

# Examination Syllabus

## Part I - Associateship Examination

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\*" and "#" are common subjects

## Mandatory Subjects

### M1 Legal Aspects of Insurance (Subject No. HK101)

**Objective:**

This is to develop the candidate in the basic knowledge of law that formed the background to insurance operation and a good understanding of the system within which these laws operate. The candidate should understand the general legal principles in relation to the legal system and its application.

1. The Legal Principles
2. Legal System in HKSAR
  - Common Law and Legislation Applicable
3. Local and International Law, its Differences and Applicability
4. Function and Purpose of Law
5. Law of Contract
  - Contractual liability and classification of contract
  - Matters affecting validity of the contract
  - Breach of contract
  - Discharge of contract
  - Privity of contract
  - Assignment in relation to insurance
  - Contract construction
6. Law of Tort
  - Nature and classification of tort
  - Main types of torts
  - Limitation and defence in tort
  - Remedies
7. Law of Property
  - Ownership, possession and acquisition of property
  - Tangible and intangible property
8. Legal Rights and Immunity
  - Legal person
  - Incorporated associations
9. Distinction Between Civil and Criminal Law
10. Nature and Sources of Law
  - Classification of public, private, criminal and civil law
  - Sources of laws
11. Nature and Types of Liabilities
  - Strict liability
  - Vicarious liability
  - Negligence
  - Causation
  - Criminal liability
  - Measurement of civil liability
12. General Principles of Insurance Contract
  - Formation of insurance contract
  - Insurable interest
  - Duty of disclosures
  - Warranties, and conditions
  - Utmost good faith
13. Insurance Claims
  - Proximate cause
  - Indemnity
  - Notice & proof of loss
  - Salvage and abandonment
  - Subrogation and contribution
14. General Principles of Agency
  - Rights and duties of an agent
15. The Administration of Law in HKSAR
  - Hierarchy of courts
  - Legal aid service
16. Major Insurance Related Ordinances in HKSAR
  - Employees Compensation Ordinance
  - Personal Data (Privacy) Ordinance
  - Equal Opportunity Ordinance
  - Prevention of Money Laundering
  - Motor Third Party Ordinance
17. The Insurance Companies Ordinance of HKSAR
  - Registration requirement
  - Solvency requirement
  - Reserve requirement

**Study Materials**

- Primary Text:** *The General Principles of HK Laws*  
3rd Edition, Clement Shum, Longman
- Legal Aspects of Insurance*  
The Chartered Insurance Institute Course Book P03
- Employee's Compensation Ordinance Chapter 282*  
*Motor Vehicle (Third Party Risks) Ordinance*
- Supplementary:** *An Introduction to the HK Legal System 3rd Edition*  
Peter Wesley-Smith, Oxford University Press
- Insurance, Law, Doctrine & Principles*  
John Lowry, Philip Rawlings 1999, Hart Publishing
- Modern Insurance Law 5th Edition*  
John Birds, London: Sweet & Maxwell 2001  
[www.info.hk.gov.org/oci](http://www.info.hk.gov.org/oci) (office of the commissioner of Insurance)

**M2 Risk and Insurance (Subject No. HK102)****Objective:**

To develop a sound understanding of the nature of risk, including risk assessment and management. To have a sound knowledge of the nature and function of insurance and basic statistical concepts relating to insurance.

1. Nature of Risk and Uncertainty
  - Concept of risk
  - Classification of risk
  - How risks affect business environment
  - Perceived risks and actual risks
  - Risks to individual and corporations
2. Risk Management and the Techniques
  - Risk identification
  - Risk analysis
  - Risk control
  - Risk transfer
3. Loss Control Management
  - Objectives and techniques
4. Risk Assessment
  - Linear regression and correlation
5. Statistical Risk Measurement
  - Measurement of location, dispersion and skew
6. Probability and Use of Probability Distribution
  - Collection of data
  - Methods in data display
  - Standard deviation
7. Utility Theory
  - Its application to insurance
8. Functions and Benefits of Insurance
  - Risk transfer mechanism
  - Insurable risks
9. Scope of Main Classes of Insurance
10. Self Insurance
  - Operation
  - Reasons, advantages & disadvantages
11. Government Supervision of Insurers
  - The supervisory body
  - The relevant legislations
  - Compulsory insurances in HK

12. Participants within the Insurance Market
  - Agents and brokers
  - Different kinds of insurers
  - Lloyds
  - Loss adjusters
13. Operation of Insurance
  - Proposal, policy and cover note
  - Physical and moral hazards
14. Basic Underwriting Principles
15. Pricing Factors for Insurance
16. Reinsurance
  - Functions and main forms of reinsurance
  - Main participants in the reinsurance market
  - Basis of calculation of reinsurance premium
17. Structure of Insurance Market in Principal Industrialized Nations
  - North America
  - Europe
  - Japan
18. Roles and Functions of Specialist Consultants
  - Risk management consultants
  - Computer software houses
  - Claims management consultants
  - Disaster recovery services
  - Credit rating specialists
  - Management consultants
  - Specialist brokers.
19. Claims Procedures
  - Notification
  - Procedures
  - Settlement
  - Arbitration condition

### Study Materials

- Primary Text:** *Risk and Insurance*  
The Chartered Insurance Institute Course Book 510
- Supplementary:** *Risk Analysis*, GCA Dickson London Witherby 1991  
*Essentials of Risk Management and Insurance*,  
2nd Edition, John Wiley & Sons.

## M3 Economics (Subject No. HK103)

### Objective:

To develop an understanding of the basic concept in economics, both micro and macro including the types of market, supply and demand and the world economy. To gain an awareness of and continuing interest in the major economic issues confronting the society.

1. Introduction to Economics
  - The scope of economics
  - The methods of economics
  - Input markets and output markets: the circular flow
  - Demand and supply in product/output markets
  - Market equilibrium
2. The Economic Problem: Scarcity and Choice
  - Scarcity, choice and opportunity cost
  - Economic systems
3. Demand, Supply and Market Equilibrium
  - Firms and households: the basic decision-making units
4. The Price System, Demand and Supply and Elasticity
  - Rationing and allocating resources
  - Supply and demand analysis: an oil import fee
  - Elasticity

5. Microeconomics
  - Household behavior and consumer choice
  - The basis of choice: utility
  - Income and substitution effects
  - Consumer surplus
  - Household choice in input markets
6. The Production Process: the Behavior of Profit-maximizing Firms
  - Behavior of profit maximization firms
  - The production process
  - Choice of technology
7. Short Run Costs and Output Decisions
  - Costs in the short run
  - Output decisions: revenues, costs and profit maximization
8. Costs and Output Decisions in the Long Run
  - Short-run conditions and long run directions
  - Long run costs: economies and diseconomies of scale
  - Long run adjustments to short-run conditions
9. Input Demand - the Labor and Land Market
  - Input markets: basic concepts
  - Labor markets
  - Land markets
  - The firm's profit-maximization condition in input markets
10. Input Demand: the Capital Market and Investment Decision
  - Capital, investment, and depreciation
  - The capital market
  - The demand for new capital and the investment decision
11. General Equilibrium and Efficiency of Perfect Competition
  - General equilibrium analysis
  - Allocative efficiency and competitive equilibrium
  - The sources of market failure
  - Evaluating the market mechanism
12. Market Imperfection and the Role of the Government
  - Imperfect competition and market power: core concepts
13. Monopolistic Competition and Oligopoly
  - Monopolistic competition
  - Oligopoly
  - The role of government
14. Externalities, Public Goods, Imperfect Information and Social Choice
  - Externalities and environmental economics
  - Public (social) goods
  - Imperfect information
  - Social choice
  - Government and the market
15. Income Distribution and Poverty
  - The utility possibilities frontier
  - The sources of household income and the distribution of income
  - The redistribution debate, its programs and policies
  - Government or the market
16. Macroeconomic – Concepts and Problems
  - Introduction to macroeconomic
  - Measuring national output and national income
  - Growth, productivity, unemployment and inflation
17. Macroeconomic Analysis
  - Money, the interest rate and output, analysis and policy
  - Aggregate demand and supply, and Inflation
  - Macroeconomic issues and policy
  - Household and firm behavior in macroeconomy
18. The World Economy
  - International trade, comparative advantage and protectionism
  - The balance of payments and exchange rates
  - The open economy with flexible exchange rates
  - Economic growth in developing and transitional economies

### Study Materials

- Primary Text:** *Principles of Economics*  
Updated Edition, 6/E, Karil E Case and Ray Fair, Wellesley College, Prentice Hall.
- Supplementary:** *The Economic Way of Thinking*  
10th Edition, Paul Hyne, Peter J. Boettke, David L. Prychitko, Prentice Hall

## Specialist Subjects (Select ANY SIX Subjects for "Associate" Qualification)

### General Insurance Stream

#### **G1 Property and Pecuniary Insurance (Subject No. HK201)**

##### **Objective:**

To have an understanding of the principles and practices of commercial property, pecuniary, construction and engineering insurances, the covers available and characteristics.

1. Development of Property & Pecuniary Insurance
  - Property & pecuniary insurance market
  - Market practices in relation to recommended policy wordings
2. Property Insurance
  - Scope of cover and additional perils
  - Common clauses in the policy, like public authority, debris removal, stock declaration, temporary removal etc.
  - Use of average, warranties, excesses
  - Floating, blanket & first loss cover
3. Pecuniary Insurance - Business Interruption Insurance
  - Scope of cover and items to be insured
  - Need for and function of business interruption insurance
  - Definition of "gross profit"
  - Definition of the "difference" basis of gross profit
  - Payroll coverage development
  - Indemnity period selection
  - Additional clauses for BI insurance
  - Variations from basic cover including increased cost of working only cover, gross revenue cover and advance profits cover.
4. Pecuniary Insurance - Fidelity, Bonds, Commercial Guarantees and Credit Insurance
  - Scope of cover provided by credit insurance
  - Differences between fidelity guarantee and bonds
  - Types of bonds
  - Coverage of fidelity insurance, including crime, specific, floating and blanket policies
5. Application of Package Policy in Property and Pecuniary Insurance
6. Risk Assessment
  - Essential information for risk assessment
  - Use of proposals and applications
7. Physical and Moral Hazards in All Classes of Property and Pecuniary Insurances
8. Financial Aspect of Property and Pecuniary Insurance
  - Methods in establishing earned premium and calculation of reserves
  - Assessment of underwriting performance
9. Accumulation of Risks and its Effect to the Insurance Company
10. Use of Information Technology
  - For accumulation control
  - Monitoring risk exposures
  - Premium rate calculation
11. Principle of Property and Pecuniary Insurance Claims
  - Application of principles of insurance relating to claims, including warranties
  - Measurement of indemnity for various classes
  - Distinction between indemnity and reinstatement
  - Application of average and contribution
  - Material damage proviso
  - Practical settlement of claims in the event of dispute including arbitration and use of alternative dispute resolution
12. Construction Insurance
  - Development and need for construction and engineering insurance
  - Parties to the contract
  - Scope of cover and interests to be insured
13. Construction and Engineering Business Interruption Insurance
  - Development and need
  - Advance loss of profit cover
  - BI cover following latent defects insurance and completed engineering risks insurance
  - Application of reinsurance

