



Master Consultants Ltd
Growing People, Growing Organizations

COURSE OUTLINE

INTERNATIONAL DIPLOMA IN INSURANCE - PRINCIPLES & PRACTICE

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Module 1 - Nature and Purpose of Insurance

Risk:

- what risk might involve
- losses from risks
- increased risks
- what insurance seeks to achieve
- the mathematical law of average
- the nature of risk
- types of risks:
 - fundamental risks
 - particular risks
 - pure risks
 - speculative risks
- risk and insurance:
 - controlling the financial aspects of the unknown
 - reducing risks
 - problems with moral hazard

The main function of insurance:

- compensation or indemnity:
 - forms which indemnity may take

How insurance differs from wagers:

- the legal position
- insurable interest
- utmost good faith
- indemnity
- likelihood of the event occurring

Insurable risks:

- examples and tests of insurability

Uninsured risks:

- risks which cannot be insured, examples
- why some risks are not insured

Means of reducing risks:

- risk control methods

Subsidiary benefits of insurance:

- reducing fear of the future
 - encouraging confidence to undertake new ventures
 - assisting people to save investments
 - reducing demands on social services
- Insurance and the law:**

practical example

Contracts:

- definition of a contract
- agreements which are not contracts
- the six essentials for a genuine contract:
 - intention that it is to be legally binding
 - unrevoked offer
 - unqualified acceptance
 - consideration
 - legality
 - capacity of the parties

Insurance contracts

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Module 2 - Insurable Interest and Utmost Good Faith

How insurance developed
Classes of insurance business
Categorisation by object or event
Subject-matter:
 what it may be in insurance
 examples in the classes of insurance
Insurable interest:
 explanation and definition
 the legal position
 requirements for valid insurable interest
 those who can have insurable interest
 those with limited insurable interest
 those who have no insurable interest
 when insurable interest is necessary:
 the Life Assurance Act, 1774
 examples of insurable interest
 insurable interest and life insurance:
 insurable interests allowed in law
 timing of insurable interest:
 time of purchase
 time of loss
 assignment of insurable interest:
 assignment of the proceeds of a policy
 assignment of the policy itself
 transfer and resale of life insurance
 transfer and resale of non-life insurance:
Utmost good faith:
 what is involved
 legal obligations
 onus placed on the insurers and the proposer
 material facts:
 definition
 legal rulings
 facts which are material:
 examples in classes of insurance
 facts which need not be disclosed
 timing of utmost good faith
 facts which must be disclosed
Void and voidable contracts:
 nondisclosure
 concealment
 representations
 fraudulent misrepresentation
 innocent misrepresentation
warranties:
 express warranties and implied warranties
 declarations

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differences between representations and warranties
contemporary thinking on disclosure:

- unfair contract terms
- statements of practice

Module 3 - Indemnity

The contract of indemnity:
the purpose of indemnity

Forms of indemnity:

- cash payments
- replacement
- repair
- reinstatement

Value at the time of loss

Applications of the principle of indemnity:
variations between classes of insurance

- total loss

- partial loss:

 - examples

Agreed value or valued policies

Replacement or reinstatement policies

Indemnity for partial losses:

- difficulties in assessing value
- betterment
- large partial losses

- cover after partial losses

- modifications of indemnity:

 - contract conditions

- underinsurance:

 - example

- excess

Subrogation:

- definition and purpose

- rights in damaged property:

 - practical example

- effects of the doctrine of subrogation

- subrogation in practice

- timing of subrogation

- two or more policies on the same subject-matter

- intercompany agreements:

 - knock for knock

 - third party sharing

- waiver of subrogation

Contribution:

- the same risk insured under two or more policies:

 - practical examples

- the doctrine of contribution

- conditions for the application of contribution:

 - differences between subrogation and contribution

 - the need for common interest

- timing of contribution

- avoidance of contribution rights:

 - non-contribution clause

 - more specific clauses

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specific market agreements

Module 4 - Proximate Cause, Physical and Moral Hazard

Types of perils:

- insured perils
- excepted perils
- uninsured perils

Proximate cause:

- definition
- a "train" or "chain" of related causes, factors, or events
- concurrent causes
- non-concurrent unrelated causes
- meanings of:
 - proximate
 - remote
- practical examples
- general rules for applying proximate cause
- conditions for proximate cause
- application of proximate cause to claims
- consequential loss:
 - damage caused by thieves
 - damaged cause by fire-fighting
 - legal costs

