

Understanding Insurance Finance in the London Market

Duration: 1 day

About the Course

Financial competence is on the agenda like never before! There is regulatory emphasis on prudential management, Solvency II, and a consuming focus on capital and its implications on nearly every part of the business. Anyone in a management or technical role should “understand the numbers”: why, how and where their actions can have a financial impact on cashflow, profitability and ultimately return on capital. And vice versa!

This is an introduction to the particular financial language and processes of the London Market. As importantly, it views the particular dynamics of a broker based, subscription market through a financial lens which includes the multiple sources of capital in Lloyd’s and explores why it seems so attractive to overseas investment.

In the longer term, it provides a solid foundation for the further development of career enhancing financial understanding.

Who should attend?

Insurance practitioners and managers: who have a basic understanding of business finance, but want to understand the bigger picture of insurance finance, and how the jigsaw fits together.

Course Objectives

By the end of the workshop, you will be able to:

- Identify the financial characteristics that make insurance distinct from other industries
- Describe the insurance cash flow cycle, the main dependencies and the key terms
- Explore the elements of an insurer’s income and costs: to manage profitability and cashflow
- Navigate the profit and loss account (the technical account), and balance sheet, and interpret the key ratios they reveal

Course Content

- Capital, capacity and cashflow
- The mechanics of premium: written/earned, gross/net.
- The mechanics of claims: paid, outstanding and IBNR, prior year development
- The treatment of reinsurance, acquisition costs and operational expenses
- Investment considerations: types of assets and asset liability matching
- Pure year v accrual GAAP/IFRS accounting: when is profit recognised?
- The construction of the technical and non-technical account and the balance sheet
- Return on capital and the combined ratio
- What is liquidity, solvency and capital adequacy.

Approach

The course blends input, discussion, short practical exercises and case studies to progressively build the main financial statements through the course: and then explore the impact of different decisions and transactions.

Participants receive a set of comprehensive notes, which are designed to both support the course and become a permanent reference tool.