

# GUERNSEY CERTIFICATE IN INTERNATIONAL INSURANCE MANAGEMENT

## LEARNING OBJECTIVES

14 January 2026

# Unit 2

## Captives

### Purpose

By the end of this unit the participant should be able to demonstrate a thorough understanding of the reasons captives are utilised and the different types of captive that exist and how they may be employed.

### Assumed knowledge

None

Summary of learning objectives
1. Understand what a captive is
2. Understand the reasons for the creation of a captive
3. Understand the different types of captives and the circumstances when use of each type is appropriate
4. Understand the key features of a Protected Cell Company and an Incorporated Cell Company
5. Understand the role of a Joint Interest Captive/Mutual Pool
6. Understand the key benefits that a captive offers
7. Understand the alternatives to using a captive and why a captive may be more advantageous

### Self-test questions

Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.

1. What is Sydney Pine's definition of a Captive?
2. Discuss three reasons why Association captives might not succeed?
3. Discuss three key benefits offered by a captive over traditional insurance?
4. Discuss two alternatives (excluding captive) to purchasing traditional insurance?
5. Why must the assets of each PCC cell be kept in separate bank accounts?
6. How does an ICC differ from a PCC?

# Unit 3

## Domiciles

### Purpose

By the end of this unit the participant should be able to demonstrate an understanding of;

- those domiciles that most commonly host captive insurance vehicles,
- the main advantages and disadvantages of each, and
- Guernsey's position within the worldwide captive environment.

The unit reviews the relevant factors when choosing the domicile of a captive. It begins with consideration of whether the captive should be created onshore or in one of the more established offshore domiciles. After a review of the basic criteria for all captive locations, there is consideration of other general and legal features. It should be stressed that, when discussing domiciles in general,, the legal issues have been summarized to avoid over-complexity. From a legal point of view, the differences between the majority of offshore domiciles are relatively small. They are somewhat more onerous for certain onshore captive jurisdictions such as the EU (but the detail of all the laws applicable in each domicile would turn this unit into an encyclopaedia, quite apart from the fact that changes are occurring all the time and the content of this unit would rapidly be out of date). Thus, the main features are reviewed and if there is interest in a specific territory then one can access the specific law (typically via the regulator's website). There is a review of the main features of those domiciles which generally come into consideration when forming a captive insurance vehicle. Finally a summary of Guernsey's position within the worldwide and European context is evaluated.

### Assumed knowledge

Different types of corporate structures applied as captive vehicles – refer to Unit 2

Difference between writing insurance on an admitted and non-admitted basis – refer to Unit 9

Summary of learning objectives
1. Understand the generic differences between onshore and offshore domiciles
2. From a European perspective, understand why some companies choose to form captives within the EU, whilst others choose domiciles located outside of the EU
3. Be acquainted with the features of the primary jurisdictions that host captive insurance vehicles
4. Understand Guernsey's positioning in the worldwide captive environment

Self-test questions
Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.
1. What are three advantages and disadvantages of an onshore captive domicile?
2. Does taxation have any influence when choosing a captive domicile?
3. What is the main benefit of establishing a captive in an EU domicile?
4. What are considered the five primary advantages of Guernsey as a captive domicile?

# Unit 4A

## Feasibility study

### Purpose

At the end of this unit the participant should understand the purpose and key contents of a captive feasibility study.

### Assumed knowledge

The reasons why captives are formed and the key benefits provided as set out in Unit 2

Summary of learning objectives
1. What are the key criteria for viability that should be considered in a feasibility study
2. Which organisations are able to undertake such a study
3. What the expected contents of the study should be
4. How the amount of risk to be retained by the captive might be determined
5. Why the feasibility study is so important in laying the foundations for a captive

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. What is the purpose of a captive feasibility study?</li><li>2. Does a company have to be very large for a captive to be viable?</li><li>3. Is it important that a company exercises sound risk management if it is to consider a captive?</li><li>4. How large does the premium spend of a company need to be for a captive to be viable?</li><li>5. Who might be best placed to undertake a feasibility study?</li><li>6. Try to obtain access to a feasibility study in order to scrutinize it.</li></ol>

# Unit 4B

## Initial decisions in setting up a captive

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding of the main decisions that should be made with regard to establishing a captive, why they are important and the factors associated with them.

