Fundamentals of risk management

Purpose
To explore the principles of risk management and the role of insurance within these principles.

Assumed knowledge
It is assumed that the candidate already has knowledge of the fundamental principles of insurance as covered in IF1 Insurance, legal and regulatory or equivalent examinations.

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* The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

Important notes

- Method of assessment:
  - Mixed assessment consisting of two components, both of which must be passed. One component is a coursework assignment and one is a multiple choice question (MCQ) examination. The details are:
    1. an online coursework assignment using RevisionMate consisting of 10 questions which sequentially follow the learning outcomes. This must be successfully completed within 6 months of enrolment; and
    2. an MCQ exam consisting of 50 MCQs. 1 hour is allowed for this exam. This exam must be successfully passed within 18 months of enrolment.
- This syllabus will be examined from 1 May 2020 until 30 April 2021.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  1. Visit www.cii.co.uk/qualifications
  2. Select the appropriate qualification
  3. Select your unit from the list provided
  4. Select qualification update on the right hand side of the page
1. Understand the meaning of risk
   1.1 Explain the difference between risk and uncertainty.
   1.2 Explain the basics of probability theory.
   1.3 Discuss risk perception.
   1.4 Explain the difference between pure and speculative risk.

2. Understand the role and purpose of risk management
   2.1 Explain the evolution of the discipline of risk management.
   2.2 Outline the benefits of risk management.
   2.3 Explain key roles and responsibilities for risk management (board, managers, risk function etc).
   2.4 Explain the relationship between risk management, compliance and the audit function.

3. Understand the core elements of the risk management process
   3.1 Outline the risk management process.
   3.2 Explain the purpose and contents of a risk register.
   3.3 Explain the various risk management standards that exist.
   3.4 Explain the various risk management tools and techniques (identification, assessment, monitoring, control and financing).
   3.5 Explain the regulatory and corporate governance environment affecting risk management.

4. Understand the different categories of risk
   4.1 Define and categorise the different forms of risks (e.g. various financial, operational, insurance risks, strategic and reputation).
   4.2 Discuss difficult to categorise risks.
   4.3 Examine the link between cause, events and effects.

5. Understand current trends in risk management.
   5.1 Discuss the principles of Enterprise Risk Management (ERM) and Governance Risk and Compliance (GRC) and how this affects risk management.
   5.2 Explain the role of the Chief Risk Officer and Risk Committees.
   5.3 Explain the concepts of risk aggregation and correlation.

6. Understand the position of insurance within risk management
   6.1 Explain the role of insurance as a risk transfer mechanism.
   6.2 Explain the role of an insurance intermediary in supporting risk management.
   6.3 Discuss alternatives to insurance (captives, alternative risk transfer, self-insurance).

7. Understand the key risk management lessons learnt from major loss events
   7.1 Explain why risk management systems can fail.

7.2 Explain the consequences of the failure of risk management systems and the lessons we can learn from past loss events.
Reading list

The following list provides details of further reading which may assist you with your studies.

Note: The examination will test the syllabus alone.

The reading list is provided for guidance only and is not in itself the subject of the examination.

The resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

CII/PFS members can access most of the additional study materials below via the Knowledge Services webpage at https://www.cii.co.uk/knowledge-services/.

New resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources, please go to https://www.cii.co.uk/knowledge-services/ or email knowledge@cii.co.uk.

CII study texts


Books (and ebooks)


Ebooks

The following ebooks are available through Discovery via www.cii.co.uk/discovery (CII/PFS members only):


Factfiles and other online resources

CII fact files are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Written by subject experts and practitioners, the fact files cover key industry topics as well as less familiar or specialist areas of general insurance, life, and pensions and financial services, with information drawn together in a way not readily available elsewhere.

Available online via www.cii.co.uk/ciifactfiles (CII/PFS members only).

* Also available as an ebook through Discovery via www.cii.co.uk/discovery (CII/PFS members only).
The Insurance Institute of London (IIL) podcast lecture series features leading industry figures and subject experts speaking on current issues and trends impacting insurance and financial services. Available online at https://www.cii.co.uk/insurance-institute-of-london/ (CII/PFS members only).

- Insurance-linked securities (ILS). Alan Punter.
- Risk control. Ian Searle.
- Risk identification. Ian Searle.
- Risk transfer. Ian Searle.
- Recent developments to Solvency II. Brad Baker.


Further articles and technical bulletins are available at https://www.cii.co.uk/knowledge-services/ (CII/PFS members only).

Journals and magazines
Access to further periodical publications is available from the Knowledge website at www.cii.co.uk/journalsmagazines (CII/PFS members only).

Reference materials

Exemplars
Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the MCQ exam component.

These are available on the CII website under the unit number before purchasing the unit. They are available under the following link www.cii.co.uk/qualifications/diploma-in-insurance-qualification.

These exemplar papers are also available on the RevisionMate website (www.revisionmate.com) after you have purchased the unit.

Exam technique/study skills
There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at www.cii.co.uk/iilrevision (CII/PFS members only).