



4D Group

Introducing Insurance Finance

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 some basics of business finance and the mechanics of their own specialism, but often lack the bigger 'joined up' picture.

There is often a mystique and some fear about insurance finance, financial education is often viewed with reluctance 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

It blends input, discussion, short practical exercises and a case study which 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 to have just a basic appreciation of business finance and receive a set of self supporting 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 premium provisions
- Acquisition costs and management expenses
- Estimating and accounting for claims: ultimate claims cost, case reserves and IBNR/'IBNER'
- Factoring in reinsurance: benefits, risks and accounting treatment
- Investment: the role of income and asset valuation
- The technical and revenue result
- Interpreting the income statement and balance sheet
- "Smooth Operations": appreciating the insurance cycle and pricing
- Asset and liability risks: capital adequacy and an introduction to Solvency II.

Duration

One day