

Advanced underwriting

Purpose

To provide knowledge and understanding of the management of the underwriting function in an insurance organisation.

Assumed knowledge

It is assumed that the candidate has the knowledge gained from a study of the relevant sections of Insurance, legal and regulatory and P80 Underwriting practice or equivalent examinations.

Summary of learning outcomes

1. Understand key regulation and legislation affecting the underwriting function.
2. Understand underwriting strategy, policy and practice.
3. Understand the principles and practices of pricing.
4. Understand the management of exposures in the portfolio.
5. Understand planning, portfolio monitoring and operational controls.

Important notes

- Method of assessment:
 - Written exam – Part I 1 compulsory question (case study) (80 marks). Part II 2 questions selected from 3 (scenarios) (80 marks). Total of 160 marks. Three hours are allowed for this exam.
 - Coursework – 3 online assignments (80 marks). Each assignment must be individually passed.
- The syllabus is examined on the basis of English law and practice unless otherwise stated.
- The general rule is that the exams are based on the English legislative position six months before the date of the exams.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
 1. Visit www.cii.co.uk/qualifications
 2. Select the appropriate qualification
 3. Select your unit on the right hand side of the page

1. Understand key regulation and legislation affecting the underwriting function.

- 1.1 Explain the impact of legislation and regulation on the underwriting function.
- 1.2 Examine the relationship between the underwriting function and solvency requirements
- 1.3 Examine the issues and implications of underwriting business internationally

2. Understand underwriting strategy, policy and practice.

- 2.1 Analyse the relationship between the corporate, reinsurance and underwriting strategies.
- 2.2 Explain the impact of various distribution channels on the underwriting function.
- 2.3 Explain the implications of using binding authorities.
- 2.4 Explain the research required to ensure effective underwriting policy.
- 2.5 Analyse the factors to be taken into account when entering and withdrawing from classes of business and markets.
- 2.6 Explain the significance of claims reserving policy and practice on portfolio management.
- 2.7 Analyse the impact of product mix, segment mix and cover mix on portfolio management. .
- 2.8 Explain underwriting considerations to be taken into account when establishing policy terms and conditions.
- 2.9 Evaluate the importance of risk acceptance, evaluation and control on the portfolio mix.

3. Understand the principles and practices of pricing.

- 3.1 Examine the internal and external data required for pricing.
- 3.2 Explain the various components to be taken into consideration for pricing.
- 3.3 Explain how the different statistical methods are used in pricing.
- 3.4 Examine the impact of the underwriting cycle on portfolio management.
- 3.5 Examine claims information in relation to setting the price, setting reserves and regulatory requirements.

4. Understand the management of exposures in the portfolio.

- 4.1 Explain aggregation and the techniques available to measure exposure to single risks, single events and catastrophes.
- 4.2 Evaluate emerging risks, including systemic losses.
- 4.3 Explain the various means of managing exposure and enabling capacity, including reinsurance.

5. Understand planning, portfolio monitoring and operational controls

- 5.1 Explain the process of planning, budgeting and forecasting.
- 5.2 Explain the reasons for monitoring underwriting results
- 5.3 Evaluate the techniques for monitoring underwriting results
- 5.4 Evaluate the effect of monitoring and forecasting on the underwriting strategy.
- 5.5 Explain the significance of identifying the underwriting skill-set required, key performance indicators and continuing professional development
- 5.6 Evaluate the use of underwriting licences and auditing

Reading list

The following list provides details of various publications which may assist with your studies.

Note: The examination will test the syllabus alone. However, it is important to read additional sources as 10% of the exam mark is allocated for evidence of further reading and the use of relevant examples.

The reading list is provided for guidance only and is not in itself the subject of the examination.

The publications will help candidates keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/Personal Finance Society members can borrow most of the additional study materials below from Knowledge Services.

CII study texts can be consulted from within the library. For further information on the lending service, please go to www.cii.co.uk/knowledge.

CII study texts

Advanced underwriting. London: CII.
Study text 960.

Underwriting practice. London: CII.
Study text P80.

Insurance, legal and regulatory. London: CII.
Study text IF1.

Additional reading

Additional reading materials are available through the library or on the Knowledge Services website.

New materials are added frequently – for information about new books and articles in your area of interest, please visit www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

Books (and ebooks)

Insurance theory and practice. Rob Thoitys. Routledge, 2010. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

'Insurance intermediaries: underwriting agents' in Colinvaux's law of insurance. Robert Merkin. London: Sweet & Maxwell, 2014.

The law of insurance contracts. Malcolm A Clarke. 6th ed. London: Informa, 2009.

Drafting insurance contracts: certainty, clarity, law and practice. Christopher Henley. London: Leadenhall press, 2010.

