



The
Insurance Institute
Of Ireland

PROMOTING PROFESSIONALISM SINCE 1885

PMI C – PMI – LEGAL, REGULATORY AND BUSINESS PROCESSES
SYLLABUS 2009

Objective: To develop in the candidate a sound knowledge and understanding of the legal, regulatory and business processes relevant to the Irish private medical insurance market.

Method of assessment: A 2-hour examination that involves 6 short-answer questions, from a choice of 8 questions, carrying 10 marks each; and a choice of 2 from 4 longer essay-style questions each carrying 45 marks (total 150 marks). The pass mark for this module is 55%.

NOTES

- The syllabus will be based on Irish law and practice.

SECTION 1 – CONDUCTING INSURANCE BUSINESS IN IRELAND

THE LEGISLATIVE BACKGROUND TO PMI

On completion, the candidate should be able to:

- 1.1 state the main provisions of the EU non-life insurance directives relevant to regulation; including PMI regulation;
- 1.2 state the main features of EU legislation (other than non-life directives) relevant to the EU single market in insurance;
- 1.3 state the key areas in which legislation has influenced the development of private medical insurance including the impact of:
 - The **Voluntary Health Insurance Act 1957** as amended;
 - The **Health Insurance Act 1994**;
 - The **Health Insurance Regulations 1996** as amended;
 - The **Health Insurance (Amendment) Act 2001**;
 - The **Health Insurance (Amendment) Act 2003** including the **Risk Equalisation Scheme 2003**;
 - The **Health Insurance (Amendment) Act 2007**;
- 1.4 describe the Register of Healthcare Benefits Undertaking and its classifications, i.e. commercial and restricted.

AUTHORISATION OF INSURERS

On completion, the candidate should be able to:

- 1.5 outline the authorisation process for PMI undertakings;
- 1.6 state the means of carrying out cross-border services or establishing branch offices in another Member State for PMI undertakings.

SUPERVISION OF INSURERS

On completion, the candidate should be able to:

- 1.7 describe the supervision of PMI undertakings once authorised.

MANAGEMENT REGULATORY ISSUES

On completion, the candidate should be able to:

- 1.8 outline the regulatory requirements regarding disclosure and cancellation which are unique to Private Medical Insurers and contrast these with other non-life insurance contracts.

SECTION 2 – REGULATION OF THE PRIVATE MEDICAL INSURANCE MARKET

COMPETITION AND FINANCIAL PERFORMANCE

On completion, the candidate should be able to:

- 2.1 explain the background and current performance of the Irish PMI market;
- 2.2 explain the importance of competition on the performance of the Private Health Insurance industry.

THE NEED FOR REGULATION

On completion, the candidate should be able to:

- 2.3 state the consequences of financial instability in a country's insurance market with reference to PMI;
- 2.4 explain the differences between structural, systemic, prudential regulation and consumer protection legislation.

THE ETHICAL ENVIRONMENT

On completion, the candidate should be able to:

- 2.5 explain the ethical basis for conducting PMI business;
- 2.6 state the ways in which appropriate ethical standards are achieved and maintained in the PMI market.

REGULATORY INFLUENCES

On completion, the candidate should be able to:

- 2.7 describe the role and responsibilities of regulatory authorities in Ireland;
- 2.8 state the functions of the Financial Regulator, including its enforcement powers.

LEGAL ENVIRONMENT

On completion, the candidate should be able to:

- 2.9 explain the scope of legislation that affects insurers' activities in relation to competition, money laundering and equal rights.

SECTION 3 – REGULATION AND SUPERVISION OF THE SALES AND ADVICE (THE INTERMEDIARIES)

PROCESS AUTHORISATION OF INTERMEDIARIES

On completion, the candidate should be able to:

- 3.1 state the current registration and authorisation process for non-life intermediaries;
- 3.2 state the effect of the European Communities (Insurance Mediation) Regulations 2005.

THE ROLE OF INSURERS

On completion, the candidate should be able to:

- 3.3 state the role of insurance undertakings in the supervision of different categories of intermediaries in Ireland.

