- rating the risk
  - life insurance premiums:
    - why they can be rated accurately
  - non-life insurance premiums:
    - bases of ratings

### Reserves:

- why they need to be established and built up:
  - higher than anticipated losses
  - unearned income
  - unpaid claims
- one class of business must not subsidise another

### Renewals:

- meaning and process
- no obligation to renew, or on the same terms
- considerations of the insured
- considerations of the insurers
- utmost good faith
- reasons why terms may be varied
- policies under which insurers may not come "off risk"
- renewal procedure:
  - the renewal notice:
    - its purpose
    - its contents:
      - renewal premium required:
        - alternative values and premiums
- days of grace:
  - when they may be allowed
  - claims arising during them
- when renewal premiums are not paid:
  - lapsing the policy
  - reviving policies

### Return of premiums:

- no general entitlement
- when total refunds might be made
- when partial refunds might be made

### No-claim bonuses:

- why they are offered
- transfers between insurers

### Excess:

- what is involved
- advantages to insurers

### Surrender value

### Paid-up policies

### Delay of premium payments

### Claims:

- handling of claims by insurers
- conditions for claims
- notification to the insurers
- proof of loss
- claims forms:
  - their uses
  - information required
  - methods by which proof of loss may be provided
- claims settlement
- ex gratia payments
- reasons why claims may fail:
  - invalid contract
  - policy exclusions
  - proximate cause:
  - contract wording which overrules general application
- the amount of the claim:
  - considerations
- disputes over claims:
  - liability
  - quantum
  - negotiation and compromise, litigation
  - arbitration:
    - what is involved
    - why insurers prefer arbitration to litigation
- Average
  - different meanings in classes of insurance
  - the pro rata condition
  - the special condition
  - two conditions
- Who pays the claim:
  - underinsurance or partial insurance
  - more than one insurer involved:
    - possible complications
- Recipients of claim payments:
  - the insured
  - other parties
- Sympathetic treatment of claims

## Module Seven: Transportation Insurance

### Marine Insurance:

- the background
- hull insurance
- cargo insurance
- marine liability damage
- modern developments and trends
- time policies
- voyage policies
- building risk policies
- floating policies

### Aviation Insurance:

- extent of cover
- aviation liability insurance:
  - injured passengers
  - non-passenger third parties
  - aircraft manufacturers
  - airport owners and operators
- comprehensive policies
- personal accident policies
- cargo policies
- loss of service policies

- airport liability policies
- product liability policies

### Transit Insurance:

- overland transport
- liability of hired carriers
- floating policies

### Motor Insurance:

- Road Traffic Acts:
  - types of vehicle used on the roads
- types of policies:
  - third party only
  - third party, fire and theft
  - comprehensive act only
- motor cycle policies
- commercial vehicles policies
- fleet policies and premiums
- increased premiums
- excesses
- no-claim bonuses
- rebates



### Property Insurance

- the Great Fire of London:
  - developments thereafter
- definition of "fire"
- the standard fire policy:
  - insured perils:
    - fire, lightning, explosion
  - exclusions
  - additional special perils which can be covered
- combined or comprehensive policies
- period of cover
- inflation and property insurance:
  - indexing schemes
  - non-private property
- household comprehensive policies:
  - definitions of "buildings" and "contents"
  - personal possessions
  - new for old policies
- all-risks household policies:
  - scope of cover
- commercial theft insurance:
  - commercial or business combined policies:
    - scope of cover
  - office combined policies:
    - scope of cover
  - stock or inventory policies:
    - valuing "stock at risk"
  - business loss of profits policies:
    - scope of cover available
  - rent policies:
    - who may insure
  - excesses

### Accident Insurance:

- overlap of fire and accident policies
- industrial all-risks policies:
  - scope of cover
- contractors all-risk policies:
  - scope of cover
- theft or burglary policies:
  - scope of cover
- glass policies
- money policies

- goods in transit policies
- contract policies
- rainfall and hail policies
- licence policies
- caravan policies
- small/pleasure boat policies
- travel insurance:
  - scope of cover
  - single trip policies and annual policies
- sports insurances:
  - scope of cover
- livestock insurances
- pet insurances
- engineering insurance
  - inspections
  - scope of cover:
    - extraneous perils
- computer insurances:
  - scope of cover

### Pecuniary Insurances:

- fidelity guarantee or suretyship:
  - commercial guarantees
  - court bonds
  - government bonds
- legal expenses policies
- credit policies
- business interruption policies:
  - scope of cover
- mortgage indemnity insurance:
  - scope of cover

### Liability Insurances:

- liabilities arising from:
  - negligence
  - nuisance
  - trespass
  - strict liabilities
  - statutory liabilities
  - contractual liabilities
- employers liability insurance:
  - compulsory in many countries
  - scope of cover
- public liability insurance:
  - scope of the wide variety of policies available

## Module Nine: Insurances of the Person

Income, expenditure, wealth and purchasing power

How the need for personal insurances can arise

Social security or national insurance:

- common state benefits:
  - unemployment
  - sick pay and sickness/health care
  - disablement and disability
  - maternity leave
  - retirement pension

### Personal accident and sickness insurance:

- scope of cover:
  - the policy schedule
- stand-alone policies
- specified benefits:
  - how and when they might be paid
  - deferred periods
- exclusions from policy cover