### Assumed knowledge

Options available and reasons for choosing a particular captive domicile. See Unit 3

Summary of learning objectives
1. Why do most captives owners appoint a, professional third party management company to administer their captive
2. The importance of the composition of the captive board
3. The typical contents and purpose of the captive's business plan
4. The key matters that should be considered at the first board meeting

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. Is it necessary to appoint a standing Chair of the board?</li><li>2. State three reasons for appointing an insurance management company?</li><li>3. Name one other service provider that must be appointed at the first board meeting?</li><li>4. Why must the captive hold its first board meeting before commencing business?</li></ol>

# Unit 4C

## Step plan for company formation and licencing

### Purpose

At the end of this unit the participant should be able to demonstrate an appreciation of the processes and time line required to incorporate the company, obtain an insurance licence in Guernsey, and to be ready to commence writing insurance business.

It is not expected that you memorise the step plan but rather gain an appreciation of the importance of each step and the need to follow the chronology as set out in the plan provided.

### Assumed knowledge

None

Summary of learning objectives
1. The likely time frame for the establishment and licencing of a Guernsey (re)insurance company
2. The order in which various actions must be undertaken
3. An understanding as to who has responsibility for delivery of each step of the plan

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. What is a reasonable time frame in which to establish and licence a Guernsey (re)insurer?</li><li>2. When do you need to have confirmation of the auditor's willingness to act?</li><li>3. What due diligence information is required from the directors? NB you will probably need to talk with your compliance team to gather the answer to this.</li><li>4. When does the name of the company need to be approved and by whom?</li></ol>

# Unit 4D

## Exit strategies

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding as to how to exit a captive strategy if the need to do so arises

### Assumed knowledge

Differences between long tail and short tail insurance business. Refer to Unit 11

Summary of learning objectives
1. An understanding of the reasons for wanting to exit from owning a captive
2. An understanding of the matters that can influence the method of exit
3. An understanding of methods to dispose of any remaining liabilities
4. An understanding of the available options for closure of the company

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. Why might a merger or acquisition by the captive's shareholder lead to the need for its closure?</li><li>2. Why might a different approach be required when exiting long tail business as opposed to short tail covers?</li><li>3. What services does a legacy company offer?</li><li>4. What's the advantage of Voluntary Strike Off compared to Voluntary Liquidation?</li></ol>

# Unit 5

## Guernsey Insurance Law

### Purpose

The end of this unit the participant should be able to demonstrate an understanding of the key elements and requirements of the Insurance Business (Bailiwick of Guernsey) Law, 2002

### Assumed knowledge (if applicable)

None

Summary of learning objectives
1. Understand the minimum criteria for licencing
2. Understand the requirements for appointment of the Board of Directors, General Representative and Auditor
3. Understand the different requirements of the law in respect of Long Term (Life) business compared with General Insurance
4. Be aware of the Minimum Capital Requirements

### Self-test questions

Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.

1. What are the two main licence classes of (re)insurers in Guernsey?
2. Provide an explanation of two Minimum Criteria for licencing?
3. Does the Insurance Law allow for corporate directors of an insurer?
4. It is recommended you visit the GFSC website and looked through the section on Insurance to gain a general feel for the content available on the site.

# Unit 6A

## The regulatory environment

### Purpose

There are over 1800 pages of applicable laws, regulation, codes, rules, instructions and guidance on the GFSC website. It is not expected that the participant will have read or know all of these but rather that there is an awareness of their existence and any understanding as to how to access, interrogate and apply them.

### Assumed knowledge

None but please refer to the link below for a list of applicable laws, regulations, rules, codes and guidance on the GFSC website

<https://www.gfsc.gg/industry-sectors/insurance/legislation-and-guidance>

Summary of learning objectives
1. Understand as to where to find all laws, regulations, rules, codes and guidance and how to interrogate the contents
2. Understand the requirements of the Cyber Security Rules and breach notifications
3. Understand the conflicts of interest inherent in PORCs and POICs and how they should be addressed
4. Understand what constitutes a change of business plan that needs to be advised to the GFSC
5. Understand the circumstances around a change of shareholder that should be advised to the GFSC



Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. Why is it so important to know where to access the regulatory regime applying to a Guernsey insurer?</li><li>2. What are the five core principles of the Cyber Security Rules?</li><li>3. What are PORC's and POIC's and why are they of concern to the GFSC?</li><li>4. What are the key differences between the regulation of a captive and a commercial insurer? Why is this so important to the reputation of Guernsey? (Unit 24 will be useful in this regard.)</li></ol>

# Unit 6B

## Solvency

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding of the methods by which solvency is tested and the importance of maintaining adequate solvency at all times.

