

London Market underwriting principles

Purpose

This unit enables a student to build on introductory knowledge of the London Market (typically from studying units LM1 and LM2) by developing knowledge and understanding of:

- the underwriting disciplines within the London Market;
- key elements of the cycle, including business planning and obtaining capacity, pricing and the importance of putting together a contract which is both clear and certain;
- the opportunities and challenges posed by using different distribution channels such as delegated underwriting.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the framework within which business is conducted in the London Market.	5
2. Understand the role, purpose and implications of policy wording in practice.	16
3. Understand the role and importance of business planning and capital setting in the London Market.	18
4. Understand the pricing of risk at an individual and at a portfolio level.	12
5. Understand the various methods of writing business and distribution.	24

* 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 2022 to 31 December 2022.
- 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/qualifications
 2. Select the appropriate qualification
 3. Select your unit from the list provided
 4. Select qualification update on the right hand side of the page
 5. This PDF document is accessible through screen reader attachments to your web browser and has been designed to be read via the speechify extension available on Chrome. Speechify is a free extension that is available from <https://speechify.com/>. If for accessibility reasons you require this document in an alternative format, please contact us on ukcentreadministration@cii.co.uk to discuss your needs.

1. Understand the framework within which business is conducted in the London Market.

- 1.1 Explain the framework within which business is conducted in the London Market.
- 1.2 Explain the duties of the broker during the creation of a contract.

2. Understand the role, purpose and implications of policy wording in practice.

- 2.1 Explain the importance of knowing the identity of the contracting parties.
- 2.2 Explain the importance of policy wording.
- 2.3 Explain the various ways in which policy wordings can be constructed.
- 2.4 Explain the importance of viewing the complete contract wording.

3. Understand the role and importance of business planning and capital setting in the London Market.

- 3.1 Explain the purpose and effect of the business planning process.
- 3.2 Explain the importance of ongoing monitoring and reporting on the business plan.
- 3.3 Explain how capital setting supports the writing of business.
- 3.4 Explain the technical account.

4. Understand the pricing of risk at an individual and at a portfolio level.

- 4.1 Explain basic statistical theory.
- 4.2 Explain the principles of constructing an insurance rate.
- 4.3 Explain the use of realistic disaster scenarios and catastrophe models.

5. Understand the various methods of writing business and distribution.

- 5.1 Explain the different types of placement.
- 5.2 Explain the different methods of distribution.
- 5.3 Explain the different types of delegated underwriting.
- 5.4 Explain the stakeholders' roles and responsibilities.
- 5.5 Explain the advantages and disadvantages of various methods of writing business for the stakeholders involved.
- 5.6 Explain the management and controls around the different methods of placement.

Reading list

The following list provides details of further reading which may assist you 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 resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

CII study texts

London Market underwriting principles.
London: CII. Study text LM3.

Books and eBooks

Bird's modern insurance law. 10th ed. John Birds. Sweet and Maxwell, 2016.

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

'Insurance intermediaries: underwriting agents' in Colinvaux's law of insurance. 11th ed. Prof. Robert Merkin. London: Sweet & Maxwell, 2016.

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

Lloyd's: law and practice. 2nd ed. Julian Burling. Oxon: Informa Law, 2017.

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

The role of agents in insurance business. Chapter – MacGillivray on insurance law: relating to all risks other than marine. 13th ed. Sweet & Maxwell, 2015.

Journals and magazines

The Journal. London: CII. Six issues a year.

Post magazine. London: Incisive Financial Publishing. Monthly. Contents searchable online at www.postonline.co.uk.

Reference materials

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.

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

Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (www.revisionmate.com). Details of how to access Revisionmate are on the first page of your study text. It is recommended that you only study from the most recent version of the examination guide.

Exam technique/study skills

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