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|---|---|
| <p>14. Construction Business Interruption and Engineering Business Interruption</p> <ul style="list-style-type: none"> <li>- Advance profit cover</li> <li>- JCT clause 22D insurance</li> <li>- Increased cost of working cover</li> <li>- JCT 25.4.3 insurance for contractors for loss of liquidated damages arising out of negligence.</li> </ul> | <p>15. Principles of Claims Handling</p> <ul style="list-style-type: none"> <li>- Determining the extent of liability and application of policy wordings</li> </ul> <p>16. Reserving and Reserve for Incurred But Not Reported (IBNR)</p> |
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### Study Materials

- Primary Text:** *Principles of Property and Pecuniary Insurance*  
The Chartered Insurance Institute Course Book 745
- Supplementary:** *Principles of Risk and Insurance*,  
REDJA, 7th Edition, Addison Wesley Longman
- Construction Insurance*,  
John D Wright. London: Witherby, 1991.

## G2 Marine Insurance (Subject No. HK202)

### Objective:

To aim at providing a knowledge and understanding of the marine insurance principles and the marine worldwide market operation. To have a knowledge of the different conventions and applicable laws in marine insurance.

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| <p>1. Development of Marine Insurance</p> <ul style="list-style-type: none"> <li>- Maritime perils</li> <li>- Effect on development of marine insurance                             <ul style="list-style-type: none"> <li>– Evolution of world trade</li> <li>– Development of legal regime</li> <li>– Changing business environment</li> </ul> </li> <li>- Modes of transport and marine transport infrastructure</li> </ul> <p>2. Different Marine Insurance Market</p> <ul style="list-style-type: none"> <li>- Characteristics of different types of markets                             <ul style="list-style-type: none"> <li>– London</li> <li>– Domestic market</li> <li>– Mutual</li> <li>– Captives</li> </ul> </li> <li>- Functions and Services Provided by                             <ul style="list-style-type: none"> <li>– Brokers</li> <li>– Average adjusters</li> <li>– Risk managers</li> <li>– Captive managements</li> <li>– Lawyers</li> <li>– Banks</li> <li>– Surveyors</li> </ul> </li> </ul> | <p>3. Trade Associations and Market Committees</p> <ul style="list-style-type: none"> <li>- Classification societies</li> <li>- Salvage association</li> </ul> <p>4. Market Agreements</p> <ul style="list-style-type: none"> <li>- War risk agreements</li> <li>- Leading underwriter agreements</li> </ul> <p>5. Use &amp; Trading Implications of E-commerce in the Marine Market</p> <p>6. Source and Exchange of Electronic Information, Including Market Systems</p> <p>7. International Conventions</p> <ul style="list-style-type: none"> <li>- Background to international conventions</li> <li>- Relationship between international maritime law and UK and other domestic maritime law</li> </ul> |
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8. Main Principles of International Maritime Law Relating to
  - Limitation of liability
  - Salvage
  - Collision
  - General average
  - Towage
  - Wreck removal
  - Arrest and maritime liens and mortgages
  - Passengers
  - Pollution
9. Main Principles of International Maritime Law Relating to Contracts of Carriage
  - Charter parties
  - Bill of lading
  - Waybills
  - Carriage of Goods by Sea Act 1971
  - The Hague-Visby Rules
  - The Hamburg Rules
10. Functions and Main Principles of the Major Maritime Voluntary Codes
  - Multimodal codes, road, rail
  - Incoterms
  - York-Antwerp Rules
11. Restriction on Transacting International Marine Insurance Business
12. Marine Insurance Act 1906
  - Insurable interest, assignment and double insurance
  - Disclosure and representations
  - Warranties
  - Premium
  - Measure of indemnity
  - Right of insurer on payment
13. Marine Insurance Coverage/Institute Clauses
  - Covers available for hull, cargo, liability ( including P& I), war, energy
14. Marine Reinsurance
  - Various forms of marine reinsurance
15. Contractual Obligation
  - Documentary credits
  - Contracts of sales
  - Mortgages
16. Ethical Considerations
  - Types of maritime fraud
  - Treatment of maritime fraud
  - Issues arising from the Marine Insurance (Gambling Policies) Act 1909
  - Cover of sensitive cargoes and sensitive shipping operations

## Study Materials

**Primary Text:** *Principles of Marine Insurance*  
The Chartered Insurance Institute Course Book 770

**Supplementary:** *Introduction to Marine Insurance.*  
2nd Edition. Robert H. Brown. London: Witherby, 1995.  
*Marine Insurance Act 1906*



### G3 Motor Insurance (Subject No. HK203)

#### Objective:

To provide knowledge and understanding of the principles and practice of motor insurance. To have knowledge in related law and legislations and their application to motor insurance.

1. Motor Insurance Market
  - Structure of the market for private and commercial motor insurances
  - Principle differences between private & commercial motor insurances
  - Development of motor insurance sales
  - Motor insurance market cycles and their effect on market practice
2. Motor Insurers' Bureau Hong Kong
  - Structure of MIB Hong Kong
  - Role and function of MIB Hong Kong
  - Scope covered by MIB Hong Kong
3. Road Traffic Ordinance
  - Provisions relating to third parties liability
  - Motor Third Party (Bodily Injury) Ordinance
  - Use of vehicles outside of Hong Kong, e.g. in China mainland
  - Vehicles that do not require insurance under the Ordinance
4. Scope of Cover for Private and Commercial Motor Insurance
  - Main types of policy coverage available in market
5. Additional Benefits Available to Private and Commercial Insurance Policies
6. Underwriting of Motor Insurance
  - Principles in motor ratings
  - Rating and underwriting considerations to
    - Private cars
    - Commercial cars
    - Motor fleets
    - Motor trade
    - Passenger carrying commercial vehicles
- Deductibles and excesses
- Sum Insured under motor policy
7. Policy Wording – Policy Construction with Reference To
  - Common policy warranties and conditions
  - General exclusions and exceptions
  - Young drivers
  - Unnamed drivers
  - Indemnity
8. Insurance Documentation:
  - Cover note
  - Certificate of insurance
  - Policy schedule forming part of contract
9. Use of No Claim Discount in Motor Insurance
10. Renewal System
  - Normal renewal procedures
  - Required information for renewal
11. Principles and Procedures of Motor Claims
  - Procedures for material damage claims
  - Procedures for bodily injury claims
  - Constructive total loss and betterment
  - Use of recommended repairers and its pros and cons
  - Legal Aid service
12. Market Agreement in Hong Kong on Claims
13. Role of Motor Engineers
14. Organizations to Assist with Settling Disputes
15. Use of Information Technology
  - Data collection for statistical analysis
  - Claims service
  - Direct sales

#### Study Materials

##### Primary Text:

##### ***Motor Insurance***

The Chartered Insurance Institute Course Book 765  
Motor Third Party (Bodily Injury) Ordinance HKSAR

##### Supplementary:

##### ***Motor Insurance: Theory and Practice***

Kenneth Cannar. 2nd Edition. London: Witherby, 1994.

## G4 Liability Insurance (Subject No. HK204)

### Objective:

To provide a knowledge of the ways in which liability arises, the duty of care owed, the effect of a breach of that duty and the resultant damages and to give an understanding of the purpose and effect of the relevant legislation, enabling the application of such knowledge to the practice of liability insurance.

1. Legal Principles
  - Main sources of law including legislation and precedent
  - Classification of law
  - Law of tort
  - Difference between contract and tort
  - Strict liabilities at common law and under statute
  - Principles of vicarious liability
  - Law relating to joint tortfeasors
  - Occupiers' liability
  - Principles of contractual liability
  - Hold harmless and waiver of subrogation
  - Indemnity to vendor/liability assumed by agreement
  - Limitation of actions in contract and tort
  - Remedies and damages
2. Underwriting Principles and Procedures
  - Risk assessment and underwriting principles
  - Risk management principles
  - Premium basis and rating
  - Indemnity basis
  - Importance of claim experience and assessment of outstanding claims
  - Special factors relating to liability business
  - Basis of cover
  - Underwriting of excess of loss policies
  - Difference in conditions/Difference in limits contrasted with follow form
3. Employees' Compensation/Employers' Liability
  - Employees' Compensation Ordinance
  - Health and safety legislation
4. Public and Products Liability
  - Hazards of particular occupations, including general hazards, plant and equipment hazards and industrial diseases
  - Scope of policy wording including terms, conditions and exclusions
  - Obligation on the insurer to pay out
  - Policy limits
  - Legal costs
5. Other third party liability covers
  - Hazards of particular occupations and activities
  - General hazards, property, plant and equipment hazards, industrial diseases and design risks
  - Main factors to be considered including product safety, design controls, record keeping, packaging, instructions and labels
  - Hazards arising from advice and design
  - Scope of policy wording including terms, conditions and exclusions
  - Policy limits
  - Legal costs
  - Treatment of pollution risks within the policy wording
  - Admitted and non-admitted policies
6. Product guarantee policies, including product recall and product replacement
  - Financial loss policy covers
  - Directors' and officers' liability including the scope of policy wordings
  - Professional indemnity policies including the scope of policy wordings

### Study Materials

- Primary Text:** *Liability Insurance.*  
The Chartered Insurance Institute Course Book 755  
Employees Compensation Ordinance HKSAR
- Supplementary:** *Insurance of Liability,*  
2nd Edition, Bennett CS, Witherby.

## **G5 Property and Pecuniary Insurance Risk Assessment and Underwriting (Including Construction and Engineering Insurance)**

### **(Subject No. HK205)**

#### **Objective:**

To provide knowledge and understanding of property insurance and construction insurance (engineering, erection all risk and construction all risks), including risk control, improvement, loss prevention and underwriting assessment. To understand the business interruption insurance for both property and construction insurances and its characteristics.