BUSINESS CONDUCT

On completion, the candidate should be able to:

- 3.4 explain the principles of business conduct and compliance that apply to intermediaries;
- 3.5 explain the means by which client needs are established;
- 3.6 explain the basis upon which recommendations regarding insurers and their products are made to clients;
- 3.7 state the reasons for the need for regular review of general insurances.

SECTION 4 – THE APPLICATION OF THE LAW OF CONTRACT TO INSURANCE

CLASSIFICATION OF TERMS

On completion, the candidate should be able to:

- 4.1 explain how insurance contract terms are classified;
- 4.2 explain the differences between commonly used insurance contract terms and remedies for breach of them.

BREACH OF CONTRACT

On completion, the candidate should be able to:

- 4.3 outline the remedies for breach of contract.

ASSIGNMENT

On completion, the candidate should be able to:

- 4.4 state the basic principles of assignment of contractual rights and duties;
- 4.5 apply the principles of assignment specifically to insurance.

VOID AND VOIDABLE CONTRACTS

On completion, the candidate should be able to:

- 4.6 outline the difference between void and voidable insurance contracts.

ILLEGAL INSURANCE CONTRACTS

On completion, the candidate should be able to:

- 4.7 explain what represents an illegal insurance contract;
- 4.8 state insurers' rights in relation to illegal contracts.

POLICY INTERPRETATION

On completion the candidate should be able to:

- 4.9 explain the main rules governing the interpretation of insurance contracts.

SECTION 5 – UNDERWRITING

UNDERWRITING CONSTRAINTS

On completion, the candidate should be able to:

- 5.1 describe the social and legislative constraints on underwriting practice;
- 5.2 discuss the underwriting implications of advances in genetics and issues relating to genetic testing;
- 5.3 describe the structure of PMI underwriting and claims departments.

UNDERWRITING CONCEPTS

On completion, the candidate should be able to:

- 5.4 explain the development of the operation and philosophy of community rating;
- 5.5 explain the concept of age-adjusted community rating;
- 5.6 explain the concept of risk equalisation;
- 5.7 outline the rules for scheme membership.

UNDERWRITING PROCESS

On completion, the candidate should be able to:

- 5.8 explain the mechanics of application processing;
- 5.9 outline the principles of actuarial assessment of private medical insurance and group risks;
- 5.10 explain the principles of pricing including:
 - reviews and their timing;
 - permissible risk discrimination factors;
 - banding of prices;
 - projection factors used in setting premium levels;

MEDICAL UNDERWRITING

On completion, the candidate should be able to:

- 5.11 explain the main risk considerations and general underwriting principles of private medical insurance with specific reference to general exclusions and exceptions;
- 5.12 explain the following styles of underwriting medical history:
 - moratorium;
 - full medical underwriting.

UNDERWRITING THE PORTFOLIO

On completion, the candidate should be able to:

- 5.13 state the basis on which premiums are calculated – the components and operation of the common pool;
- 5.14 explain the factors taken into account in assessing the total cost of claims for an accounting period;
- 5.15 list the internal factors that are influential when setting premiums;
- 5.16 explain the impact of external factors such as inflation and changes in the law upon historical claims figures;
- 5.17 understand medical inflation and the impact on premiums;
- 5.18 explain how these factors (internal and external) are connected to setting an average rate for a portfolio.

SECTION 6 – CONSUMER PROTECTION

RELEVANT LEGISLATION

On completion, the candidate should be able, in relation to Non-Life insurance to:

- 6.1 describe the legislation that governs the protection of consumers in relation to contracts of Non-Life insurance in Ireland;
- 6.2 state the scope of consumer protection legislation, not specific to insurance business, impacting upon Non-Life insurance contracts;
- 6.3 state the limitations placed upon advertisers of consumer products and specifically, Non-Life insurance products and services;
- 6.4 state the impact of EU Distance Marketing of Consumer Financial Services Regulations 2004;
- 6.5 explain the impact of the Financial Regulator's Consumer Protection Code.