

Reinsurance

Purpose

At the end of this unit, candidates should be able to understand reinsurance and how it operates.

Assumed knowledge

It is assumed that the candidate already has the knowledge gained from a study of the fundamental principles of insurance as covered in IF1 Insurance, legal and regulatory, and Po5 Insurance law, or equivalent exams.

Summary of learning outcomes

1. Know the purpose of, and the parties involved in, reinsurance.
2. Understand the different types of reinsurance.
3. Understand the features and operation of facultative reinsurance.
4. Understand the features and operation of proportional reinsurance treaties.
5. Understand the features and operation of non-proportional reinsurance treaties.
6. Understand the design and placement of reinsurance programmes.
7. Understand legal issues relating to reinsurance.
8. Understand reinsurance contract wordings.
9. Understand the main features and characteristics of the principal reinsurance markets.
10. Understand the principles and practices of different classes of reinsurance business.

Important notes

- Method of assessment: Part I 14 compulsory questions (140 marks). Part II 2 questions selected from 3 (60 marks). Total of 200 marks. Three hours are allowed for this exam.
- 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. Know the purpose of, and the parties involved in, reinsurance**
 - 1.1 Explain the purpose of reinsurance including, spreading risk, capacity, financial security and capital management.
 - 1.2 Identify the different parties involved in reinsurance and their various roles.
- 2. Understand the different types of reinsurance**
 - 2.1 Outline the main types of reinsurance.
 - 2.2 Explain the difference between reinsurance and retrocession.
 - 2.3 Discuss the alternatives to conventional reinsurance.
- 3. Understand the features and operation of facultative reinsurance**
 - 3.1 Explain the main features and operation of different types of facultative reinsurance.
 - 3.2 Calculate reinsurance premiums and claims recoveries for proportional and non-proportional facultative reinsurance.
- 4. Understand the features and operation of proportional reinsurance treaties**
 - 4.1 Explain the main features and operation of different types of proportional reinsurance treaties.
 - 4.2 Explain the main accounting methods for proportional reinsurance treaties.
 - 4.3 Discuss different types of commission on proportional reinsurance treaties.
 - 4.4 Discuss the use of premium and claims reserves.
 - 4.5 Calculate reinsurance premiums and claims recoveries for proportional reinsurance treaties.
 - 4.6 Discuss the use of cession and event limits in proportional reinsurance treaties.
- 5. Understand the features and operation of non-proportional reinsurance treaties**
 - 5.1 Explain the main features and operation of different types of non-proportional reinsurance treaties.
 - 5.2 Explain the different bases of cover including risks attaching, losses occurring, claims made and losses discovered.
 - 5.3 Discuss the various types of premium calculation used in non-proportional reinsurance treaties.
 - 5.4 Calculate reinsurance premiums and claims recoveries for non-proportional reinsurance treaties.
 - 5.5 Discuss the purpose and use of reinstatements.
 - 5.6 Discuss the use of event limits in non-proportional reinsurance treaties.
- 6. Understand the design and placement of reinsurance programmes**
 - 6.1 Discuss the factors affecting the design of a reinsurance programme, including the significance of modelling and actuarial input.
 - 6.2 Discuss how proportional and non-proportional reinsurance can be combined to make an effective reinsurance programme.
 - 6.3 Discuss the material information required in the placement of reinsurance programmes.
 - 6.4 Explain the use of reciprocity.
 - 6.5 Discuss how solvency and security considerations affect reinsurance programmes.
- 7. Understand legal issues relating to reinsurance**
 - 7.1 Discuss the legal requirements for the formation of a reinsurance contract.
 - 7.2 Discuss the key issues and reinsurance case law relating to the interpretation of contractual documents.
- 8. Understand reinsurance contract wordings**
 - 8.1 Discuss the main features of facultative and treaty wordings.
 - 8.2 Describe key clauses used in proportional and non-proportional wordings.
 - 8.3 Describe the main treaty exclusions and their importance.
- 9. Understand the main features and characteristics of the principal reinsurance markets**
 - 9.1 Explain the main features and characteristics of the principal reinsurance markets.
 - 9.2 Discuss the characteristics of hard and soft markets.
 - 9.3 Discuss the management of the underwriting cycle.
- 10. Understand the principles and practices of different classes of reinsurance business**
 - 10.1 Explain the main underwriting considerations for property and casualty reinsurance.
 - 10.2 Explain different reinsurance methods applied to property and casualty reinsurance.
 - 10.3 Explain the terms and conditions specific to property and casualty reinsurance.
 - 10.4 Describe the main underwriting considerations, and terms and conditions specific to marine and aviation reinsurance.
 - 10.5 Apply the principles and practices of reinsurance to property, casualty, marine and aviation business.

Reading list

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

Note: The examination will test the syllabus alone.

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

Reinsurance. London: CII. Study text P97

Insurance law. London: CII. Study text P05

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)

The law of reinsurance. 2nd ed. Colin Edelman, Andrew Burns. Oxford, OUP, 2013.

Carter on reinsurance. 5th ed. Robert Carter et al. Witherby, 2013.

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

Reinsurance in practice. Robert Kiln, Stephen Kiln. 4th ed. London: Witherby, 2001.

The law of reinsurance practice in England and Bermuda. P T O'Neill and J W Woloniecki. 3rd ed. London: Sweet and Maxwell, 2010.

Reinsurance practice and the law. Barlow Lyde & Gilbert LLP. London: Informa, 2009.

A guide to reinsurance law. Robert Merkin (ed). London: Informa, 2007.

'Reinsurance'. Chapter – Insurance disputes. Jonathan Mance, Iain Goldrein, Robert Merkin. 3rd ed. London: Informa, 2011.

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).

Recent developments in reinsurance law. Robert Merkin, updated by Samantha James.

Alternative risk transfer. Ian Searle.

Thought leadership. Aon Benfield. Available via thoughtleadership.aonbenfield.com.

Knowledge resources. Guy Carpenter. Available via guycarp.com.

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.

Reinsurance. London: Incisive Media. Monthly.

The review. London: Informa. Monthly.

Reactions. London: Euromoney. Monthly.

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).

Reinsurance practice and the law. Reinsurance division, Barlow Lyde and Gilbert. London: LLP. Looseleaf, updated.

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).