### Assumed knowledge

None

Summary of learning objectives
1. Understand the difference between MCR, PCR and OSCA in relation to the regulatory solvency requirements
2. Understand how the amount of premium written and claims reserves impact a (re)insurer's solvency
3. Understand when an ORSA is required
4. Understand the four stages of the Supervisory Ladder of Intervention

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. What type of business activity is a Category 5 licence permitted to write?</li><li>2. What is the Minimum Capital Floor for a Guernsey insurer writing General Insurance only?</li><li>3. When should the PCR of an insurer be calculated?</li><li>4. What is the purpose of an OSCA?</li></ol>

# Unit 7

## The Insurance Manager

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding as to what are the key responsibilities of the insurance manager and the importance of the role

### Assumed knowledge

An understanding of the reasons to appoint an insurance manager.

Summary of learning objectives
1. Understand what are the key responsibilities of the insurance manager
2. Understand why maintenance of underwriting information (such as premium written and claims experience) by policy year is just as important as maintaining the management accounts of the company
3. Understand the role of General Representative
4. Understand the responsibilities that Anti Money Laundering regulations place upon an insurance manager

### Self-test questions

Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.

1. Why is the role of the insurance manager so important?
2. How are underwriting statistics and the management accounts different and what are each used for?
3. What is the role of an insurance manager with regard to claims handling?
4. What is the role of the General Representative?
5. (It is recommended you read the sample Management Agreement contained in the appendices.)

# Unit 8A

## Underwriting – General Business

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding of the typical means that the different classes of general insurance business can be written and reinsured by a captive.

### Assumed knowledge

An understanding of the various classes of general insurance business written by the traditional insurance markets

Summary of learning objectives
1. The types of insurance cover typically written by a captive and the ways the captive can participate in these policies
2. Challenges that a captive can face writing long tail coverages (such as General Liability) and how these can be mitigated
3. How captives are utilised to respond to risks which the traditional markets have been reluctant to participate
4. How reinsurance plays an important role in enabling a captive to offer its owner a viable alternative to traditional insurance coverage
5. How a captive might set about in trying to assist its parent with coverage for uninsurable risks

Self-test questions
Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.
1. How can a fronting company provide a solution to limit a captive's retained exposures?
2. Why is it sometimes better for a captive to take 100% of a risk and then purchase reinsurance as a means to limit its retained exposure?
3. What elements of marine cargo insurance make it an attractive risk for captive participation?
4. What limitations are there on a captive to write uninsurable risks?
5. What key features must exist in any financial reinsurance contract?

# Unit 8B

## Underwriting Employee Benefits

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding of the value delivered by a captive in managing employee benefit ("EB") risks more efficiently and the limitations that are applicable.

### Assumed knowledge

Working knowledge of the operation of a captive insurance company.

Summary of learning objectives
1. Understand which employee benefits are likely to be of relevance to captives
2. Understand how the typical structure of an employee benefit captive is a consequence of the nature of those benefits
3. Understand the reasons why some companies may decide not to use their captive to write employee benefits
4. Understand the key requirements for an employee benefits captive to succeed
5. Alternative arrangements to captive structures

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. What employee benefit covers do <b>not</b> qualify as General Business?</li><li>2. What are the benefits of writing EB in a captive?</li><li>3. Why is fronting insurer nearly always involved when writing EB in a captive?</li><li>4. Discuss some alternatives to placing EB in a captive</li></ol>

# Unit 8C

## Credit ratings

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding of:

- Why a number of locally regulated (re)insurance entities have obtained a credit rating
- How to go about applying for a rating
- The advisors that can assist in obtaining a rating
- The benefits & efficiencies that can be achieved through having a rating

### Assumed knowledge

This section assumes that the reader has a working knowledge of (re)insurance company capital requirements and fronting arrangements including the costs of collateralisation. See Unit 9

Summary of learning objectives
1. Capital relief benefit provided by a rated (re)insurer
2. Preliminary credit rating process
3. Understanding of annual and ongoing monitoring requirements
4. Knowledge of names of major credit rating companies
5. Knowledge of advisors available to assist
6. Understanding as to how rating agencies are regulated
7. Understand why companies may want two or more ratings
8. Knowledge of ratings, modifiers and outlooks

### Self-test questions

Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.

