

COMPLIANCE, GOVERNANCE AND RISK MANAGEMENT IN INSURANCE

SUBJECT CODE	SUBJECT NAME
IRCC 01	<u>FUNDAMENTALS OF INSURANCE</u>
IRCC 02	<u>INSURANCE REGULATIONS GOVERNANCE AND COMPLIANCE</u>
IRCC 03	<u>RISK MANAGEMENT IN INSURANCE</u>



IRCC 01:- FUNDAMENTALS OF INSURANCE

Year of Edition: 2015

Contents:

Chapter 1: Introduction to Risk and Insurance: Basic concept of risk – Assets – Risks and Perils – Risk and Uncertainty – Risk as Statistical Dispersion - Classification of Risks - Nature of Risk Environment - Static and dynamic risks – Fundamental and Particular Risks – Hazards - role of Insurance - Insurance and the burden of risk - mechanism of insurance.

Chapter 2: Risk Management and Insurance: Risk Management and Insurance Management - Steps in the Risk Management Process - Laying the objectives - Identification of risks - Evaluating and measuring the risk - Loss Frequency - Loss Severity - Classifying the Risk - Managing the Risk - Risk Control – Retention - Insurance as a tool.

Chapter 3: Principles of General Insurance: General insurance – the legal definition - Heterogeneity of Risk Exposures - Heterogeneity and Risk Classification – Solidarity - Claims Frequency and Size - Distribution of Claims - Credibility theory - Risk Theory and the concept of Ruin – The Pure risk premium - The Office Premium - Class and Individual Rates – Reserves.

Chapter 4: Life Insurance – An Introduction: Life Insurance and its customers – The Economic Life Cycle – The Asset – Defining and Measuring HLV – The Risks – Mortality verses other risks – Age and mortality risk – Level Premiums– Types of Life Insurance - Pooling and financial risks – The contract – The “Buy Term” Debate.

Chapter 5: Principles of Life Insurance: Premiums: Determination of Premiums – Premiums and Price – Elements of Premium – Mortality – The Mortality Table – Standard Mortality Table – Calculation of Mortality Costs – Interest - Future and Present Value of Annuity – The Net Premium – Net single Premium – Net Level Annual Premium – Gross Premiums – Reasons for Loading – Loading for Expenses – Loading for contingencies – Bonus Loading.

Chapter 6: Principles of Life Insurance: Profit and Returns: The Actuarial Control Cycle – Reserves – Net and Gross Premium Reserves – Assets Shares and Surrenders – Valuation and Surplus – Analysis of Surplus – Sources of Surplus – Determining the divisible surplus – Factors influencing retention of surplus – Free Assets – Distribution of surplus – The Bonus mechanism Reversionary Bonus – Cardinal principles in bonus

distribution – Re valorisation – The contribution method – Investment and Unit Linked Insurance.

Chapter 7: Legal Foundation of Insurance: Sources of Law – Elements of Insurance Contract – The Principle of Adhesion – The Principle of Uberrimis Fides – Material Facts – Breach of Utmost Good Faith – Mis-Representation – Representation and Warranty – The principle of Insurable Interest – The Principle of Subrogation – The Principle of Contribution – Proximate Cause.

Chapter 8: Pension Health and Group Insurance: Pensions and Old Age Income Security – Public Pensions – Occupational Pensions – Personal Pension – Pensions–the value proposition – Morbidity and Insurance – Medical Expenses Insurance – Managed Care and Medical Expenses – Living Benefits – Long Term Care – Discuss the Group Insurance.

Chapter 9: The Financial Market Place and Insurance: Introduction of Finance and Financial Products – Basic Categories of Financial Products – Distinctive Features of Financial Products – Attributes of Financial Assets – Risk – Liquidity – Convenience –Tax Benefit – Fiduciary Responsibility –Financial Market-A Taxonomy – Primary and Secondary Market – Money and Capital Markets.

Chapter 10: Insurance: The Changing Context: Demographics and other changes – Life Cycle Changes – Family Changes – The Three Pillars –Changing Profit of Non-Life Risks – Financial Market Changes – Implication and Industry Responses.

