The Insurance Institute of Zambia (IIZA)

Executive Certificate in Reinsurance



Online Course

Introduction

Course Overview

The content of this Reinsurance course makes your road to learning about this aspect of insurance more effective, easier and more enjoyable than ever. Its streamlined approach strikes a careful balance between depth of coverage and ease of learning. It's world-class learning design - with insightful examples, thought primers, learning activities, case studies, review questions, and tutorial questions - ensures that you will be well prepared and have a richer understanding of the subject theory and practices.

In your professional journey with the Executive Certificate in Reinsurance, you will develop knowledge and understanding about the different types of reinsurance, the global marketplace for reinsurance, current market practices, and the main aspects of property, casualty, marine, aviation, life and medical reinsurance.

Learning Outcomes

By the end of this course, you should be able to:

- Understand the purpose of Reinsurance and the parties to a Reinsurance Contract;
- Explain the Principles of Insurance as applicable to a Reinsurance Contract;
- Describe the features, practical application and operation of Facultative Reinsurance – inclusive of both Proportional and Non-Proportional Treaty;
- Understand how the principles of Reinsurance are applied to the design of reinsurance programmes and market practices;
- Describe the process of collection, interpretation, and usage of data (statistics) in the design of a Reinsurance Programme;
- Understand the Regional and Global Reinsurance markets;
- Examine the accounting methods for different types of Reinsurance;
- Understand the main aspects of Property, Casualty, Marine, and Aviation reinsurance; and
- Understand the main aspects of Life and Medical Reinsurance.



Module 1: Reinsurance Contracts

Learning Outcomes

On completion of this module, you should be able to: -

- Understand and be able to articulate the purpose of reinsurance;
- Describe the parties involved in a reinsurance contract and their contractual obligations;
- Understand the features of retrocession;
- Understand the use and role of a reinsurance brokers; and
- Understand what is meant by Retakaful, and how it works.

What is Covered

Reinsurance Terminology

The Purpose of Reinsurance

- Transfer of risk
- Spreading risk
- Increasing capacity
- Capital management
- Providing security and confidence
- Increasing stability in underwriting results
- Cash flow advantages
- Portfolio and asset management
- Corporate strategy

Different Purchasers and Providers of Reinsurance

- Buyers of reinsurance
- Sellers of reinsurance

The Contractual Relationship Between the Parties

The Role of the Retrocedant and Retrocessionaire

The Role of the Broker/ Intermediary in The Reinsurance Process

- Acquisition of business
- Placing business
- Servicing clients

Introduction to Retakaful and Retrotakaful

- Gharar
- Maysir
- Riba

Module 2: Reinsurance Fundamentals

Learning Outcomes

On completion of this module, you should be able to: -

- Describe the different types of reinsurance, its main features and characteristics;
- Explain the differences between the various methods of reinsurance;
- Outline the various definition of premium income used in reinsurance and how they apply to reinsurance programme;
- Describe the purpose and operations of some common clauses in reinsurance contracts; and
- Understand the use of Alternative Risk Transfer.

What is Covered

Reinsurance Methods

- Facultative reinsurance
- Treaty reinsurance
- Proportional and non - proportional methods of reinsurance

Premium Income

- Premium calculation
- Adjustable premiums

Retrocession

Alternative Risk Transfer (ART) Products

- Development and features of art
- Finite risk solutions
- Capital markets

Module 3: Facultative Reinsurance

Learning Outcomes

On completion of this module, you should be able to:

- Explain the common requirements of facultative cover;
- Distinguish between facultative proportional and facultative non-proportional reinsurance and how each operates; and
- Difference between the premium and claims calculation.

What is Covered

Facultative Reinsurance Methods

- Facultative proportional reinsurance
- Facultative non- proportional reinsurance

Premium and claim calculation methods for proportional and excess of loss reinsurance

- The relationship between premiums and risks
- Uses of facultative excess of loss reinsurance
- Transacting facultative reinsurance with brokers, other intermediaries and counterparties

Module 4: Proportional Reinsurance Treaties

Learning Outcomes

After completing this module, you should be able to:

- Explain the operation of the main types proportional treaties;
- Discuss alternative bases of cover;
- Calculate earned and unearned premiums;
- Describe the various types of commission arrangements;
- Distinguish between premium and claims reserves; and
- Explain the use of cession and event limits.

What is Covered

Features and Operation of Proportional Treaties

- Quota share treaty
- Advantages and disadvantages of quota share treaties
- Surplus treaty reinsurance
- Facultative obligatory
- Hybrid forms of proportional treaty reinsurance
- Alternative bases of cover

Ceding Commissions

Flat Rate and Sliding Rate

- Profit commission (flat -rate basis)
- Dealing with profit fluctuations
- Sliding scale commission

Premium and Claims Reserves

- Premium reserves deposits
- Clauses relating to reserve deposits
- Claims or loss reserve deposits

Cession and Event Limits in Proportional Treaties

- Cession limits
- Event limits

Loss Participation Clauses in Proportional Treaties

Module 5: Non-Proportional Reinsurance Treaties

Learning Outcomes

On completion of this module, you should be able to:

- Discuss the best types of non-proportional reinsurance treaties and the uses;
- Discuss the advantages and disadvantages of the different types of non-proportional treaties;
- Describe the significance of events in determining how losses are allocated under non-proportional treaties; and
- Explain the importance of reinstatements.

