# Insurance Company Management

## Prof.Enrico Parretta; Prof. Fabio Carniol, Prof. Antonio Nicelli

Module 1: *Prof. Enrico Parretta*

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course aims to have the student learn the basic elements of governance and strategy in the insurance business.

At the end of the course, students will know:

* the general elements of strategy and their application in the insurance sector
* the key mechanisms of the value chain in the insurance industry
* the main elements of company governance (internal control system, tasks of the administrative body, role of the audit committee, etc.) and their concrete application in the insurance sector
* roles, responsibilities, and activities performed by the audit function in an insurance company
* other relevant aspects of governance and control of the insurance company (auditing company, risk management function, reporting, etc.).

***COURSE CONTENT***

1. *Implementation of strategy in the insurance business*

 Theories, models and instruments of the strategy and their declination in the insurance business: distribution channels, products, operating processes, company structure.

2. *Elements of governance in the insurance company*

Principles, laws and regulations, and persons involved in corporate governance. Internal control mechanisms in insurance companies and relevant reporting.

Course prerequisites

Students taking this course should have knowledge of the fundamental characteristics of the insurance business.

Instructional objectives of the course

In completing this part of the course, the student is expected to:

– know the principal areas of activity in insurance companies, their inter-relationships and their contribution to the chain of value;

– understand how the strategy defined can dictate the company structure;

**–** know the main elements of insurance company governance and thus, be familiar with the second pillar of Solvency 2, with regard to both theoretical aspects (such as the ERM Coso) and operational aspects (such as the activities carried out by internal audit and risk management).

***READING LIST***

We strongly recommend:

– E. Parretta, *Strategia e governance del business assicurativo*, EDUCatt, 2020

– the teaching material (slides and other documents) made available both by the lecturer and by external professionals.

*Solvency II Directive* (2009-138-CE – art. 41-50) and related second-level implementation measures on the governance system.

For an in-depth study of the topics, an extensive reading list is available.

We recommend in particular

– L. Selleri, *Strategia e marketing delle imprese di assicurazione*, EDUCatt (pages 15-86).

– E. Parretta, *Controllo Interno e Assicurazioni*, F. Angeli, 2007 (chs. II, IV e V).

– A. Cappiello, *The European Insurance Industry: Regulation, Risk Management, and Internal Control*, 2020.

***TEACHING METHOD***

The course will be taught through lectures, interventions by external professionals are also planned to deepen specific issues within the path exposed above. After presentation in class, the instructional materials will be made available on the Blackboard page for the course and, it will be an integral part of the examination material, including the claims made by external professionals.

***ASSESSMENT METHOD AND CRITERIA***

– Written test lasting an hour and a half, including 6 open-ended questions which will be assigned a maximum score of 5 (6 in the case of excellent performance); possible supplementary oral examination, requested by the student, who may modify the mark of the written test, by increasing or decreasing it.

– in case of (1) a protracted pandemic emergency, and (2) if specifically requested by students, or (3) if a very limited number of students is present during the exam, the written test will be replaced with an oral test according to what described above for the written test.

– The mark of the module will account for 50% in the overall exam assessment.

***NOTES AND PREREQUISITES***

*Prerequisites*

Prerequisite isbasic knowledge of the concepts of business economics and insurance business.

In case the current Covid-19 health emergency does not allow frontal teaching, remote teaching will be carried out following procedures that will be promptly notified to students.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG or on the Faculty notice board.

Module 2: *Prof. Fabio Carniol, Prof. Antonio Nicelli.*

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course aims at outlining the market framework in which insurance companies operate and how this contributes to the definition of their medium- and long-term strategies. The course also examines issues related to insurance companies’ financial statements and to the developments within the insurance industry's regulatory framework, with particular attention to prudential supervision regulations.

At the end of the course, students will be able to:

* understand the role played by the insurance industry in supporting economic growth and financial market stability;
* know the market context in which the insurance companies operate and evaluate the different competitive strategies;
* know the fundamental financial statements layouts of insurance companies and the related valuation criteria;
* assess the regulatory framework on prudential supervision, its developments and the related impacts on the management of insurance companies.

***COURSE CONTENT***

PART 1: Prof. Carniol

*Application for insurance services in Italy*

* Private customers: risk appetite, penetration of insurance products, digitalisation, and customer journey
* The business segment: the weight of SMEs, risk perception, risk management, penetration of insurance products

*The insurance market in Italy: offer of insurance products and services*

* Life insurance. Retirement provision.
* Non-auto damage insurance.
* Welfare, social security, and health insurance. Ecosystems for health products.
* Natural disasters and home insurance. Smart home ecosystems.
* Digitization and “*InsurTech*”.

*Insurance distribution*

* The main channels.
* Bancassurance. Partnership models and case analyses.
* The new digital channels

PART 2: Prof. Nicelli

*Aspects of insurance company financial statements and insurance industry regulation.*

– Insurance company financial statements: national accounting principles and IAS/IFRS.

* Valuation criteria of assets and liabilities.
* Income statement and balance sheet formats.
* The new international accounting standard for insurance contracts (IFRS 17)

– Solvency II:

* general structure, purpose, principles.
* Pillar 1.
* Evaluation criteria (*best estimate, risk margin, adjustments*).
* Capital requirements (SCR/MCR)
* *Standard*formula and internal models.
* Own Funds
* Introduction to Pillars 2 and 3.

– Solvency II Reviews 2018 and 2020 and their implications for the sector.

***READING LIST***

A. Nicelli,*Lecture notes,* textbooks available on the Blackboard course.

F.Carniol*, Lecture notes,* textbooks available on the Blackboard course.

Recommended reading:

a. floreani,*Economia delle imprese di assicurazione*, Il Mulino, 2011.

***TEACHING METHOD***

Material used in class (slides and other material) will made available after each lesson.

***ASSESSMENT METHOD AND CRITERIA***

Oral exam.

The students will be assessed on their knowledge of economic fundamentals of insurance, market context and areas of intervention for companies, and the basic principles of prudential regulation and the balance sheet of the sector.

The assessment will be based on the relevance of the students’ answers, their appropriate use of the specific terminology, on an argumentative and consistent structure of the speech and their ability to identify conceptual links and open questions.

The module mark will account for 50% in the overall exam assessment.

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