Moral hazard:

- fraud
- carelessness
- circumstances
- steps to be taken to reduce bad moral hazard

Physical hazard:

- examples in different classes of business
- steps which can be taken to reduce bad physical hazard

Module 5 - Proposal Forms and Policies

Buyers and sellers of insurance:

- proposers and insurers

Methods of selling insurance

Stages in buying insurance

Proposal forms:

- formats: printed, file attachments, electronic
- the questionnaire
- their functions:
 - to obtain information
 - to make a legal offer
 - to elicit a quotation
 - to describe the cover available
 - advertising/publicity
 - to establish a warranty

the declaration:

- specimen

layout and contents:

information required:

- name, address, occupation, age

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- insurance and claims history
 - sum insured
 - medical history
 - use of postal codes in claims analysis and statistics
- When proposal forms are not used in different classes of insurance
- Direct writing:
 - telesales and online sales
- Offer and acceptance:
 - documents in which acceptance might be shown
- The premium:
 - when premiums are paid
 - deposits
- Proof of insurance cover:
 - cover notes:
 - when and why they may be issued
 - how they may be issued
 - claims whilst they are valid
 - certificates of insurance:
 - when and why they may be issued
 - how they differ from cover notes
 - employers liability insurance certificates:
 - information they contain
 - motor insurance certificates:
 - information they may contain
 - green cards and bail bonds
- Policies:
 - what they are
 - their sections and what those contain:
 - the preamble
 - the operative clause
 - exceptions and provisos
 - the schedule
 - the policy conditions
 - the attestation clause
 - endorsements:
 - what they are
 - why they are used
 - legal interpretation of policies:
 - meanings of the words
 - typed or handwritten words
 - benefits of reasonable doubt
 - general and particular statements

Module 6 - Premiums, Renewals and Claims

- Underwriting:
 - underwriting factors
 - average claims experience
 - effects of underwriting factors
 - proposer's characteristics
 - premium versus claims value
- Premiums:
 - rating the risk

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life insurance premiums:
why they can be rated accurately

non-life insurance premiums:
bases of ratings

Reserves:

why they need to be established and built up:
higher than anticipated losses
unearned income
unpaid claims

one class of business must not subsidise another

Renewals:

meaning and process
no obligation to renew, or on the same terms
considerations of the insured
considerations of the insurers
utmost good faith
reasons why terms may be varied
policies under which insurers may not come "off risk"

renewal procedure:

the renewal notice:

its purpose

its contents:

renewal premium required:

alternative values and premiums

renewals by telephone and online

days of grace:

when they may be allowed
claims arising during them

when renewal premiums are not paid:

lapsing the policy

reviving policies

Return of premiums:

no general entitlement
when total refunds might be made
when partial refunds might be made

No-claim bonuses:

why they are offered
transfers between insurers

Excess:

what is involved
advantages to insurers

Surrender value

Paid-up policies

Delay of premium payments

Claims:

handling of claims by insurers

conditions for claims

notification to the insurers

proof of loss

claims forms:

their uses

information required

methods by which proof of loss may be provided

making claims online

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claims settlement
ex gratia payments
reasons why claims may fail:
 invalid contract
 policy exclusions
 proximate cause:
 contract wording which overrules general application
the amount of the claim:
 considerations
disputes over claims:
 liability
 quantum
 negotiation and compromise, litigation
 arbitration:
 what is involved
 why insurers prefer arbitration to litigation
Average
 different meanings in classes of insurance
 the pro rata condition
 the special condition
 two conditions
Who pays the claim:
 underinsurance or partial insurance
 more than one insurer involved:
 possible complications
Recipients of claim payments:
 the insured
 other parties
Sympathetic treatment of claims

Glossary of Words and Terms Used in Insurance

This Alphabetical Section is designed as a “quick reference check” to help your further understanding of many: “technical” words and terms used in insurance; words and terms which have “specialised” meanings when used in insurance; words and terms whose meanings in insurance differ from their “everyday” meanings; which are introduced and explained in Modules 1 to 12

Module 7 - Transportation Insurance

Marine Insurance:

the background
hull insurance
cargo insurance
marine liability damage
modern developments and trends
time policies
voyage policies
building risk policies
floating policies]

