

Higher National Unit Specification

General information for centres

Unit title: Principles of Insurance

Unit code: DE5R 35

Unit purpose: This Unit is designed to allow candidates to determine the basic principles of Insurance and explain these principles in given situations. It is primarily intended for candidates who expect to take up positions with insurance providers, that is, who intend to work in a sales, support or advisory position within the insurance industry or other related financial services institution. It may also be relevant to those intending to undertake regulatory examinations or to those who have a personal interest in this topic.

On completion of the Unit candidates should be able to:

1. Explain insurance in terms of risk, purpose and classification.
2. Explain non-life contracts offered by insurance companies and their application in the financial market.
3. Explain the essential features of life assurance.

Credit value: 1 HN Credit at SCQF level 8: (8 SCQF credit points at SCQF level 8*)

**SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.*

Recommended prior knowledge and skills: Access to the Unit is at the discretion of the centre, however it is preferred that candidates have good written communication and numerical skills. These may be demonstrated by the achievement of core skill Communication at Intermediate 2 level, or by possession of Standard Grade English, or a suitable NC module, and core skill Using Number at Intermediate 2 level by possession of a relevant Unit or Module.

Core skills: There may be opportunities to gather evidence towards core skills in this Unit, although there is no automatic certification of core skills or core skills components.

Context for delivery: This Unit is included in the framework of a number of HNC and HND group awards. It is recommended that it should be taught and assessed within the context of the particular group award to which it contributes.

General information for centres (cont)

Assessment: It is preferred that this Unit should be assessed by two separate instruments of assessment, requiring candidates to answer questions based on a case study relating to insurance scenarios. Outcomes one and two would comprise the first assessment, Outcome three the other. It is expected that the first assessment should not normally take the average candidate more than two hours to complete, the second assessment not more than one hour to complete.

If you wish to use a different assessment mode you may wish to seek prior moderation of the assessment instrument(s) you intend to use. Please note that candidates must achieve all of the minimum evidence specified for each Outcome or combination of Outcomes in order to pass the Unit.

An exemplar instrument of assessment and marking guideline has been produced to indicate the National Standard of achievement required at SCQF level 8.

Higher National Unit specification: statement of standards

Unit title: Principles of Insurance

Unit code: DE5R 35

The sections of the Unit stating the Outcomes, knowledge and/or skills, and evidence requirements are mandatory.

Where evidence for Outcomes is assessed on a sample basis, the whole of the content listed in the knowledge and/or skills section must be taught and available for assessment. Candidates should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

Outcome 1

Explain insurance in terms of risk, purpose and classification.

Knowledge and/or skills

- Legal terminology used in insurance
- The types of risk covered by insurance
- Functions of insurance and assurance
- The relationship of insurance to the financial services industry
- The purpose of different classes of insurance
- The scope of different classes of insurance

Evidence requirements

Each knowledge and skills is matched by a corresponding evidence requirement.

To ensure that a candidate has successfully achieved the standard required of each of the knowledge and skills listed above the corresponding evidence requirement from the list below should be met.

Evidence for the knowledge and skills in the Outcome will be provided on a sample basis. This evidence may be presented in response to a specific question or questions. Candidates will need evidence to show that they can provide an accurate and clear explanation of each requirement.

The sample must comprise of **three** of the knowledge and skills. Each new assessment should assess a different sample of knowledge and skills.

Higher National Unit specification: statement of standards (cont)

Unit title: Principles of Insurance

Candidates must provide a satisfactory response to each question.

Where an item is sampled, a candidate's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirement for each sampled item, by showing the candidate is able to:

- Define **four** of the following terms in non-technical language
 - Average
 - Betterment
 - Causa Causans
 - Causa Sine Qua Non
 - Contribution
 - Indemnity
 - Reinsurance
 - Subrogation
 - Uberrimae Fidei
- Illustrate the existence of risk by providing a definition and at least one realistic example for **three** of the following five basic categories of risk providing a reason why each of the three risk categories chosen may/may not be insurable
 - Pure
 - Speculative
 - Fundamental
 - Particular
 - Acceptable
- State the primary function of insurance and at least **three** secondary functions of insurance
- Explain at least **two** uses of insurance in the wider field of Financial Services
- Define the purpose of **two** of the following four categories of insurance
 - Property
 - Personal
 - Motor
 - Travel
- Outline the scope of **two** of the following four insurance categories, which may be the same as the two categories already defined if both of these requirements are included in the evidence selection
 - Property
 - Personal
 - Motor
 - Travel

Assessment guidelines

It is suggested that the assessment of this Outcome be combined with Outcome 2 as part of a larger assessment and that a copy of the case study, when used, be given to candidates 7-10 days before the assessment opportunity. Candidates may bring a copy of the case study to the assessment and may bring notes that they have prepared themselves. They may not bring textbooks, handouts or other material not prepared by themselves. The notes should be handed in at the end of the assessment.