1. Please consider whether any of the companies you work with would benefit from obtaining a credit rating? Please discuss your thoughts with a colleague including whether you believe there are any factors inhibiting obtaining a rating.
2. Download the AM Best rating protocol for international (re)insurers, what are the main rating pillars applied in its analysis?
3. Consider the different outlooks assigned by the rating agencies. What factors might lead to each being assigned?
4. Which agencies are more likely to be approached for a second rating by a start up (re)insurance company?
5. What was the principal impact of Brexit on international rating agencies?

# Unit 9

## Insurance Policy Administration

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding as to what influences the decision of a captive to make use of the services of a fronting company, the additional requirements that fronting entails and the general principles for establishing premiums and policy terms when writing insurance directly.

### Assumed knowledge

An understanding of what a captive insurance company is. See Unit 2

Summary of learning objectives
1. The key reasons why it is often not possible for a captive to write its shareholder organisation's risks on a direct insurance basis
2. Understand the services a fronting company provide to a captive
3. What are the principal clauses of a fronting agreement and the requirements & obligations imposed upon a captive by such an agreement
4. An understanding of the benefits and burdens of using a fronting company

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. Why do fronting companies require security from a captive?</li><li>2. Why is a parental guarantee typically not an appropriate solution by which to offer security to the fronting company?</li><li>3. Provide two reasons why it may not be possible for a captive to write insurance directly?</li><li>4. Name two reasons why care must be taken when determining the premium and policy terms for a policy written directly with the captive shareholder organisation?</li><li>5. It is recommended you read the sample Fronting Agreement provided in the appendices</li></ol>

# Unit 10

## Reinsurance protection

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding as to why captives purchase reinsurance, the types of reinsurance available and how a captive might select a reinsurer.

### Assumed knowledge

The treatment of reinsurance within the solvency model and therefore its importance to a captive. See Unit 6B and the solvency model in the appendices.

Summary of learning objectives
1. Gain a general understanding of the reinsurance market
2. Understand why captives purchase reinsurance
3. Understand the different types of reinsurance available and reasons for their selection
4. Understand the criteria for selecting a reinsurance company
5. Understand the reinsurer's considerations regarding provision of protection to captives
6. Understand the expectations of the GFSC with regard to a policy for reinsurance



Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. Give two reasons why pricing of risk by a reinsurer is different to insurance?</li><li>2. Name three markets that offer reinsurance?</li><li>3. Provide two reasons why captives purchase reinsurance?</li><li>4. Why do some captives purchase Aggregate Stop Loss Reinsurance?</li><li>5. Name three criteria a captive might consider when selecting a reinsurer?</li><li>6. It is recommended you read the GFSC guidance note with regard to reinsurance.</li></ol>

# Unit 11

## Claims and Reserving

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding of the requirements relating to handling claims and establishing reserving.

### Assumed knowledge

The difference between Short and Long Tail insurance.

Short Tail are those types of insurance where claims are known either within the policy period or a reporting period (typically twelve months) thereafter and where claims are typically settled within two or three years of the incident leading to the claim. Examples being Property Damage or Marine Cargo.

Long Tail are those types of insurance where claims may not become apparent or reported for several years after the expiry of the insurance policy period and/or where the time taken to reach the settlement of a claim may take longer (say three or more years). These are typically liability insurance covers such as Public or Employers liability, Motor Third Party liabilities or Pollution liability.

NB: Long Tail is not to be confused with Long Term. See Unit 20

Summary of learning objectives
1. Understand the difference between the requirements for handling claims when written direct compared with on a fronted basis
2. Understand the importance of establishing Incurred But Not Reported ("IBNR" ) reserves and the process by which IBNR reserves may be determined
3. Understand the importance and necessity of informing and liaising with the captive's reinsurers
4. Understand the need for the captive to act independently from, and not be influenced by, the parent organisation when settling claims or establishing claims reserves

Self-test questions
Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.
1. Provide two reasons why a captive might appoint a global loss adjustor?
2. When might an outside claims administrator be appointed by a captive rather than using the Insurance Manager to handle the claims process?
3. When should reinsurers be advised of a claim?
4. What is an ex-gratia claim payment and why should captives be wary of making one?
5. What is the importance of maintaining reliable and detailed claims statistics?