1. International Organization for Standardization in Property Insurance
2. Role of Surveyors in Risk Control and Improvement
3. Physical and Moral Hazards
  - Methods of remedying and improving moral hazards
4. General Cause of Fire and Fire Triangle
  - Fire inception and propagation hazards and fire load
  - Spread of fire through conduction, convection and radiation
5. Problems of Multi-tenure Buildings
6. Causes of Fire
  - Spontaneous combustion
  - Heating and industrial processes
7. Fire Hazards Relating to Materials
8. Methods of Fire Protection
  - General premises
  - Computer suites
  - Against lightning damage
9. Hazards of
  - Explosion of flammable liquids and dust explosion
  - From perils of storm, flood, burst pipes
10. Nature of Theft Risks
  - Criteria for security survey of theft risks
  - Nature of perimeter protection, surveillance, access control and security guards
    - Doors & windows
    - Intruder alarms
    - Selection of safes
    - Cash in transit
    - Protection of vehicles and goods in transit
11. Objective, Use and Content of Survey for Risk Assessment and Underwriting
  - Calculation of EML and insurer's liability
  - Underwriting criteria for property insurance
  - Use of warranty, excess and franchise
  - Theory of rating
12. Application of Proportional and Non-proportional Reinsurance
13. Use of Re-survey and Post Loss Survey
14. Construction Insurance (CAR & EAR)
  - Risks insured in construction projects and machinery erection insurance
  - Risk assessment in construction projects and machinery erection insurance
  - Underwriting of construction projects and machinery erection insurance
15. Typical Risk and Main Causes of Loss to Engineering Risks
16. Engineering Insurance
  - Risks insured, risk assessment and underwriting of inspected classes
  - Risks insured, risk assessment and underwriting of non-inspected classes
17. Joint Code of Practice for Fire Prevention on Building Contracts
18. Inspection of Engineering Plant and Machinery
19. Risk Assessment and Underwriting of
  - Boilers and pressure plant
  - Electrical and mechanical plant
  - Lifts, cranes and handling plant
  - Computer equipment
20. Machinery Movement and Deterioration of Stock
21. Civil Engineering Completed Risks

## 22. Business Interruption Relating to Engineering Risks

- Risks insured, risk assessment and underwriting of engineering business interruption

- Risks insured under advance covers for loss profits, rent and interest for principals
- Construction business interruption risk assessment, risk management and underwriting

### Study Materials

**Primary Text:** *Commercial Property and Pecuniary Insurance Assessment and Underwriting*,

The Chartered Insurance Institute, Course Book 750.

**Supplementary:** *Contractor's All Risks Insurance*. F.N. Eaglestone, London: Chartered Institute of Loss Adjusters, 1993.

*Introductory Guidance to Insurance Under JCT Contracts*.

Royal Institution of Chartered Surveyors, London, Surveyors Holdings Ltd. 1991.

## G6 Claims Management (Subject No. HK206)

### Objective:

To aim at providing an understanding of how claims should be managed in an insurance operation. Students are expected to have knowledge of various claims philosophies, management of claims functions and claims services and the application of claims practice in transacting insurance business.

1. Claims Concept
  - Claims management and claims handling
  - Claim costs
  - Reinsurance and claims
2. Claims Philosophy
  - Benefits of a corporate claims philosophy
  - Different claims philosophies
  - Inter-relationship between approach to claims handling and overall objectives
  - Importance of claims profile to marketing strategy
  - Financial impact of claims management strategy
  - Management of customer expectations
3. Claims Management
  - General features of insurance and reinsurance claims procedures
  - Catastrophe management and Catastrophe modeling
4. Key Issues to Different Types of Insurance Claims
  - Claims costs management
  - Establishment of protocols in relation to
    - Service delivery standards
    - Claims estimation
    - Internal benchmarking
  - Identification of "leakage" including recoveries
  - Aviation
  - Marine
  - Long term insurance
  - Reinsurance
  - Claims under personal and commercial insurances
  - Claim from own client and third party

5. Use of Information Technology in Claims
  - Designing an IT system for claims
  - Role of IT in claims
  - Use of management information generated from IT
  - Help lines and associated services
  - Identification of fraudulent claims
  - Use of internet
6. Quality Management in Claims
  - Impact on corporate claims philosophy
  - Quality and customers' expectation
  - Meeting customers' expectation
  - Retention of customers
7. Claims Estimation and Reserving
  - Need for claims reserving
  - Components of claims reserves
  - Methods in claims estimation and reserving
  - Factors affecting reserving
  - Basis and significance of reserving practice and IBNR
  - Long-tail considerations
  - Need for actuarial reviews
  - Impact of claims on underwriting and pricing
  - Trends in court awards and their impact on approaches to claims.
8. Outsourcing the Claims Function
  - What functions can be outsourced
  - Users and providers of claims outsourcing services
  - Advantages and Disadvantages of outsourcing a claims function
  - Considerations relating to outsourcing
9. Insurance Intermediaries in Claims
  - Role of the intermediaries in claims
  - Use of delegated claims authorities
10. Fraudulent Claims
  - Detection of insurance fraud
  - Legal remedies for fraud
  - Ethical aspects of settling legitimate claims and of challenging dubious claims
  - Fraud by an agent or broker
  - Insurance ombudsman
  - ICCB of Hong Kong
    - Claims falling within the Bureau
    - Complaint handling process of ICCB
11. Dispute Resolutions
  - Various forms of Alternative Dispute Resolution (ADR)
  - Advantages and disadvantages of ADR
  - Types of ADR and how to choose
  - Arbitration
12. Litigation in Claims Process
  - Reasons for claims litigation
  - Woolf Reforms
  - Structured settlement
  - Third party claims negotiation
13. International Aspects of Claims Handling
  - International interpretation of contracts
  - Differences in market practices, regulations and economic condition
  - Difficulties of litigating a foreign claim
  - Jurisdiction and enforcement of judgment

### Study Materials

- Primary Text:** *Claims Management*  
The Chartered Insurance Institute Course Book 820
- Supplementary:** *Principles of Indemnity and its Application,*  
Wetherbys, 1995

### L1 Life and Health Insurance Operations (Subject No. HK207)

#### **Objective:**

This is aimed to develop the candidate a good understanding and knowledge of life insurance company operation, its structure, the market environment and various aspect relating to the set up of an operation including reinsurance and claims management. It also requires the candidate a general knowledge of the insurance market in Hong Kong.

1. Insurance Companies and Their Environment
  - Hong Kong insurance market
  - Hong Kong Federation of Insurers
  - Office of Commissioner of Insurance
2. Formation of Life and Health Insurance Companies
  - Different types of corporations
  - Legislation in Hong Kong
  - Internal organization of insurance companies
3. Marketing Fundamentals
  - Marketing function in life and health insurance companies
  - Agency-building distribution systems
  - Additional distribution systems
  - Customer service function
4. Underwriting in Life and Health Insurance Companies
  - Underwriting of life and health insurance
  - Group insurance underwriting
  - Actuarial functions
5. Reinsurance Function
  - Scope and organization of reinsurance
  - Reinsurance treaty
  - Base and plans of reinsurance
  - Reinsurance administration
6. Claims Function
  - Scope and organization of claims
  - Life, medical and disability income insurance claims
  - Handling claims fraud
7. Finance Functions
  - Accounting and financial planning
  - Investment operation
  - Administering annuities
  - Credit control
8. Management of Life and Health Insurance Companies
  - Human resources
  - Information technology management
  - Legal operations
  - International operations
9. Ethics and Professionalism
  - Code of conduct of insurers
  - Administration of insurance intermediaries
  - Insurance profession

#### **Study Materials**

**Primary Text:** *FLMI Subject 290 and 301 Study Notes*

**Supplementary:** Course Book No. AIRC410- *Regulatory Compliance: Companies, Procedures and Operation*, By LOMA  
*Long-Term Insurance Practice*,  
 The Chartered Insurance Institute Course Book P02

## L2 Life and Health Insurance Underwriting (Subject No. HK208)

### Objective:

This is aimed to develop the candidate a good knowledge and understanding of various life insurance products and the underwriting principles in respect of life and health insurances.

1. The Life and Health Insurance Market
  - Regulatory of the insurance industry
  - Insurance companies as financial institutions
  - Industry self regulation
  - Regulation of insurance intermediaries
2. Introduction to Risk and Insurance
  - Concept of risk
  - Risk management
  - Managing personal risk through insurance
3. Needs for Life Insurance
  - Personal needs for life insurance products
  - Business needs for life insurance products
  - Life insurance as an employee benefit
4. Pricing Life Insurance
  - Methods of funding life insurance
  - Premium rate calculations
  - Level premium pricing system
  - Life insurance reserve
5. Life Insurance Product
  - Term life insurance : characteristics, different plan and features of term life insurance
  - Permanent life insurance : traditional whole life, modified whole life, joint whole life, last survivor life, family policies and pre-need funeral insurance
  - New generation of life insurance products : universal life, adjustable life, indeterminate premium life, interest-sensitive whole life, variable life and variable universal life insurance
6. Supplementary Benefits to Life Insurance
  - Disability benefits
  - Accident benefits
  - Accelerated death benefits
  - Benefits for additional insureds
  - Insurability benefits
7. Life Insurance Policy Provision
  - Standard policy provisions
  - Life insurance policy exclusions
  - Naming the beneficiary
  - Changing the beneficiary
8. Group Life Insurance
  - Group insurance underwriting and administration
  - Group insurance policy provisions
  - Group insurance premium
  - Group life insurance plans
9. Annuities and Individual Retirement Saving Plans
  - Annuity contract provision
  - Classifications of annuities
  - Taxation of annuities
  - Individual retirement saving plan
10. Group Pension and Retirement Saving Plan
  - Types of retirement plans
  - Components of a retirement plans
  - Hong Kong MPF
11. Health Insurance
  - Health insurance product range
  - Pricing health insurance
  - Traditional group health insurance plans : types of plan, policy provisions, underwriting and funding mechanisms
  - Traditional individual health insurance plans : types of plan, policy provisions and underwriting
  - Managed care plans : concept, health maintenance organizations in Hong Kong
  - Regulation of health insurance
12. Underwriting of Disability Income Insurance
  - Definition of total disability
  - Benefit period
  - Elimination period
  - Benefit amount
  - Supplemental benefits
  - Exclusions

## Study Materials

**Primary Text:** *FLMI Subject 280 and 386 Study Notes*

**Supplementary:** *Life and Health Insurance*,  
13th Edition, by Kenneth Black Jr and Harold D. Skipper Jr. – Prentice Hall  
*Risk Classification in Life Insurance*,  
By Cummins J. David, Witherbys

## L3 Pensions and HK MPF Scheme (Subject No. HK209)

### Objective:

To provide the candidate with a good knowledge of the types of retirement protection including pension planning in general and the Mandatory Provident Fund (MPF) Scheme in Hong Kong in particular; including functions of MPF trustees, intermediaries other roles of scheme providers, various types of MPF funds available, and others funds and scheme that are recognized by Hong Kong government for MPF purpose.