Annexure - Pension Fund Regulatory and Development Authority Act 2013

IRCC 02: INSURANCE REGULATIONS GOVERNANCE AND COMPLIANCE

First Edition: 2015

Contents:

Chapter 1: Overview of legal environment: Objectives- Nature of insurance contract - essentials for a valid contract - Constitution of the insurance regulatory and development authority of India- Duties, powers and functions of the authority - Insurance ombudsmen and consumer courts - Procedural matters before the Ombudsman - What is a complaint - consumer disputes redressal agencies - Power of civil court to district forum - Relief to the complainant - Other legislations applicable to insurance companies act, 2013 - Authentication of documents on behalf of a company (section 21)- Private placement - further issues of capital - Transfer and transmission of shares - nomination by shareholders - Notice of shareholders meetings - Minutes of meetings - Dividends - Corporate social responsibility (CSR)- Statutory auditors - Board of Directors - Appointment of Directors - Retirement of Directors - Additional, Alternate and Casual Vacancy Directors - Board meetings - Audit Committee & Nomination and Remuneration Committee - Powers of the Board - Appointment and Remuneration of Managing or Whole time Directors - Competition Act - Memorandum of Foreign Exchange Regulations Relating to Life Insurance in India - Memorandum Of Exchange Control Regulations Relating to General Insurance in India - Premiums on Marine Policies Covering Exports & Imports - Claims On Policies Covering Merchanting Trade - Non-Marine Insurance - Baggage And Valuables In Transit - Risks insurance on Marine hulls - Reinsurance - Remittance of Reinsurance Premia by Local Brokers - Foreign Currency Accounts and Investments Abroad - Applicable TRAI Regulations - Indian Stamp Act and J&K Stamp Act - Financial Services Authority (FSA) Principles of Good Regulation - International Association of Insurance Supervisors (IAIS) - Key Core Principles

Chapter 2: Incorporation of Insurance Companies: Definition - Requirement of registration of Insurance companies under the Act - Meaning of a Public Limited Company - Important requirements as to Memorandum and Articles of Association - Application for registration and documents to be annexed thereto - Stages in registration - Method of calculating foreign equity in Indian insurance companies - Quantum of Foreign Direct Investment - Obligation to commence business within 12 months of date of registration- Circumstances when IRDAI may suspend or cancel the registration of an insurer - Regulation 20 of IRDAI Regulations, 2000 .

Chapter 3: Corporate Governance in Insurance Companies: Principles of Corporate Governance - Provisions relating to Directors - Directors representing small shareholder - Provisions relating to appointment and remuneration of Whole time and

Managing Director - Provisions concerning holding of – meetings - Internal Audit and Statutory Audit & Audit Committee - Miscellaneous rights of Shareholders - Constitution of Committees - Role of Appointed Actuary.

Chapter 4: Compliance Organisation: Activities of compliance - Compliance organization - Role of compliance function - Compliance risk management

Chapter 5: Investment Related Compliances: Introduction - Investment categories based on type of business - Minimum and maximum investments based on Credit rating - Operational level controls - Risk Management systems review

Chapter 6: Products And Actuarial Related Compliances : General guideline on products - Waiting period for launch of insurance products- Product structure for Life insurance companies- Participating products (With Profits Products or Par products) - Minimum Death Benefit under Non-linked insurance products - Minimum sum assured under Linked insurance products - Obligations of the insurer for revival of the policy - Obligations of an insurer upon discontinuance of a policy - Options under Pension products - Financial Planning- Group insurance products - Group Savings Variable Insurance Products - Group Insurance Products Administration - Approval of Innovative products - System readiness certification before launching the product - Prohibition on variations in tariff coverages, wordings, endorsements and warranties - Filing of products - File and use requirement - Responsibility for compliance - Classification of products - role of Appointed Actuary - Documents required to be filed – Reinsurance.

Chapter 7: Distribution Related Compliances: Definition- Application for appointment as Individual Agents- Appointment letter & Identity card issued by the Insurance Company - Code of Conduct for Insurance Agents - Other compliances of a Corporate Agent- Insurance Brokers' Regulations- functions of the Reinsurance Brokers – Remuneration - Conduct in matters relating to clients relationship / Sales practices/ Furnishing of information/ Explanation of insurance contract / Renewal of policies/ Claim by client / Receipt of complaints / To documentation / Advertising/ Receipt of remuneration / Training - IRDAI (Micro Insurance) Regulations, 2015 - Web Aggregators.

