

# Insurance underwriting process

## Objective

To provide knowledge and understanding of the role of underwriting including identification, assessment and acceptance of risk, rating and relevant financial factors.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the material facts relating to the insurance underwriting process	5
2. Understand underwriting procedures relating to the insurance underwriting process	15
3. Understand insurance policies in relation to the insurance underwriting process	10
4. Understand renewals and cancellation in relation to the insurance underwriting process	3
5. Understand personal insurances in relation to the insurance underwriting process	3
6. Understand commercial insurances in relation to the insurance underwriting process	3
7. Understand the main 'support' type insurance services available	2
8. Understand underwriting considerations in relation to the insurance underwriting process	13
9. Understand the principles and practices of pricing	10
10. Understand pricing factors within the context of the insurance underwriting process	5
11. Understand managing exposure within the context of the insurance underwriting process	6

\*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

## Important notes

- Method of assessment: 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.
- This syllabus will be examined from 1 January 2015 until 31 December 2015.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- 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/updates](http://www.cii.co.uk/updates)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page

- 1. Understand the material facts relating to the insurance underwriting process**
  - 1.1 Explain why an underwriter needs to be aware of material facts in assessing a risk
  - 1.2 Explain the concept of the duty of disclosure, to whom it applies and how the duty may be modified
  - 1.3 Define the words peril and hazard as used in the insurance industry and the relationship between them
  - 1.4 Explain the significance of moral and physical hazard for underwriters and how they are manifested
  - 1.5 Describe the methods used by underwriters to obtain material facts
- 2. Understand underwriting procedures relating to the insurance underwriting process**
  - 2.1 Describe the general and specific questions asked of proposers
  - 2.2 Describe the procedure relating to quotations
  - 2.3 Explain the purpose of proposal forms and their legal significance
  - 2.4 Describe the different ways in which premiums are calculated
  - 2.5 Explain the legal significance of procedures relating to the issue of cover notes, policies and certificates of insurance
  - 2.6 Describe the relevance of premium payment for valid cover
  - 2.7 Describe the methods used by insurers to collect premiums including instalment facilities
  - 2.8 Describe the features of Insurance Premium Tax
- 3. Understand insurance policies in relation to the insurance underwriting process**
  - 3.1 Describe the structure, functions and contents of a policy form, including the policy schedule
  - 3.2 Explain the meaning and significance of common policy exceptions and conditions including terrorism cover
  - 3.3 Explain how excesses, deductibles and franchises are used
  - 3.4 Explain the distinction between warranties, conditions and representations
- 4. Understand renewals and cancellation in relation to the insurance underwriting process**
  - 4.1 Describe the legal significance of procedures relating to renewals
  - 4.2 Explain how cancellation clauses operate
- 5. Understand personal insurances in relation to the insurance underwriting process**
  - 5.1 Describe the basic features and typical policy cover of motor insurance, health insurance, household insurance, travel insurance and extended warranties
- 6. Understand commercial insurances in relation to the insurance underwriting process**
  - 6.1 Describe the basic features and typical policy cover of property insurance, pecuniary insurance and liability insurance
- 7. Understand the main 'support' type insurance services available**
  - 7.1 Describe the basic features of additional 'support' type insurance services available with specific reference to help lines, authorised repairers and suppliers, risk control/advice and uninsured loss recovery services
- 8. Understand underwriting considerations in relation to the insurance underwriting process**
  - 8.1 Describe the key underwriting criteria for motor insurance, health insurance and personal insurances
  - 8.2 Describe the key underwriting criteria for commercial property insurance, including fire and special perils, theft insurance, glass insurance and money insurance
  - 8.3 Describe the key underwriting criteria for pecuniary insurances, including legal expense insurance and business interruption insurance
  - 8.4 Describe the key underwriting criteria for liability insurance, including employers' liability, public liability, pollution liability, products liability and professional indemnity
  - 8.5 Describe the key underwriting criteria for extended warranties
  - 8.6 Describe the procedures commonly used to discourage individuals from making fraudulent claims
  - 8.7 Describe the procedures commonly used to detect fraudulent claims
  - 8.8 Explain the consequences of fraudulent claims for the insurer, their insureds and the fraudulent claimant
  - 8.9 Explain the effect on insurance of the current Disability Discrimination/Equality Act 2010 and Data Protection Acts

## 9. Understand the principles and practices of pricing

- 9.1 Describe the sources, availability and types of data essential to the underwriting process
- 9.2 Explain the importance of claims information on underwriting terms/premium rates
- 9.3 Explain the nature of risk in terms of frequency and severity of claims
- 9.4 Explain the significance of the claims loss ratio on premiums/acceptance of risk
- 9.5 Explain the distinction between underwriting year, policy year, accounting year and calendar year

## 10. Understand pricing factors within the context of the insurance underwriting process

- 10.1 Define risk premium and its key features
- 10.2 Describe the reporting factors of expenses, return on capital, investment income, tax and intermediary remuneration

## 11. Understand managing exposure within the context of the insurance underwriting process

- 11.1 Describe the basic factors influencing the market cycle
- 11.2 Describe the principles of risk accumulation
- 11.3 Describe the basic reinsurance considerations including the types of reinsurance

## 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](http://www.cii.co.uk/knowledge).

## CII study texts

Insurance underwriting process. London: CII. Study text IF3.

## 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](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

## Books (and ebooks)

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

Bird's modern insurance law. 9th ed. John Birds. Sweet and Maxwell, 2013.

## 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](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

The regulation of general insurance business. Ian Youngman.

Recent developments in general insurance underwriting. Gavin Dollings, Nick Hankin.

## Reference materials

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

The insurance manual. Stourbridge, West Midlands: Insurance Publishing & Printing Co. Looseleaf, updated.

Kluwer's handbook of insurance. Kingston upon Thames, Surrey: Croner. CCH. Looseleaf updated.

## Periodicals

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

Post magazine. London: Incisive Financial Publishing. Weekly.

## Examination guides

An examination guide, which includes a specimen paper, is available to purchase via [www.cii.co.uk](http://www.cii.co.uk)

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate ([www.revisionmate.com](http://www.revisionmate.com)). Details on how to access Revisionmate are on the first page of your study text.

It is strongly recommended that you only study from the most recent versions of the examination guides.

## 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](http://www.cii.co.uk/knowledge/iilrevision) (CII/Personal Finance Society members only).