

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 M80/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: 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.**
- **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 you 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/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

CII study texts

Advanced underwriting. London: CII.
Study text 960.

Underwriting practice. London: CII.
Study text M80/P80.

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

Books (and ebooks)

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

Audit and accountancy pitfalls: a casebook for practising accountants, lawyers and insurers. Emile Woolf and Moira Hindson. Wiley, 2011.*

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

Bowstead and Reynolds on agency. Peter Watts & FMB Reynolds. 20th ed. London: Thomson Reuters, 2014.

Capital requirements, disclosure, and supervision in the European insurance industry: new challenges towards Solvency II. Maria Grazia Starita, Irma Malafronte. Palgrave Macmillan, 2014.

Capital structure and corporate financing decisions: theory, evidence, and practice H. Kent Baker and Gerald S. Martin. Wiley, 2011.*

Colinvaux's law of insurance. 10th ed. London: Sweet & Maxwell, 2014.

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

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

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

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

Forensic accounting for dummies. Frimette Kass-Shraibman and Vijay S. Sampath. Wiley, 2011.*

Frank Wood's business accounting. Frank Wood and Alan Sangster. 12th ed. Harlow, Essex: Pearson Education, 2012.

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

Good faith and insurance contracts. Peter McDonald, et al. Informa, 2010.

Handbook of insurance. Georges Dionne. New York: Springer, 2013.*

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

Insurance theory and practice. Rob Thoitys. Routledge, 2010.*

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

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

ORSA: Design and implementation. Bogie Azdemir. London: Risk Books, 2015.

Pricing in general insurance. Pietro Parodi. CRC Press, 2015.

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.

Risk management for insurers: risk control, economic capital, and Solvency II. Rene Doff. 3rd ed. London: Risk Books, 2015.

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

Solvency II handbook: practical approaches to implementation. Rene Dorf. London: Risk Books, 2014.

The Financial Times guide to using and interpreting company accounts. Wendy McKenzie. 4th ed. Harlow, Essex: Pearson Education, 2010.

The Financial Times guide to using the financial pages. Romesh Vaitilingam. 6th ed. Prentice Hall/Financial Times, 2011.

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

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

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

Ebooks

The following ebooks are available through Discovery via www.cii.co.uk/discovery (CII/PFS members only):

Big data revolution: what farmers, doctors and insurance agents teach us about discovering big data patterns. Rob Thomas, Patrick McSharry. Wiley, 2015.

Fundamental aspects of operational risk and insurance analytics: a handbook of operational risk. Marcelo Cruz, et al. New Jersey: Wiley, 2015.

Fundamentals of actuarial mathematics. 2nd ed. David Promislow. Chichester: Wiley, 2015.

Managing risk and opportunity: the governance of strategic risk taking. Torden Juul Andersen et al. Oxford: Oxford Scholarship Online, 2014.

Handbook in Monte Carlo simulation: applications in financial engineering, risk management and economics. Paolo Bradimarte. Hoboken: Wiley, 2014.

Fundamentals of risk management: understanding, evaluating and implementing effective risk management. Paul Hopkin, Kogan Page, 2014.

Risk modelling in general insurance: from principles to practice. Roger J. Gray, Susan M. Pitts. Cambridge: Cambridge University Press, 2012.

Treatises on Solvency II. Meinrad Dreher. Heidelberg: Springer, 2015.

Uncertainty in risk assessment: the representation and treatment of uncertainties by probabilistic and non-probabilistic methods. Terje Aven. Hoboken: Wiley, 2014.

Factfiles and other online resources

CII factfiles are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Covering general insurance, life and pensions and financial services sectors, the factfile collection includes key industry topics as well as less familiar or specialist areas with information drawn together in a way not readily available elsewhere. Available online via www.cii.co.uk/ciifactfiles (CII/PFS members only).

- Alternative risk transfer. David Kaye; updated by Ian Searle.
- Risk control. Ian Searle.
- Risk identification. 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.

Insurers' engagement with Social Media. ©Timetric Insight Report. March, 2015. Available for members at www.cii.co.uk/insightreports

Institute of Risk Management www.theirm.org.

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

Journals and magazines

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

Post magazine. London: Incisive Financial Publishing. Weekly. Also available online at www.postonline.co.uk.

The Economist. London: Economist Newspaper. Weekly.

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

Further periodical publications are available at www.cii.co.uk/journalmagazines (CII/PFS members only).

Reference materials

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

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.*

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

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/lamont (CII/PFS members only).

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

*Also available as an ebook through Discovery via www.cii.co.uk/discovery (CII/PFS members only).

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 from 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 via www.cii.co.uk/pastexamguides (CII/PFS members only).

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/iilrevision (CII/PFS members only).