



**Australian Government**

# **FNSISV505 Determine risk rating for investment and insurance products**

**Release: 1**

# FNSISV505 Determine risk rating for investment and insurance products

## Modification History

| Release   | Comments                                                                              |
|-----------|---------------------------------------------------------------------------------------|
| Release 1 | This version first released with FNS Financial Services Training Package Version 1.0. |

## Application

This unit describes skills and knowledge required to monitor and analyse risks, and determine the risk rating associated with an existing or new investment or insurance product.

It applies to individuals working in job roles involving specialist knowledge and functions such as underwriting in a range of insurance sectors and may be applied within organisations of various sizes and across a range of client bases.

Work functions in the occupational areas where this unit may be used are subject to regulatory requirements. Refer to the FNS Implementation Guide Companion Volume or the relevant regulator for specific guidance on requirements.

## Unit Sector

Insurance services

## Elements and Performance Criteria

| ELEMENT                                            | PERFORMANCE CRITERIA                                                                                                                                                                                                                              |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Elements describe the essential outcomes.</i>   | <i>Performance criteria describe the performance needed to demonstrate achievement of the element.</i>                                                                                                                                            |
| 1. Monitor and collect information on risk factors | 1.1 Identify product type so that nature of risk can be identified and handled accordingly<br>1.2 Identify, monitor and collect relevant information                                                                                              |
| 2. Analyse data collected                          | 2.1 Establish reliability and validity of data<br>2.2 Assess risk factors associated with product against known exposure factors<br>2.3 Analyse all information collected on risk factors for product using appropriate methods and documentation |

| ELEMENT                                         | PERFORMANCE CRITERIA                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                 | 2.4 Identify need for additional information to further evaluate risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 3. Determine risk rating for product            | <p>3.1 Determine acceptability of risk using all available information in accordance with organisational policy and procedures, and underwriting guidelines</p> <p>3.2 Establish risk rating that minimises risk liability within delegated authority</p> <p>3.3 Document basis for risk rating decision</p> <p>3.4 Consider compliance with relevant legislation and organisational policy</p> <p>3.5 Document risk rating information in format that may be used to guide underwriting and product or policy amendment decisions</p> |
| 4. Communicate results to appropriate personnel | <p>4.1 Present results of research and analysis to appropriate personnel in a clear, concise format</p> <p>4.2 Review risk rating recommendations against existing products and organisational policy</p> <p>4.3 Finalise risk rating recommendations and notify relevant personnel</p>                                                                                                                                                                                                                                                |

## Foundation Skills

*This section describes language, literacy, numeracy and employment skills incorporated in the performance criteria that are required for competent performance.*

| Skill              | Performance Criteria        | Description                                                                                                                                                                                                                                                                                                  |
|--------------------|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Reading            | 1.1, 1.2, 2.1-2.4, 3.1, 4.2 | <ul style="list-style-type: none"> <li>Critically analyses complex documentation from a variety of sources and consolidates information relating to specific criteria to determine requirements</li> </ul>                                                                                                   |
| Writing            | 2.3, 3.3, 3.5, 4.1, 4.3     | <ul style="list-style-type: none"> <li>Prepares a range of textual information appropriate for audience and for informal and formal purposes</li> <li>Accurately records information, and prepares correspondence and documentation using clear language and organisational formats and protocols</li> </ul> |
| Oral Communication | 4.1, 4.3                    | <ul style="list-style-type: none"> <li>Uses collaborative and inclusive techniques, including active listening and questioning, to convey and clarify information and to confirm understanding</li> </ul>                                                                                                    |
| Numeracy           | 2.1, 2.2, 2.3, 3.1,         | <ul style="list-style-type: none"> <li>Performs mathematical calculations to analyse financial information, costs and values to accurately</li> </ul>                                                                                                                                                        |

|                            |                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                            | 3.2, 4.2                                             | determine risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Navigate the world of work | 3.1, 3.2, 3.4, 4.2                                   | <ul style="list-style-type: none"> <li>Follows policies, procedures and legislative requirements, and identifies organisational implications of new legislation or regulation</li> <li>Modifies or develops organisational policy and procedures to comply with legislative requirements and organisational goals</li> </ul>                                                                                                                                                                                                                                                                      |
| Interact with others       | 4.1, 4.3                                             | <ul style="list-style-type: none"> <li>Implements strategies for a diverse range of colleagues and clients to build rapport and foster strong relationships</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Get the work done          | 1.1, 1.2, 2.1-2.4, 3.1, 3.2, 3.3, 3.4, 3.5, 4.2, 4.3 | <ul style="list-style-type: none"> <li>Plans and sequences complex tasks and workload, negotiating key aspects with others and taking into account capabilities, efficiencies and effectiveness</li> <li>Responds intuitively to problems requiring immediate resolution, drawing on past experiences to focus on the cause of a problem rather than the symptom</li> <li>Applies systematic and analytical decision-making processes for complex and non-routine situations</li> <li>Uses digital technologies to access, enter and store information required to complete work tasks</li> </ul> |

## Unit Mapping Information

| Code and title<br>current version                                        | Code and title<br>previous version                                        | Comments                                        | Equivalence status |
|--------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------------------------|--------------------|
| FNSISV505<br>Determine risk rating for investment and insurance products | FNSISV505A<br>Determine risk rating for investment and insurance products | Updated to meet Standards for Training Packages | Equivalent unit    |

## Links

Companion Volume implementation guides are found in VETNet -

<https://vetnet.gov.au/Pages/TrainingDocs.aspx?q=c7200cc8-0566-4f04-b76f-e89fd6f102fe>

# Assessment Requirements for FNSISV505 Determine risk rating for investment and insurance products

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## Performance Evidence

Evidence of the ability to:

- collect, analyse and interpret information relevant for assessing risk
- accurately determine acceptable risk rating for the organisation's products
- effectively document, communicate and monitor the risk ratings
- comply with organisational policy, procedures, legislation, regulations and industry codes of practice
- present research findings in a suitable format to enable assessment of liabilities.

Note: If a specific volume or frequency is not stated, then evidence must be provided at least once.

## Knowledge Evidence

To complete the unit requirements safely and effectively, the individual must:

- describe basic actuarial principles used to assess risk and return on investment
- identify the key features of relevant legislation, regulatory guidelines and industry sector codes of practice
- explain industry market position relative to product or line of business
- outline organisational information technology systems required for determining risk
- describe organisational policy, procedures, underwriting guidelines and authorities covering:
  - best underwriting guides (BUG)
  - loss control guides
- identify and describe insurance and investment products and the risks associated with these products
- define the difference between treaty and facultative reinsurance as it applies to risk
- explain the relationship between underwriting and rate making

- identify and apply relevant legislation, regulatory guidelines and industry sector compliance requirements as they apply to:
  - insurance contracts
  - privacy
  - consumer protection
  - financial services
  - corporations
- describe risk analysis and prevention methods and their application
- explain types of risk and identify the probability of occurrence.

## Assessment Conditions

Assessment must be conducted in a safe environment where evidence gathered demonstrates consistent performance of typical activities experienced in the insurance services field of work and include access to:

- organisational records
- organisational policy, procedures, legislation and regulations as they relate to contracts of insurance
- a range of common technology and software.

Assessors must satisfy NVR/AQTF assessor requirements.

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