# Unit 12

## Accounting

### Purpose

This unit is not intended to be a detailed technical review of accountancy, which would be an entirely separate exercise requiring more than one unit of coursework. Rather this is intended as an overview of the main aspects of the finances and accounting requirements of an insurance company.

### Assumed knowledge

A basic understanding of the usual financial transactions made by an insurance company.

Summary of learning objectives
1. Understand the key sources of income and expense of a (re)insurance company
2. Understand the purpose of the technical underwriting accounts
3. Understand what key information can be found in the profit and loss account of a (re)insurer
4. Understand the importance and relevance of items that make up the balance sheet

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. What is the purpose of an unearned premium reserve in the accounts?</li><li>2. Explain the main difference between financial accounts and underwriting statistics?</li><li>3. Why might there be foreign exchange gains or losses shown in the accounts of an (re)insurance company?</li><li>4. What are the most material items to consider when looking at the balance sheet of an (re)insurer?</li></ol>

# Unit 13

## Investments and loans

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding to as the reasons why insurance companies invest their funds, the options for investment and the factors which should be considered when determining investment strategy.

### Assumed knowledge

A general understanding of how insurance companies operate and the solvency model issued by the GFSC. See Unit 6B and the appendices.

Summary of learning objectives
1. Understand why insurance companies invest their assets
2. Know the type of investments insurance companies typically hold
3. Understand why it is important for the (re)insurer board to understand the impact of accounting on a "Mark to Market" basis
4. Why solvency is an important consideration when considering the class of asset in which to investments

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. What is liquidity and why does it matter?</li><li>2. Give two reasons why an insurance company invests its funds?</li><li>3. Why should an insurer consider both the risk and reward when choosing an investment?</li><li>4. Give two negative factors in relation to loans made to a captive's parent company?</li><li>5. Why does a large investment in a lower rated bond (say BBB) have an adverse impact on the solvency of a Guernsey insurer?</li></ol>

# Unit 14

## Fiscal matters

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding as to the type of taxes to which a (re)insurance company may be subject (directly or indirectly) and the administration required to address them.

### Assumed knowledge

A basic understanding of the application of insurance premium tax.

Summary of learning objectives
1. Understand which taxes may impact the operation of a (re)insurance company
2. Recognise that the choice of domicile for a(re)insurer should not be driven solely by taxation considerations
3. Understand the importance of recognising and administering premium taxes
4. Understand the operational and governance regime that needs to be followed by a (re)insurance company in order to meet the Guernsey Economic Substance requirements



Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. What are some possible negative tax aspects of establishing a captive insurance company?</li><li>2. Provide details of three tax essentials for a (re)insurance company?</li><li>3. Why is it important for a Guernsey (re)insurer to accept (and remit any associated payments) in respect of premium taxes imposed by other countries?</li><li>4. What are the Core Income Generating Activities of a Guernsey (re)insurance company?</li><li>5. Where should underwriting decisions of a Guernsey (re)insurer take place and why?</li></ol>

# Unit 15

## Compliance

### Purpose

At the end of this unit the participant should understand the importance of the compliance function and the role of the Compliance Officer.

### Assumed knowledge

None

Summary of learning objectives
1. Understand the compliance requirements of a licensed insurer
2. Know the role of the Compliance Officer
3. Grasp the concept of three lines of defence
4. Understand the key components of a compliance report to the board
5. Recognise the role of the insurance manager with regard to AML/CFT
6. Know the seven data protection principles to be observed
7. Know the five core principles of the Cyber Rules

### Self-test questions

. Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.

1. What are the five core principals of the Cyber Rules?
2. Which insurers must submit an annual Financial Crime Risk Return to the GFSC?
3. Does an insurance company writing general insurance business need to be concerned about Money Laundering?
4. What distinguishes a Data Controller from a Data Processor?

# Unit 16A

## Governance

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding as to the role and responsibilities of the board for directing and managing the company.

The participant should also be able to provide an overview of the governance framework that will need to be in place in order for the board to have adequate oversight and control of the operations of the company.

### Assumed knowledge

None

Summary of learning objectives
Have a basic understanding of the 18 principles in Appendix 3 of the GFSC's Finance Sector Code of Corporate Governance and how the board may apply them in practice.

