

Understanding Insurance Finance

Duration: 1 day

About the Course

With the regulatory emphasis on prudential management, capital adequacy and with the impetus of Solvency II, financial competence is on the agenda. The Solvency II focus on risk based capital management is prompting a stronger and widespread desire for every part of the business to “understand the numbers”. Anyone in a management or technical role should understand why, how and where their actions can have a financial impact.

This one-day course is an introduction to the dynamics, language and processes of business and insurance finance. It explains the jargon, demonstrates how the basics still apply to insurance but highlights where it is unique from other industries, and how this is reflected in the financial reporting. It provides a solid foundation for further development of financial understanding.

Who should attend

This course is for those who would benefit from understanding the bigger picture of insurance finance.

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, 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
- Understand the estimation and dependencies of claims costs
- Explain the financial treatment of premium and claims provisions
- Navigate the technical account, profit and loss and balance sheet
- Appreciate the requirement for solvency and capital adequacy

Course Content

- Insurance working capital cycle
- Key accounting labels, concepts and rules
- The financial characteristics of insurance
- The mechanics of premium: written/earned, gross/net, unearned premium reserves
- acquisition costs and operational expenses
- The mechanics of claims: paid, outstanding and IBNR, prior year development
- The treatment of reinsurance
- Investment considerations: types of assets and asset liability matching
- Funded v accrual annual accounts
- Constructing the P&L (technical and non-technical account) and interpreting the balance sheet
- Liquidity, solvency and capital adequacy
- Dissecting the Solvency II balance sheet.

Approach

The approach of the course is to blend input, discussion, short practical exercises and a case study to progressively build the principal financial statements through the course: modelling the behaviour of premium income, illustrating claims development, and assessing the balance sheet impact of different transactions.

Participants need have no existing financial knowledge and receive a set of stand-alone notes, which are designed to both support the course and become a permanent reference tool.