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Aviation Insurance:

extent of cover
aviation liability insurance:
injured passengers
non-passenger third parties
aircraft manufacturers
airport owners and operators
comprehensive policies
personal accident policies
cargo policies
loss of service policies
airport liability policies
product liability policies

Transit Insurance:

overland transport
liability of hired carriers
floating policies

Motor Insurance:

Road Traffic Acts:
types of vehicle used on the roads
types of policies:
third party only
third party, fire and theft
comprehensive
act only
motor cycle policies
commercial vehicles policies
fleet policies and premiums
increased premiums
excesses, no-claim bonuses, rebates
risk factors in calculating motor/auto Insurance premiums

Module 8 - Property, Accident, Pecuniary and Liability Insurances

Property Insurance:

the Great Fire of London:
developments thereafter
definition of "fire"
the standard fire policy:
insured perils:
fire, lightning, explosion
exclusions
additional special perils which can be covered
combined or comprehensive policies period of
cover
inflation and property insurance:
indexing schemes
non-private property
household comprehensive policies:
definitions of "buildings" and "contents"
personal possessions
new for old policies
all-risks household policies:
scope of cover

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commercial theft insurance:
commercial or business combined policies:
scope of cover
office combined policies:
scope of cover
stock or inventory policies:
valuing "stock at risk"
business loss of profits policies:
scope of cover available
rent policies:
who may insure
excesses

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Property Insurance:

the Great Fire of London:
developments thereafter
definition of "fire"
the standard fire policy:
insured perils:
fire, lightning, explosion
exclusions
additional special perils which can be covered
combined or comprehensive policies period of
cover
inflation and property insurance:
indexing schemes
non-private property
household comprehensive policies:
definitions of "buildings" and "contents"
personal possessions
new for old policies
all-risks household policies:
scope of cover
commercial theft insurance:
commercial or business combined policies:
scope of cover
office combined policies:
scope of cover
stock or inventory policies:
valuing "stock at risk"
business loss of profits policies:
scope of cover available
rent policies:
who may insure
excesses

Accident Insurance:

overlap of fire and accident policies
industrial all-risks policies:
scope of cover
contractors all-risk policies:
scope of cover
theft or burglary policies:
scope of cover

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glass policies
money policies
goods in transit policies
contract policies
rainfall and hail policies
licence policies
caravan policies
small/pleasure boat policies
travel insurance:
 scope of cover
 single trip policies and annual policies
sports insurances:
 scope of cover
livestock insurances
pet insurances
engineering insurance
 inspections
 scope of cover:
 extraneous perils
computer insurances:
 scope of cover

Pecuniary Insurances:

fidelity guarantee or suretyship:
 commercial guarantees
 court bonds
 government bonds
legal expenses policies
credit policies
business interruption policies:
 scope of cover
mortgage indemnity insurance:
 scope of cover

Liability Insurances:

liabilities arising from:
 negligence
 nuisance
 trespass
 strict liabilities
 statutory liabilities
 contractual liabilities
employers liability insurance:
 compulsory in many countries
 scope of cover
public liability insurance:
 scope of the wide variety of policies available

Module 9 - Insurances of the Person

Income, expenditure, wealth and purchasing power
How the need for personal insurances can arise
Social security or national insurance:
 common state benefits:
 unemployment
 sick pay and sickness/health care

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disablement and disability
maternity leave
retirement pension

Personal accident and sickness insurance:

scope of cover:
the policy schedule
stand-alone policies
specified benefits:
how and when they might be paid
deferred periods
exclusions from policy cover

Permanent health insurance (PHI):

scope of cover
the long-term liability
level premiums
policy exclusions
specified benefits:
how and when they might be paid
deferred periods

Long-term care insurance:

scope of cover

Private medical/health care insurance:

scope of cover
policy exclusions
factors which influence premiums quoted
excesses

Group insurance schemes:

employees personal accident schemes
employees personal accident and sickness schemes
schemes for clubs and other organizations

How personal insurances may be affected by:

a person's occupation:
hazards associated with different occupations
a person's age:
risk exposures at different ages
a person's family circumstances:
number and ages of dependants
a person's sex:
reasons why women's PHI premiums may be higher
a person's health and medical history:
factors which influence insurers

Holiday travel insurance

Business travel insurance

Sports insurance

Debt repayment insurance

Mortgage protection payment insurance

Life Insurance:

special features
types of life policies and scope of cover:
term policies
whole life policies
endowment policies
with profits policies
unit-linked endowment policies