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. Should a director have a financial interest in any matter that the board is considering, what must that director do?</li><li>2. What committees of the board are commonly formed?</li><li>3. How many directors must be appointed?</li><li>4. What is the role of the independent director and how is independence determined?</li><li>5. Name three matters that you would expect to find considered within a Risk Register?</li></ol>

# Unit 16B

## BUSINESS CONDUCT, ETHICS AND ESG

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding as to the key values and behaviours which constitute business ethics and the associated regulatory requirements for insurers to follow so as to conduct business in accordance with those values. , As well the participant will have an awareness of the GIIA initiative to raise the profile of Environmental, Social and Governance (ESG) factors in the insurance industry.

### Assumed knowledge

None

Summary of learning objectives
1. Understand the importance of business ethics
2. Know the 10 Principles for the Conduct of Finance Business
3. Understand the reasons why Commercial General Insurers are required to comply with more prescriptive rules

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. How should the board of a licenced insurer behave when dealing with the GFSC?</li><li>2. Name three procedures that a Commercial General Insurer is required to establish and follow?</li><li>3. Is a Guernsey (re)insurer required to adopt an ESG framework?</li><li>4. What is the Green discount?</li></ol>

# Unit 17A

## Banking

### Purpose

At the end of this unit the participant should understand the matters to be considered by an insurer when choosing its bankers and operating bank accounts

### Assumed knowledge

None

Summary of learning objectives
1. Recognise the key criteria that will influence the choice of bankers
2. Understand how a cash management company can assist with opening of bank accounts
3. Grasp the importance of diversification to reduce risk
4. Understand why insurance managers personnel are usually a signatory on every money transaction made by a captive insurer

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. Give two reasons why is it important to know and consider the rating of a bank?</li><li>2. Give two reasons why a (re)insurer may wish to use more than one bank?</li><li>3. How many signatories are recommended on any bank transaction?</li><li>4. It is recommended you look at the structure of a typical bank mandate shown in the appendices.</li></ol>

# Unit 17B

## Auditors

### Purpose

At the end of this unit the participant should understand why an external auditor is appointed, the auditor's role and the importance of completion of the audit within four months following the end of the financial year.

### Assumed knowledge

None

Summary of learning objectives
1. Understand why an external audit is required
2. Recognise what matters should be considered by the board when making the selection of an auditor
3. Comprehend the reporting requirements in relation to the statutory accounts
4. Grasp what is required of the insurance manager in respect of the audit process

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. What is the regulatory deadline for sign off of the statutory accounts of a Guernsey insurer?</li><li>2. Name two matters that might influence the choice of audit firm?</li><li>3. Why might the parent/shareholder company subject some influence on the choice of a captive's auditor'?</li><li>4. Why is it important for the insurance manager to make representations to the board regarding the audit process?</li></ol>

# Unit 17C

## Asset management

### Purpose

At the end of this unit the participant should understand the limitations of an insurance manager with regard to asset management, the roles of a Cash Management Company and that of an Investment Manager.

### Assumed knowledge

An understanding as to the reasons that (re)insurance companies invest funds. See Unit 13.

Summary of learning objectives
1. The limitations of asset management services offered by insurance managers
2. The role of and benefits of a Cash Management Company
3. The role of and services provided by an Investment Manager
4. Factors to be considered when choosing an Investment Manager

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. Why do Insurance Managers typically only manage cash deposits?</li><li>2. What are the key differences between the services offered by a Cash Management Company and those by an Investment Manager?</li><li>3. What is the purpose of agreeing a benchmark with the Investment Manager?</li><li>4. Why is the quality and timeliness of the Investment Manager's reporting to the insurance manager so important?</li></ol>

# Unit 17D

## Insurance and Reinsurance brokers

### Purpose

At the end of this unit the participant should understand the different roles performed by an insurance and a reinsurance broker.

### Assumed knowledge

None

Summary of learning objectives
1. Understand which party appoints an insurance broker
2. Grasp the role of an insurance broker
3. Know which party appoints a reinsurance broker
4. Grasp the role of a reinsurance broker

Self-test questions
Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.
1. Why should an insurance broker and the insurance manager collaborate?
2. Who appoints the reinsurance broker?
3. What is the role of the reinsurance broker?
4. How should the reinsurers be made aware of a claim?