### ( I ) Development of Pensions

1. Need for Retirement Income Planning
2. Retirement Income Plan, Life Assurance and Disability Protection
3. Types of Annuity Providing a Pension for Life
4. Factors Responsible for the Effect of Mortality and Morbidity (eg, underwriting) and Investment Risk on Pension Schemes and Annuities
5. Methods of Reinsuring Risk, Including Retention, Aggregates, Stop Loss and Catastrophe Risk
6. Life Assurance Under Pension Scheme
  - Types of death benefit provided by pension scheme during service and after retirement
  - Methods of insuring through group schemes
  - Evidence of health required for group life cover
  - Disability protection
  - Methods of providing for early retirement through ill-health, and the administrative consequences of ill-health retirement for schemes and other pension arrangements
  - Types of disability protection (both permanent and temporary)

### ( II ) Mandatory Provident Fund Scheme – Hong Kong

1. Introduction of MPF in HK
  - Need for retirement protection and MPF's economic impact
  - Related regulators
  - MPF legislation, codes and guidelines
  - Other relevant legislation
2. Key Features of MPF HK
  - Security of scheme assets
  - Functions of appointed service providers
  - Types of MPF schemes and coverage
  - Exempt persons
  - Enrolment and contributions
  - Vesting, preservation and portability
  - Withdrawal of benefits
  - Offsetting of long service payments / severance payments
  - Major obligations of employers
3. MPF Trustees
  - Trust arrangement
  - Categories of trustees and duties
  - Approval of trustees and relevant sanctions and penalties



4. MPF Schemes and Investments
  - Registration of MPF schemes and approval of constituent funds
  - Approved Pooled Investment Funds ("APIFs")
  - Statement of investment policy
  - Investment standards and restrictions
  - Switching between MPF Schemes / Constituent Funds
5. ORSO and MPF System
  - Types of ORSO schemes
  - Comparison of features and exemption criteria
  - Different forms of ORSO schemes after MPF implementation
  - Implications for existing members and new eligible employees
  - On-going requirements for MPF exempted ORSO schemes
6. MPF Intermediaries
  - Regulatory framework
  - Role of MPF intermediaries
  - Rendering investment advice

### Study Materials

- Primary Text:** *Pensions Law, Administration and Taxation*  
The Chartered Insurance Institute. Course Book 740  
*Mandatory Provident Fund* – IIQE Study Notes, HK  
*Retirement Protection* – A Plan for Hong Kong  
Francis Lui, City University Press of Hong Kong
- Supplementary:** *Tolley's Pensions Handbook*.  
J. Fenton/R. Ham/J. Sabel. Croydon: Tolley, 1995.

## L4 Life and Disability Claims (Subject No. HK210)

### Objective:

To aim at providing an understanding of how life insurance claims should be managed. Students are expected to have knowledge of claims management and assessment. Claims functions in the event of death, disability and claims for long term care cover. A good understand and knowledge of legal issues involved in claims handling.

1. Introduction to Claims Management
  - Claims philosophy in life insurance
  - Major benefit types
  - Policy conditions
  - Different approach between group and individual policy
2. Claims Assessment
  - Initial notification of a claim
  - Issues affecting policy ownership
  - Policy status check
  - Lost policies
  - Non-disclosure
  - Overseas claims
  - Suspicious claims

3. Death Claims
  - Parties to a policy
  - Death benefit - individual and group policy
  - Cover allowable
  - Validity of the claim
  - Policy conditions relevant to assessment of death claims
  - Proof of death: death certificates; role of the coroner and procurator fiscal; presumption of death
  - Proof of title: own life policies; joint life policies; life of another policies; policies under trust; policies under assignment; power of attorney and bankruptcy
4. Critical Illness Claims
  - Conditions applying to critical illness claims
  - Initial claims assessment
  - Validity of critical illness claims
  - Total and permanent disability
  - Adjusting core conditions : cancer; coronary artery disease surgery; heart attack; kidney failure; major organ transplantation; multiple sclerosis and stroke
5. Income Protection Claims
  - Scope of cover
  - Validity of a claim
  - Assessment criteria
  - Policy conditions related to income protection claims
  - Managing claimant's expectations
  - Review procedure
  - Role of experts
  - Problem area
  - Declining claims
  - Special conditions for group income protection claims
6. Tools for Assessing IP Claims
  - The claim form
  - GP's report and notes
  - Consultant / specialist report
  - Occupational questionnaires
  - Financial questionnaires
  - Functional assessment
  - Private investigators
  - Vocational assessments
  - Alternative / complementary medical evidence
7. Financial Assessment of Income Protection Claims
  - Limitation of benefit
  - Types of employment
  - Financial information available for claims assessment
  - Earnings for self-employed
  - Share of benefit for more than one policies
  - Rehabilitation and proportionate benefit
  - Group income protection contracts
8. Disability Assessment
  - Mortality and disability risk factors
  - Definitions
  - Models of disability
  - Formation of ranges of expectation and evaluation of consistency and consensus
  - Standardized disability analysis
  - Assessments of mental health and cognitive impairment
  - Return to work
9. Long Term Care Insurance
  - Product range
  - Validity of long term care claims
  - Definition of disability for long term care
  - Assessment of long term care claims
10. Legal Issues in Claims
  - Insurable interest
  - Utmost good faith and the duty of disclosure
  - Non-disclosure and misrepresentation
  - Determining and responding to fraud
  - Rights of third parties
  - Declining a claim
  - Appeals process with the life office
  - Arbitration
  - Agency
11. Actuarial
  - Actuarial control cycle
  - Reserves
  - Application of actuarial concepts

## Study Materials

**Primary Text:** *Life and Disability Claims*  
The Chartered Insurance Institute Course Book 556

**Supplementary:** *Guide to Life Assurance Underwriting.*  
Keith Sankey. 3rd Edition. London: Buckley Press, 1991.  
*Law of Life Assurance,*  
12th Edition – Houseman & Davies, Butterworths 2001

## L5 Personal Insurance\* (Subject No. HK211)\*

### Objective:

This is aimed to develop the candidate a good knowledge and understanding of various insurance products for household property and the individual and the underwriting principles.

1. Underwriting of Household Building
  - Scope of cover
  - Risk assessment
  - Subsidence and inflation protection
2. Underwriting of Household Contents
  - Market development and scope of cover
  - Risk protection and control
  - Pricing of contents insurance
3. Underwriting of Personal Possessions
  - Market development and scope of cover
  - Risk assessment
4. Underwriting of Other Personal Insurance Products
  - Domestic animals
  - Travel
  - Mortgage indemnity / guarantee
  - Extended warranty
  - Special risks
5. Life and Health Insurance
  - Personal accident
  - Permanent health insurance
  - Health insurance
  - Hospital cash insurance
6. Legal Liability for Individual
  - Sources of legal liability for individual
  - Breaches of criminal and civil law
  - Division of civil liability
  - Principle of negligence
7. Torts Related to Individual Liability
  - Nuisance
  - Strict liability
  - Absolute liability
  - Liability for animals
  - Trespass
8. Defences to an Action
  - Act of God
  - Inevitable accident
  - Emergency, necessity
  - Self-defence
  - Contributory negligence
9. Different Forms of Liability
  - Master and servant relationship
  - Parent and child
  - Occupiers' liability
  - Trespassers
10. Claims Settlement
  - Claims procedure
  - Duties of all parties
  - Basis of settlement
  - Investigating the claim
  - Determining the cause of loss
  - Contribution
  - Subrogation
11. Marketplace
  - Distribution of personal insurance
  - Use of information technology
  - Market development

### Study Materials

#### Primary Text:

***Personal Insurance***

The Chartered Insurance Institute Course Book 760.

#### Supplementary:

***Personal Insurance: Underwriting and Marketing Practices.***

Cheryl L. Ferguson. 1st Edition. Malvern, Pennsylvania:  
Insurance Institute of America, 1996.

## L6 Business Financial Planning # (Subject No. HK212) #

### Objective:

This is aimed to develop the candidate a good knowledge and understanding of the legal formation and different legal forms of businesses. To understand and have knowledge in taxation system of income and corporation tax in Hong Kong. A good understanding of financial planning, investment with reference to Hong Kong investment market.

1. Fact-finding and the Practical Issues
  - The legal forms of business
    - Formation issues and practical consequences
    - Sole Trader
    - Partnership
    - Unincorporated association
    - Limited company
  - Collect and analyze client data
  - Report and review
2. Partnerships
  - Duties of partners and their duties owed to third parties
  - Main issue in partnership agreement
  - Agency principles and risks involved in partnerships
  - Limited liability partnership and limited partnership
3. Limited Companies
  - Company formation and objects
  - Significance of limited liability
  - Company management and ownership
  - Methods of raising business finance
  - Different types of business finance
4. Corporate Finance
  - Methods of finance
  - Sales and purchase of business assets
  - Listing rules of Hong Kong Stock Exchanges and Clearing Ltd. (main board and Growth Enterprise Market)
  - Regulatory function of the Securities and Futures Commission of Hong Kong
5. Bankruptcy and Insolvency
  - Corporate bankruptcy and liquidation procedure
  - Trustee's/liquidator's powers and functions
  - Effects of bankruptcy/insolvency including the avoidance provision
  - Various alternatives to bankruptcy and insolvency
6. Business Accounting
  - Financial accounting
  - Financial statement
  - Profit and loss account
  - Investment decision making
7. Taxation of Companies
  - Hong Kong income tax
  - Hong Kong corporate tax
  - Understanding the general principles of corporation tax
  - Compute company profits
  - Dividends and distributions
  - Capital allowances
8. Business Protection Insurance
  - Share & partnership share protection
  - Trusts
  - Key person insurance
9. Pension Planning
  - Employee retirement scheme
  - Mandatory retirement scheme in Hong Kong
10. Choice of Business Medium
11. Practical Application
  - Collecting and analyzing data
  - Presenting reasoned recommendation
  - Monitoring client circumstances

### Study Materials

- Primary Text:** *Business Financial Planning*  
The Chartered Insurance Institute Course Book G30  
*Advanced HK Taxation*  
by Dora Lee and Ho Chi Ming, Longman  
**Website of [www.hkex.com.hk](http://www.hkex.com.hk) & [www.hksfc.org](http://www.hksfc.org)**
- Supplementary:** *Business Law*, D Keenan and S. Riches  
Financial Times Management 1998

## Financial Planning Stream

### **FP1 Personal Financial Planning (Subject No. HK213)**

#### **Objective:**

This is aimed to develop the candidate a good knowledge and understanding of the investment structure, investment terms and investment products available for personal investment. To have knowledge in construction of a personal investment portfolio, understand the rationale for risk management and need for diversification. Candidate should be able to construct a portfolio to meet client's financial objectives, to comment and recommend appropriate changes to that portfolio.

