

## Live Webinar - Understanding Insurance Finance

**Course duration:** 6 hours (2 x 3 hour sessions)

**Maximum 10 delegates**

### About the course

In a world where economic volatility will test the resilience of insurance companies, prudential management, capital adequacy and financial competence are on the agenda. This is prompting a stronger and widespread desire for every part of the business to “understand the numbers”, especially the industry’s financial exposures and the elements that contribute to profit (or loss) and capital adequacy.

This live online interactive webinar, spread over two days, is an antidote to the mystique that surrounds finance! It introduces the concepts, dynamics and the jargon of insurance finance. It demonstrates how the basic financial principles still apply to insurance, but highlights where it is unique.

No matter your function, viewing the industry and your own firm through the lens of finance reveals the risks, dependencies and opportunities. Being able to understand where the numbers come from and the ultimate measures of business success brings immense career benefits. There will be a maximum of 10 delegates to ensure the opportunity to participate through questions and discussions.

### Course Objectives

- Identify the financial characteristics that make insurance distinct from other industries
- Describe the insurance cash flow cycle, and the main dependencies
- Explain main accounting rules and how they are applied to measurement and reporting
- Describe the key terms – the language of insurance finance
- Explain the financial treatment of the drivers of profit (or loss...)
- Explore the crucial role of financial assets and investment income to the ultimate result
- Navigate and interpret the profit and loss/income statement and balance sheet/Statement of Financial Position
- Appreciate the requirement for solvency and capital adequacy, and what this means in practice

### Course Content

- Insurance working capital cycle
- The economic characteristics of insurance: sources of opportunity and risk?
- Key accounting labels, concepts and rules: the fundamental accounting challenge
- The mechanics of premium: written/earned, gross/net, unearned premium reserves
- Acquisition costs and operational expenses
- The mechanics of claims: paid, outstanding and IBNR
- Unexpired risk reserves/claims equalisation reserves
- The P and L impact of prior year development: Reserve release or IBNER?
- The treatment of reinsurance
- A brief introduction to investment considerations: types of assets and asset liability matching
- Constructing the P&L (technical and non-technical account) and interpreting the balance sheet
- Key ratios: the combined operating ratio and its component parts, return on capital/equity
- Liquidity, solvency and capital adequacy
- Comparison with the Solvency II balance sheet

## Course Structure

- **Day 1**
  - Session 1
    - Introductions and objectives
    - Insurance cash flow and industry characteristics
    - Assets and liabilities
    - The building blocks of finance
    - Revising three-year underwriting year vs GAAP accounting
  - Session 2
    - Introducing financial statements
    - Capital, capacity and premium income
    - Calculating written/earned and gross/net premium
    - The treatment of outwards reinsurance
- **Day 2**
  - Session 3
    - Reflection and emerging needs...
    - Ultimate claims cost: paid, outstanding and incurred but not reported
    - Reserving, prior year release and incurred but not enough reported
    - Management expenses and acquisition costs
    - The purpose and types of investment
    - Risk and return – asset and liability matching
  - Session 4
    - Building the technical account/profit & loss and the balance sheet
    - Interpreting the key insurance and financial performance ratios
    - Solvency II?
    - Summary and review learning