# Unit 17E

## The Role of the Actuary

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding of the role played by an actuary advising a (re)insurance company and the benefits and limitations of the role, in particular in the context of a captive.

### Assumed knowledge

Working knowledge of the operation of a (re)insurance company.

Summary of learning objectives
1. Understand the breadth of skills and knowledge possessed by an actuary
2. Understand the relevance and value of these skills and knowledge to an insurer
3. Understand the uses and benefits of those skills specifically in a captive context
4. Understand the limitations of the actuarial approach

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. What is likely to be the strongest skill set of an actuary?</li><li>2. Why is it important that an actuary can access reliable historic claims data?</li><li>3. Must a (re)insurer appoint an actuary?</li><li>4. In what circumstance is it advisable for the board to appoint an actuary?</li><li>5. What role does an actuary play in setting premium rates?</li><li>6. What role does an actuary play in setting claims reserves?</li></ol>

# Unit 17F

## CLAIMS HANDLER – LAWYER- LOSS ADJUSTOR

### Purpose

At the end of this unit the participant should understand the roles of Claims Handlers, Lawyers and Loss Adjustors and the circumstances in which they might typically be deployed.

### Assumed knowledge

None

Summary of learning objectives
1. Recognise when it is appropriate to appoint a Claims Handler
2. Recognise when it is appropriate to appoint a Lawyer
3. Recognise when it is appropriate to appoint a Loss Adjustor
4. Understand what type of claims the insurance manager will be able to deal without external support

Self-test questions
Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.
1. How are Claims Handlers normally remunerated?
2. When should a Lawyer be appointed and should a contract/engagement letter be entered into?
3. Why is it important to keep the reinsurers apprised of any large claims?
4. Will a Loss Adjustor settle all claims on behalf of the insurer?

# Unit 18

## Company Secretary

### Purpose

At the end of this unit the participant should understand the role of the Company Secretary and the importance of the responsibilities the post holder fulfils.

### Assumed knowledge

Summary of learning objectives
1. Understand the responsibilities of a Company Secretary's role
2. Recognise the importance of accurate minutes and the maintenance of corporate records
3. Understand the role of the Company Secretary in arranging board and shareholder meetings

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. Does the Company Secretary have to be the insurance manager?</li><li>2. Why is the accuracy of the board minutes so important?</li><li>3. How often are AGM's held?</li><li>4. What is a quorum?</li><li>5. When is a written resolution considered as being passed by a board?</li></ol>

# Unit 19

## INDEX LINKED SECURITIES

### Purpose

At the end of this unit the participant should understand the purpose of an Insurance Linked Security ("ILS"), perils typically covered by an ILS and the three most common structures of an ILS.

### Assumed knowledge

None

Summary of learning objectives
1. Acknowledge the principal purpose of an ILS being to facilitate the efficient operation of the insurance market
2. Recognise the types of perils that are typically covered by an ILS
3. Awareness of the main structures of ILS currently utilised and how they differ from one another
4. Understand the key activities performed by the Guernsey insurance manager

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. Which catastrophe event first led to the development of ILS?</li><li>2. Name the three forms of ILS and a key differentiator of each?</li><li>3. Does a Cat Bond structure include an insurance or reinsurance contract?</li><li>4. What rules does the GFSC apply to ILS business?</li><li>5. What rules apply to all bank payments made by a Special Purpose Insurer?</li></ol>

# Unit 20

## Long term business

### Purpose

At the end of this unit the participant should understand the nature of Long term business conducted in Guernsey and how management of this business differs from General insurance and Employee Benefits.

### Assumed knowledge

An understanding of Customer Due Diligence and AML/CFT requirements as described in Unit 15

Summary of learning objectives
1. Awareness of the types of risk and insurance policies that make up Long term business
2. Recognise that the regulation of Long term business is more onerous than General insurance
3. Understand the importance of conducting, maintaining and refreshing customer due diligence records by applying great care and attention
4. Gain an understanding of The Insurance Business Rules & Guidance 2021, Part 7
5. Understand the role and powers of the Channel Islands Financial Ombudsman (CIFO)
6. Have an understanding of the key requirements contained within the Guidance Notes for Life & Pension business

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. Name three types of Long term coverages and an Employee Benefits cover that is not regarded as Long term business for regulatory purposes?</li><li>2. Name three special requirements of an insurer writing Long term business?</li><li>3. What action must be taken with regard to Policyholder Protection?</li><li>4. Why is customer due diligence so important when conducting Long term business?</li><li>5. When does an award by the Financial Ombudsman become legally binding on the insurer?</li><li>6. What is an ORSA and what must it include?</li></ol>

# Unit 21

## Pension Longevity Hedging

### Purpose

At the end of this unit the participant should be able to demonstrate an understanding as to why a pension scheme would set up a captive to engage in longevity hedging and what a typical longevity captive structure consists of.