### Permanent health insurance (PHI):

- scope of cover
- the long-term liability
- level premiums
- policy exclusions
- specified benefits:
  - how and when they might be paid
  - deferred periods
- Long-term care insurance:
  - scope of cover

### Private medical/health care insurance:

- scope of cover
- policy exclusions
- factors which influence premiums quoted  
excesses

### Group insurance schemes:

- employees personal accident schemes
- employees personal accident, sickness schemes
- schemes for clubs and other organizations

How personal insurances may be affected by:

- a person's occupation:
  - hazards associated with different occupations

- a person's age:
  - risk exposures at different ages
- a person's family circumstances:
  - number and ages of dependants
- a person's sex:
  - reasons why women's PHI premiums maybe higher
- a person's health and medical history:
  - factors which influence insurers

Holiday travel insurance

Business travel insurance

Sports insurance

Debt repayment insurance

Mortgage protection payment insurance

### Life Insurance:

- special features
- types of life policies and scope of cover:
  - term policies
  - whole life policies
  - endowment policies
  - with profits policies
  - unit-linked endowment policies
  - flexible endowment policies
  - guaranteed insurability policies
  - unit-linked whole life policies
  - specialised life policies
- industrial life insurance:
  - how it differs from ordinary life insurance
- considerations in effecting life insurance:
  - family protection
  - educational fees protection
  - debt and mortgage protection
    - endowment house-purchase policies
  - sole business owner protection
  - key-personnel protection
  - providing an inheritance
  - savings for the future

### Pensions:

- providing an income on retirement
- state retirement pensions
- occupational pension schemes
- personal pension plans

### Annuities:

- types of annuities
- Tontines and capital redemption policies



## Module Ten: The Insurance Market

Composition of the insurance market

### Buyers of insurance:

- personal and business buyers

### Sellers of Insurance:

- Lloyds underwriters:
    - the background
    - the Corporation of Lloyd's
    - the Lloyd's Acts
    - underwriting members
    - names
    - syndicates
    - Lloyd's brokers
    - stages in placing a risk at Lloyd's
    - shipping intelligence:
      - Lloyd's agents and sub-agents
    - publications:
      - Lloyd's list
  - Insurance companies:
    - limited liability companies:
      - the meaning of limited liability
    - mutual companies
    - captive insurance companies
    - bank assurance
  - Mutual indemnity associations
  - Collecting friendly societies
  - Tariff and non-tariff insurers
- ### Intermediaries - middlemen:
- insurance agents:
    - Law of Agency

- types of agents:
    - cash, credit, bulk business
  - commission
- insurance brokers:
    - professional conduct and expertise
    - brokerage
    - differences between agents and brokers
  - tour operators and travel agents
  - bank building societies and other lenders
  - large retailers

### Direct selling or writing:

- increasing use of telesales and the Internet
- standardised cover
- reductions in insurers' costs
- savings on commission and brokerage
- reductions in premiums
- convenience for buyers

Third party administrators

### Reinsurance:

- the necessity for reinsurance
- methods of reinsuring:
  - facultative reinsurance
  - treaty reinsurance:
    - fixed share/quota treaties
    - surplus treaties
    - excess of loss treaties
    - excess of loss ratio
- reinsurance pools

## Module Eleven: Organisation & Management of Insurance Companies

Centralised organisations:

- advantages and disadvantages

Decentralised organisations:

- advantages and disadvantages

Regional or zonal organisations

Semi-autonomous branches

Branches and claims

Executives of insurance companies:

- the board of directors:
  - composition
  - duties and responsibilities
- managing director
- general manager
- heads of departments
- executive directors
- non-executive directors
- the chairman
- company secretary
- agency manager
- marketing manager
- investment and estates manager
- personnel and training:
  - the importance of training
- underwriting executives

Organization charts:

- what they show
- organisation by function
- organisation by division

Branch staff

Specialist staff

Insurance funds:

- the meaning of "funds" in insurance
- types of funds

Insurance reserves:

- reasons why different reserves must be build up

Investment of insurance company funds:

- aims of the investment policy:
  - considerations in non-life business
  - considerations in long-term business

Insurance and the economy:

- how insurance funds can assist a country's economy
- how insurance funds can aid country development
- insurance and the balance of payments:
  - visible and invisible imports and exports
  - possible positive and negative effects of insurance

## Module Twelve: Supervision and Regulation of Insurance

The "promissory" nature of insurance:

- insurance as an intangible product
- the effects of insolvency of insurers on:
  - policyholders
  - third parties

The need for regulation

- consumer protection:
  - areas of concentration:
    - financial standing and stability of insurers
    - buyers' understanding of what they are buying
    - availability of insurance where needed
- national and economic interests
- aleatory nature of insurance

Development of the regulation of insurance:

- self-regulation
- acts and statutes
- EU directives

- authorisation of insurers:
  - requirements for authorisation
  - supervision of authorised insurers
- solvency margins:
  - premium basis of calculation
  - claims basis of calculation
- minimum guarantee funds
- examples of legislation enacted with regard to:
  - policyholders protection
  - insurance brokers
  - Lloyd's insurance brokers
  - financial services
  - insurance standards
- the financial services authority
- insurance ombudsman schemes:
  - the role of ombudsmen

Conclusion:

- the continuing evolution of regulation and supervision



Recognised by



**ANZIIF**