1. Principles of Portfolio Construction
  - Investment diversification
  - Need for a balanced portfolio
  - Meaning of risk
  - Factors to consider in building a portfolio
  - Terminology and stock exchange practice
2. Cash Deposits and National Savings
  - Main investment characteristics
  - Main types of banks and deposit accounts
  - Main types of national savings and investment products
  - Main uses of cash deposits and other investment products
3. Fixed-interest Securities
  - Main investment characteristics of fixed-interest securities
  - Main types of corporate fixed-interest securities
  - Principal ratios and approaches to analyze different fixed-interest securities
  - Main characteristics of gilts
4. Life Assurance and Packaged Investments
  - Different types of life assurance funds
  - Lump sum investment and regular saving life assurance policies
  - Role of life assurance products in investment planning
  - Compare life assurance products with other collective investments
5. Unit Trusts and Open-ended Investment Companies
  - Different categories of unit trusts and rules
  - Functions of the managers and trustees
  - Unit holders' rights and protection
  - Different ways of unit trust investment
  - System of pricing and charging
6. Investment Trusts
  - Investment trust companies and share prices
  - Relationship between share price and net asset value, terms, discount and premium
  - Main types of investment trusts and class of shares
  - Investment trusts in financial planning
  - Dealing in investment trusts shares and charges
7. Equities
  - Main investment characteristics of shares and past performance
  - Different classes of shares
  - Measuring investment performance
  - Main kinds of preference shares
  - Warrants and main categories of new issues
  - Fundamental knowledge of Hong Kong Stock Exchange
8. Offshore Funds
  - Development of offshore funds
  - Types of scheme
9. Derivatives
  - What are derivatives
  - Main types of derivatives
  - Use of derivatives to limit and extend risk and replace direct investment
  - Use of derivatives in collective investments
10. Specialized Investments
  - Investment characteristics of property investment
  - Advantages and drawbacks of investing in unquoted companies
  - Investing in commodities and alternative investments
11. Tax and Pensions Planning
  - Pensions in investment planning
  - Estate planning
  - Income tax, capital gain tax

12. Collecting and Analyzing Client Data
  - Establishing client attitudes and objectives
  - Analyzing a client's financial situation

13. Investment Planning
  - Constructing a suitable portfolio
  - Pension in investment planning
  - Monitor changes in client circumstances

### Study Materials

- Primary Text:** *Personal Investment Planning*  
The Chartered Insurance Institute Course Book G20
- Advanced HK Taxation*  
by Dora Lee and Ho Chi Ming, Longman
- Website:** [www.hkex.com.hk](http://www.hkex.com.hk)- *HK Exchange & Clearing Ltd.*
- Supplementary:** *Personal Financial Manual*, Butterworths
- Kelly's Financial Planning for the Individual*,  
S Philip, Gee Publishing.

## FP2 Business Financial Planning# (Subject No. HK212)#

### Objective:

This is aimed to develop the candidate a good knowledge and understanding of the legal formation and different legal forms of businesses, the Hong Kong taxation system of income and corporation tax, financial planning and investment with reference to the Hong Kong investment market.

1. Fact-finding and the Practical Issues
  - The legal forms of business
    - Formation issues and practical consequences.
    - Sole trader
    - Partnership
    - Unincorporated association
    - Limited company
  - Collect and analyze client data
  - Report and review
2. Partnerships
  - Duties of partners and their duties owed to third parties
  - Main issue in partnership agreement
  - Agency principles and risks involved in partnerships
  - Limited liability partnership and limited partnership
3. Limited Companies
  - Company formation and objects
  - Significance of limited liability
  - Company management and ownership
  - Methods of raising business finance
  - Different types of business finance
4. Corporate Finance
  - Methods of finance
  - Sales and purchase of business assets
  - Listing rules of Hong Kong Stock Exchanges and Clearing Ltd.(main board and Growth Enterprise Market)
  - Regulatory function of the Securities and Futures Commission of Hong Kong

5. Bankruptcy and Insolvency
  - Corporate bankruptcy and liquidation procedure
  - Trustee's/liquidator's powers and functions
  - Effects of bankruptcy/insolvency including the avoidance provision
  - Various alternatives to bankruptcy and insolvency
6. Business Accounting
  - Financial accounting
  - Financial statement
  - Profit and loss account
  - Investment decision making
7. Taxation of Companies
  - Hong Kong income tax
  - Hong Kong corporate tax
  - Understanding the general principles of corporation tax
  - Compute company profits
  - Dividends and distributions
  - Capital allowances
8. Business Protection Insurance
  - Share & partnership share protection
  - Trusts
  - Key person insurance
9. Pension Planning
  - Employee retirement scheme
  - Mandatory retirement scheme in Hong Kong
10. Choice of Business Medium
11. Practical Application
  - Collecting and analyzing data
  - Presenting reasoned recommendation
  - Monitoring client circumstances

### Study Materials

- Primary Text:** *Business Financial Planning*  
The Chartered Insurance Institute Course Book G30
- Advanced HK Taxation*  
by Dora Lee and Ho Chi Ming, Longman
- Website of** [www.hkex.com.hk](http://www.hkex.com.hk) & [www.hksfc.org](http://www.hksfc.org)
- Supplementary:** *Business Law*, D Keenan and S. Riches  
Financial Times Management 1998

## FP3 Financial Services Marketing (Subject No. HK214)

### Objective:

To develop knowledge and understanding of the principles and innovative approaches to marketing financial services/products. Candidates should be able to identify marketing problems and to gain awareness of implications for strategy and management.

1. The Financial Services Environment
  - Key socio-economic factors and impact on financial services
  - The technological environment
  - Strategic responses in competitive marketplace
2. The Financial Services Consumer
  - Trends affecting the demand of financial services
  - Financial services products and their implications for buyer behavior
  - Financial needs and motives for buyer behavior
  - Consumer behavior

3. Identifying and Targeting Financial Prospects
  - Factors differentiating consumers' financial services requirement
  - Bases for market segmentation
  - Requirements for effective market segmentation
  - Strategies and approaches to segmentation
  - Direct marketing and Database marketing
4. Development and Management of Financial Products
  - The concept of financial products and factors affecting product strategy
  - Process and strategy in the development of new financial services
  - Factors affecting the adoption of new financial services
  - Product life cycle concept
5. Traditional Channels of Distribution
  - Types of distribution channels
  - Branch networking and security issues
  - Characteristics and functions of a direct sales force
  - Roles of independent financial advisers
6. Technology-driven Delivery Channels
  - Impact of technology on delivery of financial services
  - Forms of self-service technology for financial services
  - Role of IT in creating enhanced customer service
7. Pricing for Financial Services
  - Concept of price in financial services
  - Price & non-price competition
  - Factors affecting price decisions
  - Roles of financial intermediation on pricing
  - Covert and overt pricing methods
8. Communication and Promotion
  - Role of promotion and communication process
  - Factors affecting promotion of financial services
  - Objectives and communication tools
  - Elements of the promotional mix
9. Building Customer Relationships
  - Concept of relationship marketing
  - Rationale in developing customer relationships
  - Key components of a relationship
10. Customer Retention and Loyalty
  - Customer retention and defection
  - Motives and strategy in customer retention
  - Customer loyalty program

## Study Materials

- Primary Text:** *Financial Services Marketing*  
By Tina Harrison, 2000, Prentice Hall/Financial Times
- Supplementary:** *Principles of Service Marketing and Management*,  
2nd Edition, by Christopher H. Lovelock, Prentice Hall 2002



## FP4 Application of Financial Planning (Subject No. HK215)

### Objective:

To develop an ability to analyze and evaluate a client's circumstances and needs. Candidates should be able to produce a comprehensive financial solution based on an in-depth knowledge of available financial products and services and understanding of client's needs in various life stages.

1. Introduction
  - The financial planning process
  - Gathering information
  - Interpreting the information
  - Formulating the solutions and recommendations
  - The review strategy
  - The client, goals, objectives and attitudes
  - Analysis of information
  - Identification and evaluation of solutions
2. Tax Planning – Knowledge in Products and Tax Treatment of the Benefits
  - Tax and financial planning consideration arising from marriage, family and divorce
  - Personal tax planning to best utilize tax allowances
  - Estate Planning - to minimize impact of taxation
3. Retirement Planning
  - Pre retirement planning of employees, self-employed and directors
  - Various pension options on retirement and impact on other financial planning
4. Financial Protection in the Event of Disability and Ill Health
  - Financing long term care and protection for disability and ill health
  - Financial protection for a family on premature death
  - Business protection for partners and directors.
  - Methods of protection and use of appropriate products
5. Savings and Investment
  - Construct a saving/investment portfolio taking into account clients' need, objectives, attitude to risk, tax position and other factors
  - Domestic property purchase
6. Client Analysis
  - Importance of collecting a range of information
  - Quantitative and qualitative data
  - Client's investment risk attitude/opinion
  - Client's existing financial arrangement
  - Client's priorities and needs
7. Financial Planning Solutions and Recommendations
  - Assessing client's need
  - Client's tax liability
  - Explain financial planning solutions and recommendations
  - Ethical/compliance issues
  - Client's existing arrangement
  - Presentation of data and report writing
8. Review Client's Financial Position
  - Periodical review
  - Review strategy and review period
  - Changes to client's circumstances
  - Reviewing a client's position

### Study Materials

**Primary Text:** *Holistic Financial Planning*  
The Chartered Insurance Institute Course Book H25  
*Advanced Taxation in Hong Kong 6th Edition*  
by Dora Lee and Ho Chi Ming

**Supplementary:** *Allied Dunbar Tax Handbook*.  
A Foreman. Pitman Latest Edition  
*Personal Financial Planning Manual*,  
Butterworths, Latest Edition

### Objective:

To have knowledge of the environment in which financial institutions operate and how the environment impacts upon the industry and vice versa. Candidates are expected to have an understanding of the local financial, regulatory and legislative systems.