What is Covered

Features and Operation of Non-Proportional Treaties

- Excess of loss
- Stop loss treaty
- Aggregate excess of loss
- Clash excess of loss
- Umbrella excess of loss
- Buffer excess of loss
- 'Back- up' covers
- 'Top and drop' and 'cascade ' protections

The Bases of Cover

- Risk attaching during (RAD)
- Losses occurring during (LOD) basis
- Loss discovered/claims made basis

Module 6: Reinsurance Programmes, Market Practices and Legal Issues

Learning Outcomes

On completion of this module, you should be able to: -

- Discuss the processes involved in the designing, pricing and placing of a reinsurance programme;
- Explain the importance of reciprocity;
- Describe the use and impact of electronic placement of reinsurance;
- Explain the main practices in the reinsurance market on the requirement of compulsory or voluntary cession and the national agenda to retain premium domestically;
- Explain the legal issues related to the formation and interpretation of a reinsurance contract;
- Explain the importance of the choice of law and jurisdiction clause related to the reinsurance contract;
- Describe the features of facultative and treaty wordings; and
- Outline the clauses used in proportional and non-proportional treaty wordings and the exclusions to be applied.

What is Covered

Design, Selection, and Placing of Reinsurance

- The design process
- Combination of proportional and non - proportional treaties
- Selection considerations
- Pricing of reinsurance
- Material information in the placing process and reciprocity
- Electronic placing

Reinsurance Market Practices

- Markets with cession and sharing of risk amongst local insurers
- Compulsory and voluntary cession
- Government ’s role in reducing the outflow of premium

Legal Issues

- Formation of a reinsurance contract
- Interpretation of contractual documents
- Choice of law, jurisdiction, and forum

Contract Wordings

- Facultative and treaty wordings
- Proportional and non - proportional wordings
- Treaty exclusions

Module 7: The Global Reinsurance Market

Learning Outcomes

On completion of this module, you should be able to: -

- Explain the main features of the principal global markets;
- Discuss the market characteristics of the captive and retrocession markets, capital market solutions and terrorism markets;
- Describe the evolution of the market cycles and their effect on underwriting performance and reinsurance capacity; and
- Discuss the importance of security ratings in the placing of reinsurance.

What is Covered

The Principal Global Markets

- Consolidation of markets
- Political instability
- Geographical concerns
- Development of communication systems
- Requirements of an international reinsurance market
- Extraneous environmental features
- London market
- Continental European markets
- The US market
- Bermuda
- The Asia Pacific markets
- Middle East and North Africa (MENA) region

Market Characteristics

- Captives
- Retrocession markets
- Capital market solutions
- Terrorism markets

Characteristics of Hard and Soft Markets – The Market Cycle

- Hard market
- Soft market
- Managing underwriting performance during changing cycle
- Extraneous influences
- Effects of market cycles on market capacity and pricing of reinsurance

Security of Reinsurance

- Rating agencies
- Claims paying abilities
- Factors considered during ratings
- Technology
- Rating indicators
- Sources of information for rating purposes
- Impact of ratings
- Insolvency
- Effects of liquidation
- Letter of credit
- Lloyd's capital structure

Module 8: Reinsurance Accounting Methods

Learning Outcomes

After completing this module, you should be able to:

- Describe the common accounting methods used for facultative and proportional treaties; the calculation of commission, profit commission and release of reserves;
- Explain the common methods of calculating earned and unearned premiums;
- Describe the common accounting methods used for non-proportional treaties;
- Explain deposit or minimum deposit premiums, adjustment premiums, burning cost and reinstatement;
- Discuss the financial consideration, reserve deposits, payment of interest and alternatives to cash deposits; and
- Describe the operations of discounts and deductions, including taxes and brokerage.

What is Covered

Facultative and Proportional Reinsurance

- Accounting methods
- Methods of calculating earned and unearned premiums

Non-Proportional Reinsurance

- Accounting methods
- Premium definitions
- Burning cost
- Reinstatement
- Financial considerations

General

- Income recognition for reinsurance (inward) business
- Summary of transaction cycles
- Taxes and brokerage

Module 9: Property, Casualty, Marine and Aviation Reinsurances

Learning Outcomes

After completing this module, you should be able to:

- Describe the main underwriting characteristics and principles of rating of property, casualty, marine, and aviation reinsurance;
- Explain the different reinsurance methods applied to property, casualty, marine, and aviation reinsurances; and
- Discuss the main terms and conditions specific to property, casualty, marine, and aviation reinsurance.

What is Covered

Property

- Underwriting characteristics
- Reinsurance methods applied for property reinsurance
- Terms and conditions in property reinsurance

Casualty

- Underwriting characteristics
- Long-tail features
- Types of loss
- Scope of reinsurance treaty
- Types of reinsurance purchased
- Combining casualty classes
- Claims management

Marine

- Underwriting characteristics and treatment of war risks
- Reinsurance methods applied to marine reinsurance

Aviation

Underwriting characteristics

Module 10: Life and Medical Reinsurance

Learning Outcomes

After completing this module, you should be able to:

- Appreciate the need for life and medical reinsurance;
- List the types of reinsurances that are available; and
- Describe the different methods of reinsurance for life and medical insurance.

What is Covered

Underwriting Characteristics

- Life reinsurance
- Medical reinsurance

Reinsurance Methods in Life and Medical Reassurance

- Life reinsurance methods
- Medical reinsurance methods

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