



4D Group

## Insurance Finance Introduction

### Who would benefit?

Insurance is an industry notorious for people working in specialist silos, especially when it comes to finance. Outside the accounts dept, people may understand the mechanics of their own specialism, but often lack the bigger 'joined up' financial picture

There is often a mystique and some fear about insurance finance, and this core knowledge can be mistakenly overlooked (or avoided) until relatively late in a career.

With the FSA placing such emphasis on prudential management, capital adequacy and with the impetus of Solvency II, financial competence is on the agenda. 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 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.

### Approach

Participants need just a basic appreciation of business finance. It blends input, discussion, short practical exercises and case studies to progressively build the principal financial statements through the course: modelling the behaviour of premium income and claims development, illustrating the impact of transactions and assessing balance sheet risk. The course relates the "theory" to the issues facing the industry and the London market in particular: which are not just Solvency II!

Participants receive a set of self supporting reference notes, which include the core performance ratios alongside the key insurance ratios.

### Objective

By the end of the workshop, delegates 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 and interpret the income statement and balance sheet
- Appreciate the requirement for solvency and capital adequacy

### Content

- Business finance basics
- The financial characteristics of insurance
- Key accounting rules and concepts
- Insurance working capital cycle
- Recognising revenue: the financial treatment of underwriting premium and provisions
- Estimating and accounting for claims: ultimate claims cost, case reserves and IBNR/'IBNER'
- Funded v accrual accounting
- Acquisition costs and management expenses
- Factoring in reinsurance: benefits, risks and accounting treatment
- Investment: income and asset valuation
- Interpreting technical accounts, the income statement and the balance sheet
- "Smooth Operations": appreciating the insurance cycle, pricing and returns.
- Asset and liability risks: capital adequacy and an introduction to Solvency II

### Duration

One day