Higher National Unit specification: statement of standards (cont)

Unit title: Principles of Insurance

The assessment of Outcomes 1 and 2 should not take more than one hour to complete.

A sample of a case study has been produced as part of the exemplars.

Outcome 2

Explain non-life contracts offered by insurance companies and their application in the financial market.

Knowledge and/or skills

- Analysis of client data
- Identifying products
- Explaining products
- Recommending products

Evidence requirements

Each knowledge and skills is matched by a corresponding evidence requirement.

To ensure that a candidate has successfully achieved the standard required of each of the knowledge and skills listed above the corresponding evidence requirement from the list below should be met.

It is recommended that the sample assesses each of the **four** knowledge and skills mentioned above against **two** of the four policy types covered in the first Outcome: property, personal, motor and travel. Each new assessment should assess the four knowledge and skills against a different combination of policy types.

Candidates must provide a satisfactory response to each question.

Where an item is sampled, a candidate's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirement for each sampled item, by showing the candidate is able to:

- Analyse the facts presented in the case study
- Determine which type of Insurance policy is being alluded to in the case study
- Describe in non-technical language the major items covered by the policy or policies
- Suggest a policy or policies which meet the protection needs of each person/couple/family included in the case study

Higher National Unit specification: statement of standards (cont)

Unit title: Principles of Insurance

Assessment guidelines

It is suggested that the assessment of this Outcome be combined with Outcome 1 as part of a larger assessment and that a copy of the case study, when used, be given to candidates 7-10 days before the assessment opportunity. Candidates may bring a copy of the case study to the assessment and may bring notes that they have prepared themselves. They may not bring textbooks, handouts or other material not prepared by themselves. The notes should be handed in at the end of the assessment.

This Outcome may be assessed by an assessment that requires the candidate to produce a report based on restricted answer questions based on a random selection of two mini-case studies. As part of each case study, the candidate will assume the role of an Independent Financial Adviser providing information to a client or group of clients.

The assessment of Outcomes 1 and 2 should not take more than two hours to complete.

A sample of a case study has been produced as part of the exemplars.

Outcome 3

Explain the essential features of life assurance.

Knowledge and/or skills

- Determination of protection needs in relation to life assurance
- Different types of life assurance contracts
- The essential elements of a policy document.
- Life assurance premium calculation
- Life assurance valuation
- Dealing with a surplus on valuation

Evidence requirements

Each knowledge and skills is matched by a corresponding evidence requirement.

To ensure that a candidate has successfully achieved the standard required of each of the knowledge and skills listed above the corresponding evidence requirement from the list below should be met.

Evidence for the knowledge and skills in the Outcome will be provided on a sample basis. This evidence may be presented in response to a specific question or questions. Candidates will need evidence to show that they can provide an accurate and clear explanation of each requirement.

Higher National Unit specification: statement of standards (cont)

Unit title: Principles of Insurance

The sample must comprise of **three** of the knowledge and skills. Each new assessment should assess a different sample of knowledge and skills.

Candidates must provide a satisfactory response to each question.

Where an item is sampled, a candidate's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirement for each sampled item, by showing the candidate is able to:

- Analyse the facts presented in the case study in relation to life assurance
- Suggest policies which meet the protection needs of each person/couple/family included in the case study
- Describe in non-technical language **four** of the ten common sections of a life insurance contract. This will be in response to a customer's question as part of the case study
- Outline the logical procedures involved, and the information included in a calculation of a policy premium
- Describe the steps involved in valuing an assurance policy
- Determine what happens if there is a surplus on valuation

Assessment guidelines

It is suggested that the assessment of this Outcome, when used, is carried out separately from the assessment of Outcomes one and two, be given to candidates 7-10 days before the assessment opportunity before the assessment opportunity. Candidates may bring a copy of the case study to the assessment and may bring notes that they have prepared themselves. They may not bring textbooks, handouts or other material not prepared by themselves. The notes should be handed in at the end of the assessment.

The assessment of Outcome 3 should not take more than one hour to complete.

A sample of a case study has been produced as part of the exemplars.

Administrative Information

Unit code:	DE5R 35
Unit title:	Principles of Insurance
Superclass category:	AL
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Higher National Unit specification: support notes

Unit title: Principles of Insurance

This part of the Unit specification is offered as guidance. The support notes are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 40 hours.

