

## **SQA Advanced Unit specification**

### **General information**

**Unit title:** Principles of Insurance (SCQF level 8)

**Unit code:** HP1F 48

**Superclass:** AL

**Publication date:** August 2017

**Source:** Scottish Qualifications Authority

**Version:** 01

### **Unit purpose**

This Unit is designed to allow learners to determine the basic principles of insurance and explain these principles in given situations. It is primarily intended for learners 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 institutions. It may also be relevant to those intending to study for regulatory examinations or to those who have a personal interest in this topic.

### **Outcomes**

On successful completion of the Unit the learner will be able to:

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

### **Credit points and level**

1 SQA Credit at SCQF level 8: (8 SCQF credit points at SCQF level 8)

### **Recommended entry to the Unit**

Access to the Unit is at the discretion of the centre, however it is recommended that learners have good written communication and numerical skills. These may be demonstrated by the

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achievement of Core Skill *Communication* at SCQF level 5, or by possession of National 5 English or English and Communication, or a suitable NC (National Certificate) module, and Core Skill *Numeracy* at SCQF level 5 or by possession of a relevant Unit.

### Core Skills

Opportunities to develop aspects of Core Skills are highlighted in the Support Notes for this Unit specification.

There is no automatic certification of Core Skills or Core Skill components in this Unit.

### Context for delivery

If this Unit is delivered as part of a Group Award, it is recommended that it should be taught and assessed within the subject area of the Group Award to which it contributes.

The Assessment Support Pack (ASP) for this Unit provides assessment and marking guidelines that exemplify the national standard for achievement. It is a valid, reliable and practicable assessment. Centres wishing to develop their own assessments should refer to the ASP to ensure a comparable standard. A list of existing ASPs is available to download from SQA's website (<http://www.sqa.org.uk/sqa/46233.2769.html>).

### Equality and inclusion

This Unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence.

Further advice can be found on our website [www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements).

## SQA Advanced Unit specification: Statement of standards

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Acceptable performance in this Unit will be the satisfactory achievement of the standards set out in this part of the Unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to SQA.

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. Learners 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 managing risk, purpose and underpinning principles.

#### Knowledge and/or Skills

- ◆ Risk and its management
- ◆ Types of risk
- ◆ Insurance and the financial services industry
- ◆ Fundamental principles which underpin insurance
- ◆ Different classes of general (non-life) insurance
- ◆ Insurance policy documents

### Outcome 2

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

#### Knowledge and/or Skills

- ◆ Analysis of client data
- ◆ Assessment of needs and identification of suitable general (non-life) insurance products
- ◆ Key features of general (non-life) insurance products
- ◆ Product recommendations

### Outcome 3

Explain the essential features of life assurance.

#### Knowledge and/or Skills

- ◆ Key features of life assurance pure protection products
- ◆ Key features of life assurance contracts
- ◆ Life assurance premium calculation
- ◆ Evaluation of protection needs

## Evidence Requirements for this Unit

### Outcome 1

Each Knowledge and/or Skills item is matched by a corresponding Evidence Requirement.

To ensure that a learner has successfully achieved the standard required of each of the Knowledge and/or Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and/or Skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome.

The sample must comprise of **four** of the Knowledge and/or Skills with a different sample of Knowledge and/or Skills being used each time the Outcome is assessed.

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

- ◆ explain how risk can be managed by the use of insurance and reinsurance.
- ◆ explain the extent to which types of risk can be covered by insurance.
- ◆ explain the role played by insurance in the wider financial services industry.
- ◆ explain the fundamental principles which underpin insurance.
- ◆ explain the purpose of different classes of general (non-life) insurance.
- ◆ explain the scope of different classes of general (non-life) insurance.
- ◆ explain the main sections of an insurance policy document.

### Outcome 2

Each Knowledge and/or Skills item is matched by a corresponding Evidence Requirement.

To ensure that a learner has successfully achieved the standard required of each of the Knowledge and/or Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and/or Skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome.

The sample must comprise of **two** of the Knowledge and/or Skills with a different sample of Knowledge and/or Skills being used each time the Outcome is assessed.

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

- ◆ analyse client data to establish client insurance needs.
- ◆ assess the client needs and identify suitable general (non-life) insurance products to fulfil those needs.
- ◆ explain the key features of (general) non-life insurance products.
- ◆ explain (general) non-life insurance product recommendations to non-expert clients.

### Outcome 3

Each Knowledge and/or Skills item is matched by a corresponding Evidence Requirement.

To ensure that a learner has successfully achieved the standard required of each of the Knowledge and/or Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and/or Skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome.

The sample must comprise of **two** of the Knowledge and/or Skills with a different sample of Knowledge and/or Skills being used each time the Outcome is assessed.

