

# Course 3B General Insurance Syllabus

## Unit 1: Pricing Principles

### *Performance Outcome 1:*

To be able to provide a clear and consistent basis for the actuarial pricing of risks for any general insurance product.

### *Learning Objectives*

- 1.1 To understand the components of a premium, including
  - Risk premium
  - Expense loading(s)
  - Reinsurance costs.
  - Profit margin; and
  - Contingency margin (if needed)
- 1.2 To explain the core philosophy underpinning rating and pricing
- 1.3 To recognise and select between approaches in classifying risk for insurance premium rating purpose
- 1.4 To be able to obtain base premium rates for future business, project premium amounts for budgeting and planning purposes, including applying appropriate (subjective) means of premium adjustment and using appropriate data for the projection.
- 1.5 To be able to describe the concept of “Sound Rating”
- 1.6 To be able to compensate for other influences on premium rating, including:
  - Competitive influences
  - Price elasticity
  - Product and risk differentiation
  - Uncertainty of risk outcome

## Unit 2: Detailed Pricing Considerations:

### *Performance Outcome 2:*

To be able to recognise and apply the appropriate pricing approach for any general insurance class of business or group of risks.

### *Learning Objectives*

- 2.1 To recognise the concepts of “short tail” and “long tail” business and the differences in approach for pricing purposes
- 2.2 To collect and be able to apply the tools required for the pricing of *short tailed* business, including:
  - Risk classification methods

- Simple 1-way and 2-way analysis of risk
  - GLM analysis
  - Premium relativity analysis
  - Application of no claim discounts/bonuses
  - Allowance for other considerations such as excesses, exclusions, policy limits and profit sharing.
- 2.3 To collect and be able to apply the tools required for pricing of *long tailed* business, including:
- Linkage with outstanding claim analysis
  - Exposure analysis
  - Experience Rating
  - Setting and application of economic assumptions
  - Specific workers compensation features
  - Specific compulsory third party bodily injury features
  - Other specific features (including public liability insurance and medical defence insurance)
- 2.4 To be able to describe the techniques used by reinsurers to price and rate the various reinsurance risks, and to recognise the various types of reinsurance contracts and their applications

## Unit 3: Capital Management

### *Performance Outcome 3:*

To provide detailed support to the considerations involved in linking capital management closely with the management of risk.

### *Learning Objectives:*

- 3.1 To establish the linkage between capital and risk by:
- Description of the concept of capital efficiency
  - Measurement of returns on capital for different levels of risk
  - Explanation of market expectations in respect of risk and capital
- 3.2 To explain and apply the means of accounting for risk, including:
- Balance sheet and profit and loss accounting for risk
  - Statutory capital management needs
  - Budgeting and forecasting; and
  - Basic stochastic modelling
- 3.3 To be able to explain and apply strategies for the efficient use of capital, including:
- Management of the reinsurance programme
  - Diversification of risk and other risk management techniques

- Asset/liability management

3.4 To describe the application of capital modelling and measurement in an ERM context.

## Unit 4: Financial Condition Reporting

### *Performance Outcome 4:*

To bring together the various aspects of actuarial management of a general insurer in the form of a financial condition report, including those elements that do not form “mainstream” actuarial management techniques

### *Learning Objectives*

- 4.1 To define the requirements of a statutory Financial Condition Report and how this fits into a broader financial condition reporting framework
- 4.2 Be able to identify the various sources of risk to a general insurer (including operational risk) and to account for them
- 4.3 To be able to calculate an actuarial value for the business.