Guidance on the content and context for this Unit

Outcome 1 looks at the explanation of insurance in terms of risk, purpose and classification. It is expected that centres will cover the following topics:

- Legal terminology related to Insurance
- Uncertainty, probability and chance
 - Risk
 - Risk measurement
 - Chance;
- The Differing Functions of Insurance
 - Primary function
 - Secondary functions
 - Discussion of direct functions
 - Discussion of indirect functions
- Insurance and Financial Services
 - Use of the primary function
 - Pensions
 - Pension mortgage
 - Mortgage
 - Use of the secondary functions
- The scope and purpose of the differing classes of insurance
 - Property insurance
 - Personal insurance
 - Motor insurance
 - Travel Insurance

Outcome 2 examines types of contracts (other than life assurance) offered by insurance companies and their application in the financial market. It is expected that centres will cover the following topics:

- House and buildings insurance
- Household contents;
- Motor insurance;
 - The cover available for third parties
 - Cover under a third party, fire and theft policy
 - Cover under a comprehensive policy

Higher National Unit specification: support notes (cont)

Unit title: Principles of Insurance

- Personal protection
 - Permanent health insurance
 - Personal accident and sickness insurance (PAS)
 - Critical illness cover
 - Redundancy cover
- Travel insurance

Outcome 3 looks at an explanation of the essential financial features of life assurance. It is expected that centres will cover the following topics:

- The need for life assurance
 - Death
 - Sickness
 - Redundancy
 - Business protection
 - Partnership
 - Limited Company
 - Key Person insurance
- Different types of life cover
 - Constituent parts of life cover
 - Term assurance
 - Level
 - Increasing
 - Renewable
 - Renewable increasing
 - Convertible
 - Renewable and convertible
 - Decreasing
 - Mortgage protection
 - Gifts inter vivos
 - Family income benefit
 - Increasing family income benefit
 - Whole of life
 - With profits
 - Unit linked
 - Low or minimum cost
 - Non profit
 - Universal
 - Endowment
 - Without profits
 - With profits
 - Unit linked

Higher National Unit specification: support notes (cont)

Unit title: Principles of Insurance

- Parts of a life assurance contract
 - Proposal forms
 - Heading
 - Preamble (also called Recital Clause)
 - Operative clause
 - Exceptions (Proviso clause)
 - Conditions
 - Schedule
 - Attestation (or Signature) clause
 - Specification
 - Endorsements
- Premium, surpluses and bonuses
 - Function of a premium
 - Calculation of a premium
 - Valuation
 - Bonuses

Guidance on the delivery and assessment of this Unit

This Unit is primarily intended to prepare candidates for regulatory examinations that permit them to give insurance advice. The Unit is not intended to be a substitute for nor does not provide exemption from the regulatory examinations. The Unit provides the required knowledge and skills needed by employees working in the financial services industry as part of an insurance salesforce, as advisers, or as managers. The Unit also prepares the candidate for further study at undergraduate level.

Open learning

If this Unit is delivered by open or distance learning methods, additional planning and resources may be required for candidate support, assessment and quality assurance.

For information on normal open learning arrangements, please refer to the SQA guide *Assessment and Quality Assurance of Open and Distance Learning* (SQA, 2000).

It is preferred that two instruments of assessment based on case studies be used for open and distance learning candidates.

Special needs

This Unit specification is intended to ensure that there are no artificial barriers to learning or assessment. Special needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments or considering special alternative Outcomes for Units. For information on these, please refer to the SQA document *Guidance on Special Assessment Arrangements* (SQA, 2001).

General information for candidates

Unit title: Principles of Insurance

This Unit is designed to enable you understand the nature of insurance and how it relates to financial services.

Should you obtain employment with an insurance company, broker or IFA, this Unit will prepare you for the post by helping you to appreciate the elements which are required when policies are drawn up and when premiums are calculated. The Unit will also be invaluable should you progress to study towards a financial services degree at a higher education establishment or towards professional qualifications.

The Unit has three main areas, each of which is the subject of a separate Outcome. To begin with you will look at the principles or concepts on which insurance is based. You will then apply these concepts in the examination of general insurance policies in Outcome two and life assurance policies in Outcome three.

In order to complete this Unit successfully, you will be required to achieve a satisfactory level of performance on two pieces of assessed work. For each part, you will be required to undertake an assessment. This is likely to be in the form of a number of restricted answers to questions, or the preparation of a report, based on a case study.

For both assessments, you may bring your own pre-prepared notes to the assessment but you will not be permitted to bring textbooks or handouts into the assessment event.

You will need to complete all tasks to the required standards before achieving a pass in the Unit.