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

- ◆ explain the key features of life assurance pure protection products.
- ◆ explain the key features of life assurance contracts which include an investment element.
- ◆ explain how to calculate life assurance premiums.
- ◆ assess the life assurance protection needs of a client based on data provided.

As the Knowledge and/or Skills for each Outcome are sampled, assessment must be carried out under controlled conditions.

## SQA Advanced Unit Support Notes

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Unit Support Notes are offered as guidance and 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

This Unit is primarily intended to prepare learners for employment or further study in financial services.

**The following guidance was prepared in May 2015 based on current non-life and life insurance products and practices and the regulations relating to the setting up of insurance policies and the making of claims under these policies. Centres should ensure that learners have used current information in their learning and that assessment content and assessment checklists reflect the current situation, which may, as a result, differ from the guidance below in terms of the products, practices and/or regulations listed.**

**Outcome 1** looks at risk and how insurance can be used to transfer unknown risk for a known premium. It considers the different types of risk, which can and cannot be covered by insurance and how insurance supports other areas within the financial services. Learners will be required to understand the fundamental principles which underpin insurance and be able to apply these in given situations. They will also be required to know the purpose and scope of a range of insurance products and be able to detail the main components of an insurance policy document.

Learners should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- ◆ Risk transfer mechanisms — insurance and reinsurance
- ◆ Types of risk:
  - Pure and speculative risk
  - Particular and fundamental risk
- ◆ The benefits of insurance and its position within financial services:
  - Enabling capital release for businesses
  - Supporting employment: both directly within the insurance industry and by providing insurance for other employers
  - Insurance being used for purposes such as mortgage protection
  - Premium and claims reserves being available for investment
  - The invisible exports created through international insurance trade
- ◆ The fundamental principles which underpin insurance:
  - Peril and hazard
  - Insurable interest
  - Material facts
  - Underwriting
  - Premium calculation including the addition of insurance premium tax
  - Utmost good faith
  - Proximate cause

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- Indemnity
- Underinsurance and the averaging calculation
- Subrogation
- Contribution (including calculation using the independent liability method)
- ◆ The purpose and scope of different classes of insurance:
  - Property insurance — both personal and commercial
  - Motor insurance
  - Travel insurance
  - Liability insurance — employer liability, public liability, professional indemnity insurance
- ◆ The main components of an insurance policy document:
  - Heading
  - Recital clause
  - Operative clauses
  - Exceptions
  - Conditions and warranties
  - Policy schedule

**Outcome 2** requires the learner to be able to consider a set of circumstances for a client or clients and to be able to assess their general (non-life) insurance needs, making suitable recommendations and explaining the key features of the recommended products.

Learners should become familiar with relevant terminology and should make use of this. It is expected that centres will cover the following topics:

The key features of the following products including the material facts usually required for underwriting each type of policy, usual exclusions and extensions to cover.

- ◆ Property insurance:
  - Household buildings and contents
  - Commercial buildings
  - Combined/package commercial policies for small businesses
- ◆ Motor insurance:
  - Private car insurance
  - Private motor cycle insurance
  - Commercial vehicle insurance
- ◆ Travel insurance:
  - Standard policy cover
  - Optional extensions
  - Limitations
- ◆ Liability insurance:
  - Employer liability insurance
  - Public liability insurance
  - Professional indemnity insurance

**Outcome 3** requires the learners to have an understanding of a range of pure protection and investment linked life assurance products. They will need to assess the needs of a client and be able to explain relevant products to the client.

Learners should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

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The key features of the following products including the material facts usually required for underwriting each type of policy, usual exclusions and extensions to cover.

- ◆ Pure protection life policies:
  - Term assurance including level, decreasing and increasing term assurance
  - Income protection
  - Critical illness cover
  - Accident and sickness benefit
- ◆ Life policies which include an investment element:
  - Endowment savings plans
  - Whole of life policies
  - Flexible whole of life policies
  - With profits funds
  - Unit linked funds
- ◆ Premium calculation:
  - Medical underwriting
  - Mortality and morbidity tables

### Guidance on approaches to delivery of this Unit

This Unit is likely to form part of a Group Award designed to provide learners with technical or professional knowledge and skills for the financial sector.

The Unit provides the required Knowledge and/or Skills required by learners to ensure they are aware of the range of insurance products available to personal and business customers and the fundamental principles that apply when underwriting insurance applications and processing claims.

**During the delivery of this Unit, it is recommended that learners are made aware of the latest insurance products and services offered to personal and business customers**

### Guidance on approaches to assessment of this Unit

Evidence can be generated using different types of assessment. The following are suggestions only. There may be other methods that would be more suitable to learners.

It is recommended that this Unit be assessed by an instrument of assessment that would require learners to answer questions based on a case study. The assessment could be designed around one case study, with each Outcome being assessed within that case study. The case study could be based around a client contacting their insurance adviser with questions to ask about both non-life and life insurance. The learner would assume the role of the insurance adviser and answer their client's questions in a manner suitable for a non-expert to understand.