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- flexible endowment policies
- guaranteed insurability policies
- unit-linked whole life policies
- specialised life policies
- industrial life insurance:
 - how it differs from ordinary life insurance
- considerations in effecting life insurance:
 - family protection
 - educational fees protection
 - debt and mortgage protection:
 - endowment house-purchase policies
 - sole business owner protection
 - key-personnel protection
 - providing an inheritance
 - savings for the future

Pensions:

- providing an income on retirement
- state retirement pensions
- occupational pension schemes
- personal pension plans

Annuities:

- types of annuities
- Tontines and capital redemption policies

Module 10 - The Insurance Market

Composition of the insurance market

Buyers of insurance:

- personal and business buyers

Sellers of Insurance:

- Lloyd's underwriters:
 - the background
 - the Corporation of Lloyd's
 - the Lloyd's Acts
 - underwriting members
 - names
 - syndicates
 - Lloyd's brokers
 - stages in placing a risk at Lloyd's
 - shipping intelligence:
 - Lloyd's agents and sub-agents
 - publications:
 - Lloyd's list

Insurance companies:

- limited liability companies:
 - the meaning of limited liability
- mutual companies
- captive insurance companies
- bankassurance
- Mutual indemnity associations
- Collecting friendly societies
- Tariff and non-tariff insurers

Intermediaries - middlemen:

- insurance agents:

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Law of Agency

types of agents:

sales agents, commercial agents

duties and responsibilities

cash, credit, bulk business

commission

insurance brokers:

professional conduct and expertise

brokerage

differences between agents and brokers

tour operators and travel agents

bank building societies and other lenders

large retailers

Direct response selling or writing:

increasing use of telesales and the Internet

standardised cover

reductions in insurers' costs

savings on commission and brokerage

reductions in premiums

convenience for buyers

Third party administrators

Reinsurance:

the necessity for reinsurance

methods of reinsuring:

facultative reinsurance

treaty reinsurance:

fixed share/quota treaties

surplus treaties

excess of loss treaties

reinsurance pools

Module 11 - Organisation & Management of Insurance Companies

Centralised organisations:

advantages and disadvantages

Decentralised organisations:

advantages and disadvantages

Regional or zonal organisations

Semi-autonomous branches

Branches and claims

Executives of insurance companies:

the board of directors:

composition

duties and responsibilities

managing director

general manager

heads of departments

executive directors

non-executive directors

the chairman

company secretary

agency manager

marketing manager

investment and estates manager

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- personnel and training:
 - the importance of training
- underwriting executives
- Organisation charts:
 - what they show
 - organisation by function
 - organisation by division
- Branch staff
- Specialists:
 - actuaries
 - loss adjusters assessors:
 - duties and responsibilities
 - average adjusters
 - motor/auto assessors:
 - “write offs”:
 - economic-repair ratio
 - categories of write “off”
- Insurance funds:
 - the meaning of “funds” in insurance
 - types of funds
- Insurance reserves:
 - reasons why different reserves must be build up
- Investment of insurance company funds:
 - aims of the investment policy:
 - considerations in non-life business
 - considerations in long-term business
- Insurance and the economy:
 - how insurance funds can assist a country's economy
 - ways in which insurance funds can aid a country's development
- insurance and the balance of payments:
 - visible and invisible imports and exports
 - possible positive and negative affects of insurance

Module 12 - Supervision and Regulation of Insurance

- The “promissory” nature of insurance:
 - insurance as an intangible product
 - the effects of insolvency of insurers on:
 - policyholders and third parties
- The need for regulation
 - consumer protection:
 - areas of concentration:
 - financial standing and stability of insurers buyers’
 - understanding of what they are buying availability
 - of insurance when and where needed
 - national and economic interests
 - aleatory nature of insurance
- Development of the regulation of insurance:
 - self-regulation
 - acts and statutes
 - EU Directives
 - authorisation of insurers:
 - requirements for authorisation
 - supervision of authorised insurers

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solvency margins:
 premium basis of calculation
 claims basis of calculation
minimum guarantee funds
examples of legislation enacted with regard to:
 policyholders protection
 insurance brokers
 Lloyd's insurance brokers
 financial services
 insurance standards
the financial services authority
insurance ombudsman schemes:
 the role of ombudsmen
Conclusion:
 the continuing evolution of regulation and supervision

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