### Assumed knowledge

None

Summary of learning objectives
1. Understand the purpose of a pension and the difference between Defined Contribution and Defined Benefit schemes
2. Understand the three key risks associated with the investment strategy of a pension fund
3. Understand the benefits provided by a longevity hedge
4. Understand the role of a captive in providing access to longevity hedging
5. Understand the role of the insurance manager in managing the transaction

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. What is a Defined Benefit pension scheme?</li><li>2. What is longevity risk?</li><li>3. When a longevity hedge is in place who is responsible for making payments to the pensioners?</li><li>4. How does a longevity kedge protect the pension scheme against adverse cash flows?</li><li>5. Why do pension schemes need to create a captive to access longevity hedges?</li><li>6. What is the purpose of a matched rights position?</li><li>7. What is the purpose of Experience Collateral?</li></ol>

## Unit 22

### MANAGING GENERAL AGENTS AND DELEGATED AUTHORITY UNDERWRITING

#### Purpose

At the end of this unit the participant should understand what is a Managing General Agent (“MGA”), its purpose and how it operates.

#### Assumed knowledge

An understanding of the regulation of an insurance manager see Unit 7

Summary of learning objectives
1. Understanding the purpose of a MGA
2. Understanding the key roles undertaken by a MGA
3. Understand the responsibilities of a MGA under a Delegated Authority Agreement

Self-test questions
<p>Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.</p> <ol style="list-style-type: none"><li>1. Why would an insurer appoint a MGA?</li><li>2. Name three key roles of a MGA?</li><li>3. How is a MGA remunerated and by whom?</li><li>4. How is a MGA regulated in Guernsey?</li><li>5. Which other regulator might have an influence on the operations of the MGA?</li><li>6. How does a MGA handle claims?</li><li>7. Why would a MGA purchase reinsurance?</li></ol>

# Unit 23

## Commercial General Insurance

### Purpose

At the end of this unit the participant should understand the enhanced regulatory and governance requirements and responsibilities that arise from operating a Commercial General Insurance company with a Category 3 licence.

### Assumed knowledge

An understanding of the law and regulations applicable to a captive insurer as these form the foundation of regulation for a category 3 insurer upon which more specific requirements are applied. In particular an understanding of the GFSC Guidance Note in respect of Producer Owned Insurance Companies ("POIC's").

#### Summary of learning objectives

- |   |
|---|
| 1. Understanding the additional reputational and regulatory exposures of a Category 3 insurer   |
| 2. Understanding the guidance and additional actions required with regard to a POIC   |
| 3. Understand the solvency requirements for a Category 3 insurer  |
| 4. Understand the required content of an Own Risk Solvency Assessment ("ORSA")  |
| 5. Understand the requirements of Part 7 (Conduct of Business) of the Insurance Business Rules and Guidance, 2021                                       |
| 6. Understand the role of the Channel Islands Financial Ombudsman in relation to the operation of a Category 3 insurer and complaints arising therefrom |
| 7. Understand the importance of external legal advice and its application to the operation of a Category 3 insurer                                      |
| 8. Understand the more onerous Rules that apply to a RGI  |

#### Self-test questions

Answering these questions will remind the participant as to what has been learnt. Once completed, please check your answers against the relevant text.

1. What are the additional reputational risks for Guernsey that arise from the operations of a Category 3 insurer?
2. Provide two reasons why Cyber Security is so important for a Category 3 insurer?
3. Why is a Policy for Reinsurance so important and what should it contain?
4. What is the threshold in respect of the Prescribed Capital Requirement ("PCR") for notification to the GFSC?
5. When is a Category 3 insurer compelled to perform an ORSA? Name three risks that must be considered in the ORSA?
6. Provide three requirements under Part 7 (Conduct of Business) of the Insurance Business Rules and Guidance, 2021.
7. Identify three Rules that are more onerous for an RGI