Where a case study is used this could be provided to the learner 7–10 days before the assessment event. Learners would be permitted to bring up to two A4 pages of notes they have prepared to the assessment. These notes must be handed in at the end of the assessment. No other materials can be brought to the assessment. It is expected that the assessment should not normally take the average learner more than two hours to complete. Assessment will be carried out under controlled conditions.

Centres are reminded that prior verification of centre-devised assessments would help to ensure that the national standard is being met. Where learners experience a range of

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assessment methods, this helps them to develop different skills that should be transferable to work or further and higher education.

An exemplar instrument of assessment and marking guidelines have been provided to indicate the national standard of achievement required at SCQF level 8.

Centres should update assessment material on an annual basis to reflect any changes in insurance regulation, products, etc.

### Opportunities for e-assessment

E-assessment may be appropriate for some assessments in this Unit. By e-assessment we mean assessment which is supported by Information and Communication Technology (ICT), such as e-testing or the use of e-portfolios or social software. Centres which wish to use e-assessment must ensure that the national standard is applied to all learner evidence and that conditions of assessment as specified in the Evidence Requirements are met, regardless of the mode of gathering evidence. The most up-to-date guidance on the use of e-assessment to support SQA's qualifications is available at [www.sqa.org.uk/e-assessment](http://www.sqa.org.uk/e-assessment).

### Opportunities for developing Core and other essential skills

#### Core Skills

Learners will have opportunities to develop the Core Skill of *Communication* at SCQF level 5 in this Unit as they will have to read, understand and evaluate complex written communication and may produce written and/or oral communication evidence as part of the assessment.

In this Unit learners will have opportunities in all Outcomes to develop skills in the Critical Thinking component of the Core Skill *Problem Solving* at SCQF level 5. Learners will be presented with information about insurance scenario(s) where they will have to apply critical thinking skills to review the situation, identify the key factors that have to be taken into consideration and then decide on the relative importance of each of these as they prepare their insurance recommendations.

In addition, when calculations are carried out — premiums, consideration and averaging — this will present opportunities, in all Outcomes, for learners to develop skills in the Using Number component of the Core Skill *Numeracy* at SCQF level 5.

#### Other Essential Skills

Learners may be given opportunities to develop key employability skills, as well as develop an awareness and understanding of citizenship and sustainability. These include the skills of:

Team work/group work	Positive attitude to work
Using initiative/being proactive	Analysing and evaluating
Problem solving	Planning and organising
Paying attention to detail	Time management
Research and investigation	Adopting professional working standards and practices
Applying numeracy skills	Setting goals and making action plans

## History of changes to Unit

Version	Description of change	Date

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SQA acknowledges the valuable contribution that Scotland's colleges have made to the development of SQA Advanced Qualifications.

**FURTHER INFORMATION:** Call SQA's Customer Contact Centre on 44 (0) 141 500 5030 or 0345 279 1000. Alternatively, complete our [Centre Feedback Form](#).

## General information for learners

### Unit title: Principles of Insurance (SCQF level 8)

This section will help you decide whether this is the Unit for you by explaining what the Unit is about, what you should know or be able to do before you start, what you will need to do during the Unit and opportunities for further learning and employment.

This Unit is designed to introduce you to the Knowledge and/or Skills required when working within an insurance role within the Financial Services industry. You will be given the opportunity to learn about the principles which underpin all insurance contracts. You will also learn how to take insurance-based decisions and provide information and advice to both personal and business customers in respect of the non-life and life insurance needs. On completion of the Unit the learner should be able to:

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

In Outcome 1 you will learn about insurance as a risk transfer mechanism and the various types of risk which can be covered by insurance. You will gain an understanding of the basic principles which underpin all insurance contracts and learn about the main components of an insurance policy document. You will also learn about the purpose and scope of different classes of general insurance.

In Outcome 2 you will learn how to analyse the general (non-life) insurance requirements of both personal and commercial clients, being able to identify the correct products to suit their needs and to be able to discuss the key features of the products recommended.

In Outcome 3 you will learn about the key features of the main life assurance contracts which offer protection cover only. You will also gain an understanding of the key features of life assurance contracts which also include an investment element. You will learn how a life assurance premium is calculated and be able to assess a client's life assurance needs.

This Unit may be assessed by one assessment covering all three Outcomes. This assessment could consist of a case study involving personal and commercial client scenarios that cover all three Outcomes of the Unit. Assessment will be carried out under controlled conditions. It is recommended that the assessment be completed within a two hour working period.

You will need to successfully complete questions from all three Outcomes in order to pass the Unit.

There are opportunities to develop components within the Core Skills of *Communication*, *Problem Solving* and *Numeracy* at SCQF level 5 in this Unit.