1. Financial Markets and Institutions
  - Financial markets
  - Financial institutions
2. Overview of the Financial System
  - Function and structure of financial markets
  - Internationalization of financial markets
  - Function of financial intermediaries
  - Regulation of the financial system
3. Fundamentals of Interest Rates
  - Understanding interest rates
  - Measuring interest rates
  - The distinction between real and nominal interest rates
  - The distinction between interest rates and returns
4. The Behavior of Interest Rates
  - Determinants of asset demand
  - Benefits of diversification
  - Loanable funds framework: supply and demand in the bond market
  - Changes in equilibrium interest rates
  - Liquidity preference framework: supply and demand in the market for money
5. The Risk and Term Structure of Interest Rates
  - Risk structure of interest rates
  - Term structure of interest rates
6. Central Banking and the Conduct of Monetary Policy
  - Structure of central banks and the federal reserve system
7. Conduct of Monetary Policy: Tools, Goals and Targets
  - Federal reserve and its market
  - Tools of monetary policy
  - Goals of monetary policy
  - Central bank strategy and targets
  - Monetary targeting in other countries
8. Financial Markets
  - The money markets
9. The Capital Market
  - Purpose of the capital market
  - Capital market, participants and trading
  - Capital market securities
10. The Stock Markets and the Efficient Markets Hypothesis
  - Computing the price of common stock
  - Efficient market hypothesis and its evidence
11. The Mortgage Markets
  - Characteristics of mortgage
  - Types of mortgage loans
  - Mortgage-lending institutions
  - Securitisation of mortgages
12. The Foreign Exchange Market
  - Exchange rates in the long run and short run
  - Explaining changes in exchange rates
13. The International Financial System
  - Intervention in the foreign exchange market
  - Balance of payments
  - Evolution of the international financial system
  - Capital controls
  - The role of the IMF
  - International considerations and monetary policy
14. Theory of Financial Structure
  - Basic facts about financial structure
  - Moral hazard affects the choice between debt and equity contracts
  - Moral hazard influences financial structure in debt markets
  - Financial crises and aggregate economic activity
15. The Banking Firm and Bank Management
  - Basic operation of a bank
  - General principles of bank management
16. Commercial Banking Industry: Structure and Competition
  - Separation of the banking and other financial service industries
  - International Banking
  - Financial innovation and the decline of traditional banking

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| <p>17. Savings Associations and Credit Unions</p> <ul style="list-style-type: none"> <li>- Political economy of the savings and loan crisis</li> </ul> <p>18. Banking Regulation</p> <ul style="list-style-type: none"> <li>- Asymmetric information and bank regulation</li> <li>- International banking regulation</li> <li>- Banking crises throughout the world</li> </ul> <p>19. Insurance Companies and Pensions Funds</p> <ul style="list-style-type: none"> <li>- Insurance companies</li> <li>- Fundamentals of insurance</li> <li>- Pensions</li> </ul> <p>20. Firms and Brokerage Houses</p> <ul style="list-style-type: none"> <li>- Venture capital firms</li> <li>- Finance companies</li> <li>- Financial conglomerates</li> <li>- Investment banks</li> <li>- Brokerages firms</li> <li>- Mutual funds</li> </ul> | <p>21. Risk Management in Financial Institutions</p> <ul style="list-style-type: none"> <li>- Managing credit risk</li> <li>- Managing interest-rate risk</li> </ul> <p>22. Hedging with Financial Derivatives</p> <ul style="list-style-type: none"> <li>- Hedging</li> <li>- Forward markets</li> <li>- Futures markets</li> </ul> |
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**Study Materials**

- Primary Text:**      *Financial Markets & Institution*  
3rd Edition, Federic S.Mishkin & Stanley G. Eakins, Addison Wesley 2000
- Supplementary:**    Course Book AIAF 113-*Insurance Company Finance*,  
By Insurance Institute of America

**FP6    Personal Insurance\* (Subject No. HK211)\***

**Objective:**

This is aimed to develop the candidate a good knowledge and understanding of various insurance products for household property and the individual and the underwriting principles.

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| <p>1. Underwriting of Household Building</p> <ul style="list-style-type: none"> <li>- Scope of cover</li> <li>- Risk assessment</li> <li>- Subsidence and inflation protection</li> </ul> <p>2. Underwriting of Household Contents</p> <ul style="list-style-type: none"> <li>- Market development and scope of cover</li> <li>- Risk protection and control</li> <li>- Pricing of contents insurance</li> </ul> | <p>3. Underwriting of Personal Possessions</p> <ul style="list-style-type: none"> <li>- Market development and scope of cover</li> <li>- Risk assessment</li> </ul> <p>4. Underwriting of Other Personal Insurance Products</p> <ul style="list-style-type: none"> <li>- Domestic animals</li> <li>- Travel</li> <li>- Mortgage indemnity / guarantee</li> <li>- Extended warranty</li> <li>- Special risks</li> </ul> |
|--|--|

5. Life and Health Insurance
  - Personal accident
  - Permanent health insurance
  - Health insurance
  - Hospital cash insurance
6. Legal Liability for Individual
  - Sources of legal liability for individual
  - Breaches of criminal and civil law
  - Division of civil liability
  - Principle of negligence
7. Torts Related to Individual Liability
  - Nuisance
  - Strict liability
  - Absolute liability
  - Liability for animals
  - Trespass
8. Defences to an Action
  - Act of God
  - Inevitable accident
  - Emergency, necessity
  - Self-defence
  - Contributory negligence
9. Different Forms of Liability
  - Master and servant relationship
  - Parent and child
  - Occupiers' liability
  - Trespassers
10. Claims Settlement
  - Claims procedure
  - Duties of all parties
  - Basis of settlement
  - Investigating the claim
  - Determining the cause of loss
  - Contribution
  - Subrogation
11. Marketplace
  - Distribution of personal insurance
  - Use of information technology
  - Market development

## Study Materials

**Primary Text:** *Personal Insurance*  
The Chartered Insurance Institute Course Book 760.

**Supplementary:** *Personal Insurance: Underwriting and Marketing Practices.*  
Cheryl L. Ferguson. 1st Edition. Malvern, Pennsylvania:  
Insurance Institute of America, 1996.

**Technical Subjects (Select ANY FOUR Subjects for “Fellows” Qualification)****F1 Financial Risk Management (Subject No. HK301)****Objective:**

To develop an understanding of risk management in modern financial institution. To identify ways in which the managers of modern financial institutions can expand return with the managed level of risk to achieve the best, or most favorable, return-risk outcome for shareholders.

1. The Financial Services Industry
  - Depository institutions
  - Insurance companies
  - Securities firms and investment banks
  - Mutual funds
  - Finance companies
2. Financial Intermediaries
  - Financial intermediaries' specialness
  - Other aspects of specialness
3. Risks of Financial Intermediation
  - Interest rate risk
  - Market risk
  - Credit risk
  - Off-balance-sheet risk
  - Technology and operational risk
  - Foreign exchange risk
  - Country or sovereign risk
  - Liquidity risk
  - Insolvency risk
  - Other risks
4. Measuring Risk
  - The central bank and interest rate risk
  - The repricing model and its weaknesses
  - The maturity model, maturity matching and interest rate
  - Duration: features, general formula and immunization
5. Market Risk
  - Measurement and exposure
  - The riskmetrics model
  - Historic or back simulation approach
6. Credit Risk
  - Individual loan risk
  - Loan portfolio and concentration risk
7. Off-balance-sheet Activities
8. Operational and Technology Risk
  - Sources of operational risk
  - Technological innovation and profitability
  - Impact of technology on wholesale and retail banking
  - Effect of technology on revenues and costs
  - Testing for economies of scale and economies of scope
  - Technology and the evolution of the payments system
9. Foreign Exchange Risk Exposure
  - Sources of foreign exchange risk exposure
  - Foreign currency trading
  - Foreign asset and liability positions
10. Sovereign Risk
  - Credit risk versus sovereign risk
  - Debt repudiation versus debt rescheduling
  - Country risk evaluation
11. Liquidity Risk
  - Causes of liquidity risk
  - Liquidity risk at banks and thrifts
  - Liquidity risk and life insurance companies
  - Liquidity risk and property-casualty insurers
  - Mutual funds
12. Managing Risk
  - Liquid asset management and composition of the liquid asset
  - Return-risk trade-off for liquid assets
  - Liability management and choice of its structure
  - Liability and liquidity risk management in insurance companies and other financial institutions
13. Deposit Insurance and Other Liability Guarantees
  - Depository fund insolvencies
  - Panic prevention versus moral hazard
  - Controlling bank risk taking
  - Other guaranty programs

14. Capital Adequacy
  - The cost of equity capital as a funding source
  - Capital and insolvency risk capital
  - Capital adequacy in the commercial banking and thrift industry
  - Capital requirements for other financial institutions
15. Product Diversification
  - Risks of product segmentation
  - Issues involved in the expansion of product powers
16. Geographic Diversification
  - Domestic
  - International
17. Forwards and Futures Contracts
  - Hedging interest rate risk with futures and forward contracts
  - Hedging foreign exchange risk with forwards and futures
  - Hedging credit risk with futures and forwards
18. Options, Caps, Floors, and Collars
  - Basic features of options
  - Writing versus buying options
  - The mechanics of hedging a bond or bond portfolio
  - Actual bond options: options to hedge the interest rate risk and foreign exchange risk
  - Hedging credit risk and catastrophe risk
  - Caps, floors, and collars and credit risk
19. Swaps
  - Interest rate swaps
  - Pricing an interest rate swap
  - Currency swaps
  - Credit swaps

### Study Materials

- Primary Text:** *Financial Institutions Management*, Saunders, A. Irwin/McGraw-Hill, 4th Edition, 2003
- Supplementary:** Kemshall, H. & J. Pritchard, *Good Practice in Risk Assessment and Risk Management*, Jessica Kingsley, 1996.  
 Jorion, P. & S. J. Khoury, *Financial Risk Management: Domestic and International Dimensions*, Blackwell Business, 1996.

## F2 Financial Accounting (Subject No. HK302)

### Objective:

To develop an understanding of the conceptual and regulatory framework of accounting; the nature of accounting systems and control of such systems. Candidates should be able to give analysis to financial data of business entities.