Chapter 8: Customer Complaints Handling, Claims and Redressal: Definition – principles -Claims procedure of life insurance policy & general insurance policy -

Chapter 9: Accounting Related Compliances: Compliance with the requirements of the Accounting Standards - Accounting and Disclosure Requirements - Guidelines for preparation of financial statements - Conditions to be met for declaration of bonus to the policyholders - Disclosures in the Notes to Accounts - Guidelines for Disclosure

requirements - Clarifications on Ceiling on expenses of management - Other disclosures in Financial Statements - Asset Classification - Additional Disclosures In Financial Statements - Disclosures for ULIP business - Public Disclosures -

Chapter 10: Other Key Compliances in Insurance: Introduction - Anti Money Laundering (AML) - Office Details – Solvency – Advertisement- Outsourcing Guidelines - Rural & Social Sector Obligations

Chapter 11: Key Compliances - Other than Insurance: Governance Risk And Compliance - Importance Of Compliance In Business - Public Issues By General Insurance Companies - Commodity Exchanges - Foreign Assets Tax Compliance Act (FATCA) - IFRS Reporting - Indian Accounting Standards - Impairment Of Reinsurance Assets - Discretionary Participation Features In Insurance Contracts



IRCC 03: RISK MANAGEMENT IN INSURANCE

First Edition: 2015

Contents:

Chapter 1: Risks in an Insurance Enterprise: Enterprise risk management - Classes of risks - Rating of a risk - Evaluation and quantification of risks - Preparation of Risk registers - Risk Governance - Risk related Committees - Role of a Chief Risk Officer - Risks in Insurance Business

Chapter 2: Financial Risks I (General): Assets under Management (AUM) - Types of Financial Risks - Reserving / Provisioning - Risk Appetite Framework for Life Insurance Companies - Objective - Application of shocks on financial parameters - Fixed Income Credit Risk Framework - Rating - Modulation of the Exposure limits

Chapter 3 : Financial Risks II (General) : Accounting Standard - International Financial Reporting Standards - Benefits of Convergence with IFRS - Comparison of IFRS, Indian GAAP and Ind AS - Indian Accounting Standards - Financial Management Concepts in India - Capital Budgeting - Working Capital Management - Financing Decision - Objectives of Financial Management

Chapter 4: Operational Risk: Qualitative Risk Assessment - Analysis of Risks - Evaluation and Quantification of Risks - Monitoring And Reporting Risks - Quantitative Risk Assessment Steps

Chapter 5 :Actuarial Risks : Concept of Actuarial Risks in Insurance - Key Factors Influencing Actuarial Risks - Burning Cost - Concept of Pricing - Experience Rating of a Health Insurance Policy - Pricing Risk - Solvency Risk

Chapter 6: Other Risks: Reputation Risk - Stakeholders Management And Reputation Risks - Benefits Of Reputation Management - Monitoring Actual And Potential Risks - Benefits of Monitoring - Risk Prioritization - Benefits, Examples of Risk Mitigation Actions - Compliance Risk Management - Anti-Money Laundering (AML) Related Risks - Important AML Risk- Emerging Risks

Chapter 7: Business Contingency Planning & Disaster Recovery Planning: Introduction - Backup Computer Processing Choices - Contingency Planning Process - Detailed Outline of a Disaster Recovery Plan - Business Continuity Plan - Contingency Planning Process

Chapter 8: Risk Containment Measures: Characteristics of Risk Containment Measures - Fraud Risk – Risk Containment - Insurance Fraud - Types of Insurance Fraud - Example of Fraud Indicators - Benefits of Conducting a Fraud Risk Assessment - Important Aspects of The Anti-Fraud Policy - Theft Recovery - Types of Auto Insurance in India - Theft Claims

Chapter 9: Risk Management Techniques: Risk Appetite Framework - Characteristics of Risk Appetite Framework - Components of Risk Appetite Framework - Risk Management Techniques- Risk Transfer - Methods of Risk Transfer - Types of Reinsurance Contracts - Treaty Reinsurance - Types of Proportional Reinsurance - Concept of Own Risk Solvency Assessment (ORSA) – Features/ Objectives of ORSA / Conclusion on Risk Management



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