Reinsurance: the nuts and bolts. Keith Riley. London: Witherby, 2012.

Reinsurance underwriting. Robert Kiln, Stephen Kiln. 2nd ed. London: LLP, 1996.

'Reinsurance contracts, markets and participants' in Reinsurance practice and the law. Barlow Lyde & Gilbert LLP. London: Informa, 2009.

Actuarial practice of general insurance. D G Hart, R A Buchanan, B A Howe. 7th ed. Sydney: Institute of Actuaries of Australia, 2007.

Frank Wood's business accounting. Frank Wood and Alan Sangster. 12th ed. Harlow, Essex: Pearson Education, 2011.

The Financial Times guide to using and interpreting company accounts. Wendy McKenzie. 4th ed. Harlow, Essex: Pearson Education, 2009. Available via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

Audit and accountancy pitfalls: a casebook for practising accountants, lawyers and insurers. Emile Woolf and Moira Hindson. Wiley, 2011. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Forensic accounting for dummies. Frimette Kass-Shraibman and Vijay S. Sampath. Wiley, 2011. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

International financial reporting standards: a practical guide. Hennie Van Greuning, Darrel Scott and Simonet Terblanche. World Bank Publications, 2011.

Corporate finance law: principles and policy. Louise Gullifer, Jennifer Payne. Oxford: Hart Publishing, 2011.

Bank and insurance capital management. Frans De Weert. Chichester: Wiley, 2011.

Solvency II: stakeholder communications and change. Gabrielle O'Donovan. Gower, 2011.

Capital structure and corporate financing decisions: theory, evidence, and practice H. Kent Baker and Gerald S. Martin. Wiley, 2011. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Executive's guide to solvency II. David Buckham, Jason Wahl and Stuart Rose. Wiley, 2011. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

The law of insolvency. Ian Fletcher and Letitia Crabb. 4th ed. London: Sweet & Maxwell, 2009.

The Financial Times guide to using the financial pages. Romesh Vaitilingam. Prentice Hall/Financial Times, 2006. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

The FT guide to mastering operational risk. Tony Blunden & Jon Thirlwell. Harlow: FT/Prentice Hall, 2010.

Holistic risk management in practice. P Hopkin. London: Witherby, 2002.

Corporate risk management. 2nd ed. Tony Merna and Faisal F Al-Thani. Chichester: John Wiley, 2010.

Global financial regulation: the essential guide. H Davies and D Green. Cambridge, UK: Polity, 2008.

Smarter outsourcing: an executive guide to managing successful relationships. Jean-Louis Bravard and Robert Morgan Harlow: FT/Prentice Hall, 2006.

Essentials of business process outsourcing. Thomas Duening and Rick Click. Chichester: Wiley, 2005.

Bowstead and Reynolds on agency. Peter Watts & FMB Reynolds. 19th ed. London: Thomson Reuters, 2010.

The role of agents in insurance business. Chapter – MacGillivray on insurance law: relating to all risks other than marine. 12th ed. Sweet & Maxwell, 2014.

Factfiles and other online resources

CII factfiles are written by subject matter experts within the insurance and financial services industry. They are updated annually, and interim update bulletins are included where necessary to take into account any major changes during the year. All are available online via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

- Alternative risk transfer. David Kaye; updated by Ian Searle.
- Risk control. Ian Searle.
- Risk identification. Ian Searle.
- Enterprise risk management. Ian Searle.
- Recent developments to Solvency II. Brad Baker.
- Insurance accounting (general business). Ian Hutchinson.
- Insurance in the single market. Paul Clarke.

AIRMIC. www.airmic.com.

Institute of Risk Management www.theirm.org.

Further articles and technical bulletins are available at www.cii.co.uk/knowledge (CII and Personal Finance Society members only).

Journals and magazines

The Journal. London: CII. Six issues a year. Also available online (CII/Personal Finance Society members only) via www.cii.co.uk/knowledge.

Post magazine. London: Incisive Financial Publishing. Weekly.

The Economist. London: Economist Newspaper. Weekly.

Financial times. London: Financial Times. Daily. Also available online at www.ft.com.

Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

Code of ethics. London: CII, 2014. Available online at www.cii.co.uk.

International Financial Reporting Standards. IFRS Foundation. London: IFRS Foundation. Annual.

Lamont's glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009. Also available online via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

Manual of accounting. 4v. PriceWaterhouseCoopers. Haywards Heath: Bloomsbury Professional. Annual.

Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers.

You are strongly advised to study guides for the last two sittings. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Alternatively, if you have a current study text enrolment, the latest exam guides are available via www.revisionmate.com.

Older guides are available (for members only) via www.cii.co.uk/knowledge.

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at www.cii.co.uk/knowledge/iilrevision (CII/Personal Finance Society members only).