1. Basic Financial Statements
  - Introduction to financial statements
  - Income statement
  - Statement of cash flows
  - Relationships among financial statements
2. The Accounting Cycle
  - Changes in financial position
  - Measuring income
  - Recognizing and recording transactions
  - Uses of journals, ledgers and trial balances
  - Adjusting entries and closing entries.
  - Statement preparations using the worksheet
  - Balance sheet and income statement

3. Forms of Business Organizations: the Accounting Practices Specific to:
  - Sole proprietorships
  - Partnerships and
  - Corporations
4. Accounting for Merchandising Activities
  - Characteristics of merchandising companies
  - Perpetual and periodic inventory systems
  - Evaluating the performance of a merchandising firm
5. Accounting for Assets and Liabilities - the Accounting Practices Related to:-
  - Cash
  - Short-term investments
  - Accounts receivables
  - Inventory
  - Acquisition of plant assets and depreciation
  - Disposal of plant assets, intangible assets
  - Natural resources
  - Current liabilities
  - Long-term liabilities
  - Estimated liabilities
  - Loss contingencies
6. Accounting for Stockholders Equity
  - Authorization and issuance of capital stock
  - Characteristics of common stock and preferred stock
  - Subscriptions of capital stock
  - Donated capital
  - Cash dividends, stock dividends, stock splits and treasury stock
  - Statement of retained earnings
  - Statement of stockholders equity
7. Measuring Cash Flows
  - Purpose of cash flow statement
  - Budgeting
  - Preparation of the cash flow statement: direct and indirect methods
8. Introduction to Financial Statement Analysis
  - Tools of analysis
  - Measures of liquidity
  - Measures of credit risk
  - Measures of profitability

**Study Materials**

- Primary Text:** Meigs, R. F., J. R. Williams, S. F. Haka & M. S. Bettner, *Financial and Managerial Accounting: the Basis for Business Decisions*, 12th Edition, New York: McGraw-Hill, 2002.
- Supplementary:** Horngren, C. T., G. L. Sundem & J. A. Elliott, *Introduction to Financial Accounting*, 7th Edition, NJ: Prentice Hall, 1999.  
 Weygandt, J. J. & D. E. Kieso, *Financial Accounting*, 3rd Edition, New York: John Wiley, 2000.

## F3 Organizational Behavior (Subject No. HK303)

### Objective:

To develop understanding of theories and concepts applied directly to the management of people in the workplace. To identify the key determinants of organizational behavior and performance at individual, group and organizational level. Candidates should be able to develop a critical awareness of the central importance of organizational behavior in the effective and efficient management of people in organizations.

1. Introduction to Organizational Behavior
  - Duty of managers
  - Enter organizational behavior
  - Challenges and opportunities
2. Foundations of Individual Behavior
  - Biographical characteristics
  - Ability
  - Learning
3. Values Attitudes and Job Satisfaction
4. Personality and Emotions
5. Perception and Individual Decision-making
  - Importance of decision-making
  - Factors influencing perception
  - The link between perception and individual decision-making
  - Decision making in organization
  - Ethical decision making
6. Basic Motivation Concepts
  - Motivation definition and early theories of motivation
  - Contemporary theories of motivation
  - Integrating contemporary theories of motivation
  - Caveat emptor
7. Motivation: Concepts to Applications
  - Management by objectives
  - Employee recognition and involvement programs
  - Variable pay programs
  - Skill-based pay plans
  - Flexible-benefits
  - Special issues in motivation
8. Foundation of Group Behavior
  - Defining and classifying groups
  - Stages of group development
  - Group member resources
  - Group structure, processes, tasks, decision-making and decision-making techniques
9. Understanding Work Teams
  - Teams versus groups
  - Types of teams
  - Creating effective teams
  - Turning individuals into team players
  - Contemporary issues in managing teams
10. Communication
  - Functions of communication
  - The communication process
  - Direction of communication
  - Interpersonal communication
  - Organizational communication
  - Barriers to effective communication
  - Current issues
11. Basic Approaches to Leadership
  - Trait theories and behavioral theories
  - Contingency theories
12. Contemporary Issues in Leadership
  - Trust
  - Leaders as shapers of meaning
  - Emotional intelligence and leadership effectiveness
  - Contemporary leadership roles
  - Moral leadership
  - Online leadership
  - Challenges to the leadership construct
  - Finding and creating effective leaders
13. Power and Politics
  - Contrasting leadership and power
  - Bases of power and the key to power
  - Power tactics and in groups
  - Sexual harassment
  - Public power in action
14. Conflict and Negotiation
  - Transition in conflict thought
  - Functional versus dysfunctional conflict
  - The conflict process
  - Negotiation



- 15. Foundations of Organization Structure
  - Organizational structure
  - New design options
  - Structure different
  - Organizational designs and employee behavior
- 16. Work Design and Technology
- 17. Human Resource Policies and Practices
  - Selection practices
  - Training and development programs
  - Career development
  - Performance evaluation
  - Union management interface
  - Managing diversity in organization
- 18. Organizational Culture
- 19. Organization Change and Stress Management

**Study Materials**

**Primary Text:** Robbins, S., *Organizational Behavior* 10th Edition, Prentice Hall, 2003.

**Supplementary:** Schneider & Schneider , *Managing Across Culture*, 2nd Edition, Prentice Hall  
 David A. DeCenzo & Beth Silhanek, *Human Behavior in Organizations*, 2nd Edition, Prentice Hall

**F4 Marketing Management (Subject No. HK304)**

**Objective:**

To develop an understanding of the marketing theory and concepts and its application in business decisions. To identify issues that effective marketing is absolutely critical to the achievement of corporate goals and shareholder objectives. To be familiar with the basic principles of marketing which is pertinent to the development and implementation of marketing strategy.

- 1. Understanding Marketing Management
  - The new economy
  - Marketing tasks
  - Marketing concepts and tools
  - Company orientations toward the marketplace
- 2. Adapting Marketing to the New Economy
  - Major drivers of the new economy
  - How business practices are changing
  - E business
  - Setting up web site
  - Customer relation Marketing
- 3. Building Customer Satisfaction, Value and Retention
  - Defining customer value and satisfaction
  - The nature of high-performance business
  - Delivering customer value and satisfaction
  - Attracting and retaining customers
  - Customer and company profitability, total quality management
- 4. Analyzing Marketing Opportunities
  - Strategic planning: three key areas and four organizational levels
  - Corporate and division strategic planning
  - Business unit strategic planning
  - The marketing process
  - Product planning: the nature and contents of a marketing plan

5. Gathering Information and Measuring Marketing Demand
  - Components of a modern marketing information system
  - Internal records and marketing intelligence system
  - Marketing research and decision support system
  - Forecasting and demand measurement
6. Scanning the Marketing Environment
  - Analyzing needs and trends in the macroenvironment
  - Identifying and responding to the major macroenvironment forces
7. Analyzing Consumer Markets and Buyer Behavior
  - Buyer behavior
  - Buying decision process
8. Analyzing Business Markets and Business Buying Behavior
  - Organizational buying
  - Business buying process and influences on buying decisions
  - Purchasing/procurement process
  - Institutional and government markets
9. Dealing with the Competition
  - Competitive force
  - Identifying and analyzing competitors
  - Designing the competitive intelligence system
  - Designing competitive strategies
10. Identifying Market Segments and Selecting Target Markets
  - Levels and patterns of market segmentation
  - Segmenting consumer and business markets
  - Marketing targeting
11. Developing Market Strategies
  - Developing and communicating a positioning strategy
  - Differentiation tools
  - Product life-cycle marketing strategies
  - Market evolution
12. Developing New Market Offerings
  - Challenges in new-product development
  - Organizational arrangements
  - Managing the different development processes
  - The consumer-adoption process
13. Designing Global Market Offerings
  - Competition
  - Markets entry
  - Marketing program
  - Marketing organization
14. Shaping the Market Offering
  - Product and product mix
  - Product-line and brand decision
  - Packaging and labeling
15. Designing and Managing Services
  - Nature of services
  - Marketing strategies for service firms
  - Managing product support services
16. Developing Price Strategies and Programs
  - Setting the price
  - Adapting the price
  - Initiating and responding to price changes
17. Managing and Delivering Marketing Programs
  - Value network and marketing-channel systems
  - Marketing channels, channel-design decisions and management decisions
  - Channel dynamics
18. Managing Retailing, Wholesaling and Market Logistics
19. Managing Integrated Marketing Communications
20. Managing Advertising, Sales Promotion, Public Relations, and Direct Marketing
  - Developing and managing an advertising program
  - Media and measuring effectiveness
  - Sales promotion
  - Public relations
  - Direct marketing
21. Managing the Sales Force
22. Managing the Total Marketing Effort

### Study Materials

**Primary Text:** Berkowitz E. N., A. K. Roger, W. H. Steven & R. William, **Marketing Management**, 11th Edition, Irwin/McGraw-Hill.

**Supplementary:** Berkowitz E. N., A. K. Roger, W. H. Steven & R. William, **Marketing Management: an Asian Perspective**, 3rd Edition, Irwin/McGraw-hill  
 Gary Armstrong and Philip Kotler, **Principles of Marketing**, 10th Edition, Prentice Hall

## F5 Strategic Management (Subject No. HK305)

**Objective:**

To develop understanding of the strategic management theories and other major issues as they relate to different forms of organizations. To identify issues surrounding business ethics and social responsibility. Candidates should be able to gain awareness of skills needed to design strategies to achieve organizational objectives.

1. Strategic Analysis
  - Strategic management – creating competitive advantage
  - Strategic management process
  - The role of stakeholder management
  - The strategic management perspective
  - Ensuring coherence in strategic direction
2. Analyzing External Environment of the Firm
  - Creating the environmentally aware organization
  - The general environment
  - The competitive environment
3. Assessing the Internal Environment of the Firm
  - Value-chain analysis
  - Resource-based view of the firm
  - Evaluating firm performance: two approaches
4. Recognizing a Firm's Intellectual Assets
  - The central role of knowledge
  - Human capital
  - The vital role of social capital
  - Using technology to leverage human capital and knowledge
  - The central role of leveraging human capital in strategy formulation
5. Strategy Formulation
  - Business-level strategy
  - Types of competitive advantage and sustainability
  - Stages of the industry life cycle
6. Corporate-level Strategy
  - Related diversifications
  - Unrelated diversification
  - The means to achieve diversification
  - How managerial motive can erode value creation
7. International Strategy
  - The global economy
  - Factors affecting a nation's competitiveness
  - International expansion
  - Achieving competitive advantage in global markets
  - Entry modes of international expansion
8. The Internet and E-commerce
  - Five competitive forces
  - Competitive strategies
  - Internet-based advantages
9. Strategy Implementation
  - Implementing strategy – achieving effective strategic control
  - Ensuring informational control
  - Attaining behavioral control
  - Linking strategic control to business-level and corporate-level strategies
10. Implementing Strategy: Creating Effective Organizational Designs
  - Traditional forms of organizational structure
  - Boundaryless organizational designs
11. Effective Strategic Leadership – Creating a Learning Organization and an Ethical Culture
  - Leadership
  - Developing a learning organization
  - Creating an ethical organization
12. Effective Strategic Leadership – Fostering Corporate Entrepreneurship and New Venture Creation
  - Opportunity recognition
  - New ventures and small business
  - Corporate entrepreneurship
  - Entrepreneurial orientation
13. Analyzing Strategic Management Cases

## Study Materials

- Primary Text:** *Strategic Management : Creating Competitive Advantage*, 2003, Dess and Lumpkin – Macgraw Hill
- Supplementary:** *Strategic Management, Text and Cases:* Gregory G, Dess 2004 – MacGraw Hill
- Strategy: Winning in the Marketplace*, Arthur A. Jr. Thompson-MacGraw Hill 2004

## F6 Reinsurance (Subject No. HK306)

### Objective:

To provide a knowledge and understanding of the principle and functions of reinsurance, general applications to different methods of reinsurance, the reinsurance markets and the reinsurance contracts.

1. Functions of Reinsurance
  - Risk transfer
  - Capacity
  - Financial security
2. Parties to Reinsurance Contract
  - Buyers and sellers
  - Intermediaries
  - Retrocessionaires
3. Determining an Insurer's Retention
  - Factors determining retention
  - Assessment of gross exposure
  - Net loss exposure relative to financial resources
  - Cost of reinsurance
  - Capacity available
  - Security of reinsurer
4. Different Type of Reinsurance
  - Treaty and facultative
  - Proportional and non-proportional
  - Operation of facultative reinsurance and pricing
5. Proportional Reinsurance Treaties
  - Quota share and surplus
  - Different basis of cover
  - Different kind of reinsurance commission
  - Profit commission and their calculations
  - Premium and claims reserves
  - Use of event limits in proportional treaties
  - Interpretation of treaty result
6. Loss Participation Clause
  - Functions of loss participation
  - Various types of loss participation clause
7. Excess of Loss Treaties
  - Use of excess of loss treaties
  - Basis of coverage
  - Risk excess and application to any one risk
  - Use of catastrophe excess of loss and factors to be considered
  - Use of event limits
  - Reinstatement premium
  - Definition of "GNPI" in reinsurance
  - Coverage for common account
8. Stop Loss Treaty and Aggregate Excess of Loss Treaty
9. Operation of Retrocession
  - Retrocession markets
  - Effects of retrocession market actions to the direct market
10. Alternative Risk Transfer
  - Key principles
  - Relationship with traditional reinsurance

11. Legal Issues Relating to Reinsurance
  - General principles of reinsurance law
  - Incorporation of original policy terms
  - Construction of a reinsurance contract
  - Legal relationship of parties to a reinsurance contract
  - Reinsurance dispute resolution methods
  - Rights of parties in case of insolvency/liquidation
  - Jurisdiction and applicable law
12. Reinsurance Policy Wording
  - Common clauses within proportional treaty wordings
  - Common clauses within non-proportional treaty wordings
  - The use of standard wordings
  - Treaty exclusions applicable in general
13. Placing of Reinsurance
  - The use of "slip"
  - Structure of the slip for proportional and non-proportional reinsurance
  - Information and data required for reinsurance placement
  - Closing instruction
  - Reciprocal exchange
14. Reinsurance Markets
  - Buyer of reinsurance
  - Sellers of reinsurance and their pros and cons
  - Security assessment of different sellers of reinsurance
  - Importance of reinsurance security
  - Major reinsurance markets worldwide
  - Retrocession market
  - Capital market
15. Property Reinsurance
  - Underwriting characteristics of property reinsurance
  - Advantages and disadvantages of proportional and non-proportional reinsurance
  - Use of facultative in property insurance
  - Use of risk excess of loss and catastrophe excess of loss
  - Hours clause
  - Concept of Estimated maximum loss (EML) and accumulation
  - Principles in rating and terms setting
16. Casualty Reinsurance
  - Underwriting characteristics of casualty reinsurance
  - Advantages and disadvantages of proportional and excess of loss reinsurance
  - Inflation in casualty insurance and IBNR
  - Reinsurance of long tail class of insurance
  - Key clauses in motor liability and workers' compensation treaties
  - Principle in establishment of rate and terms
17. Marine Reinsurance
  - Underwriting characteristics of marine reinsurance
  - Advantage and disadvantages of proportional and excess of loss reinsurance
  - Specific forms of marine reinsurance
  - War risks in marine
  - Principles in establishment of rate and terms
18. Aviation Reinsurance
  - Underwriting and characteristics in aviation reinsurance
  - Advantages and disadvantages of proportional and excess of loss reinsurance
  - Forms of aviation reinsurance
  - War, hi-jacking and terrorist risks in aviation reinsurance
  - Principles in establishment of rate and terms

**Study Materials**

**Primary Text:** *Reinsurance*  
The Chartered Insurance Institute Course Book 785

**Supplementary:** *Reinsurance.*  
R. L. Carter. 3rd Edition. London: ReActions in Association with the Mercantile & General Reinsurance Company, 2000.

## F7 Insurance Broking and Agency (Subject No. HK307)

### Objective:

To provide knowledge and understanding of the insurance intermediary system in Hong Kong and other insurance markets worldwide. To provide knowledge in the legal requirements of insurance brokers and insurance agents in their different capacities, what they are accountable for and the role of each.

1. Recent Development of Intermediaries in Hong Kong Market
  - Different market sectors and role of intermediaries in each
  - Types of insurance intermediaries in Hong Kong
  - Role of an insurance agent and insurance broker
  - Self regulation of insurance in Hong Kong
2. Registration Bodies in Hong Kong for Insurance Intermediaries as Authorized by the Insurance Authority of Hong Kong
  - Insurance Agents Registration Board
  - CIB and PIBA for insurance broker registration
3. Insurance Companies Ordinance in Hong Kong
  - Key issues governing operation of insurance agents and brokers
4. Insurance Agents Registration Board (IARB)
  - Role of the board
  - Requirements to qualify for registration
  - Types of agents authorized by the board
  - Continued professional development requirement
  - Duties and rights of an agent under IARB code
  - Disciplinary actions
  - Appeal channel for disciplinary actions
5. CIB and PIBA for Registration of Insurance Broker
  - Role of the broker associations
  - Requirements to qualify for registration
  - Continued professional development requirement
  - Duties and rights of a broker registered with the recognized bodies
  - Disciplinary actions
  - Appeal channel for disciplinary actions
6. Role and Accountability of an Insurance Agent
  - Relationship of the agent to insurance company and the insured
  - Functions of an insurance agent
  - Claims handling
  - Premium handling
  - Marketing of insurance agent
7. Role and Accountability of an Insurance Broker
  - Relationship of the broker to insurance company and the insured
  - Function of an insurance broker
  - Claims handling
  - Premium handling
  - Marketing of insurance broker
8. London Market Procedures for Insurance Intermediaries
  - Lloyd's broker
9. Role of a Broker in Risk Management Process
10. Assessment of Solvency of Insurers
  - Factors affecting solvency of an insurer
  - Critical ratios in assessment of solvency
  - Responsibility of the intermediary in solvency of an insurer
  - Importance of solvency of the intermediary
11. Remuneration of Insurance Brokers
  - Standard remuneration
  - Recent development in remuneration
  - Advantages and disadvantages of fee basis and brokerage basis
12. Errors and Omissions
  - Awareness and preventive actions taken
13. Business Agreement with Insurers and Clients
14. Personal Data (privacy) Ordinance as Applied to Insurance Intermediaries

**Study Materials****Primary Text:*****Insurance Broking***

The Chartered Insurance Institute Course Book 930

***The Code of Practice for Insurance Agents***

By Hong Kong Federation of Insurers (IARB)

**Supplementary:*****The law of Insurance Broking.***

Christopher Henley, London: Longman, 1990.

**F8 Statistics for Business (Subject No. HK308)****Objective:**

To develop an understanding of the role of statistics in business; the basics of data analysis as well as the fundamental notion of statistical inference. Candidates should be able to apply the basic techniques in a wide variety of circumstances.

1. What is Statistics
  - Application in business
  - Data sources and presentation of data
  - Population and samples
  - Sampling a process
  - Ratio, interval, ordinal and nominative scales of measurement
2. Descriptive Statistics
  - Data presentation, and characteristic measures of data distributions.
  - Measures of location ( Means, Median, Quartiles)
  - Measures of variability (Range, Variance)
  - The weighted means and working with grouped data
3. Probability
  - Basic concepts, conditional probabilities,
  - Sample spaces and events
  - Some elementary probability rules
4. Discrete Random Variables
  - Discrete and Continuous probability distributions
  - Types of random variables
  - Binomial distribution
  - Poisson distribution
5. Continuous Random Variables
  - Continuous probability distributions
  - Uniform distribution
  - Normal probability distribution
  - Exponential distribution
6. Sampling Distributions
  - Sampling concepts and sampling distributions,
  - Point estimation and
  - Interval estimation,
  - Tests of hypotheses
  - Comparison involving means & proportions
7. Confidence Intervals
  - Large and small sample confidence intervals for a population mean
  - Sample size determination
  - Confidence intervals for a population proportion and parameters of finite populations
  - Survey sampling
  - Confidence intervals vs tolerance intervals

8. Hypothesis Testing
  - Null and alternative hypothesis and errors
  - Large sample tests about a population mean in one-sided and two-sided alternatives
  - Small sample tests about a population mean
  - Tests about a population proportion
  - Type II error probabilities and sample size determination
  - Statistical inference for a population variance
9. Statistical Inferences
  - Comparing population means
  - Comparing population variance
  - Comparing population proportions
10. Experimental Design and Analysis of Variance
  - Basic concepts of experimental design
  - One way analysis of variance
  - The randomized block design
  - Two way analysis of variance
11. Regression and Correlation
  - Linear regression models
  - Correlation analysis
  - Estimation of parameters
  - Hypothesis testing of parameters
12. Time Series
  - Trend analysis, cyclical and seasonal variations
  - Concept of Stationarity, autocorrelation, residual

### Study Materials

**Primary Text:** *Business Statistics in Practice*, Bowerman, O'connell, Hand, Macgraw Hill

**Supplementary:** Donald, L. H. and J. F. Horrell, *Data, Statistics, and Decision Models with Excel*, John Wiley & Sons, Inc. 1998.

Moor, D. S. and G. P. McCabe, *Introduction to Statistics*, 3rd Edition, W.H. Freeman and Company, 1998.

*Business Statistics, Contemporary Decision Making*, 3rd Edition, West Publisher, 2001.