

# Advanced underwriting

## Purpose

To enable candidates to understand 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 IF1 Insurance, legal and regulatory and M80 Underwriting practice or equivalent examinations.

### Summary of learning outcomes

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| 1. | Analyse key regulation and legislation affecting the underwriting function |
| 2. | Evaluate underwriting strategy, policy and practice                        |
| 3. | Analyse the principles and practices of pricing                            |
| 4. | Evaluate the management of exposures in the portfolio                      |
| 5. | Evaluate 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](http://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

## **1. Analyse 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. Evaluate 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. Analyse 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. Evaluate 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. Evaluate 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/or 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 listed here provide a wider coverage of syllabus topics.

### CII study texts

Advanced underwriting. London: CII.  
Study text 960.

Underwriting practice. London: CII.  
Study text M80.

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

### Books / eBooks

A practitioner's guide to Solvency II. Geoffrey et al. (eds.). London: Thomson Reuters, 2016.

Analytics for insurance: the real business of Big Data. Tony Boobier. Chichester: Wiley, 2016.\*

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

Colinvaux's law of insurance. 11<sup>th</sup> ed. London: Sweet & Maxwell, 2016.

Cyber risk. Michael Woodson. London: Risk Books, 2016.

Digital insurance: business innovation in the post-crisis era. Bernardo Nicoletti. Basingstoke: Palgrave Macmillan, 2016.\*

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

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

Managing systemic exposure: risk management framework for SiFis and their

markets. Federico Galizia. London: Risk Books, 2013.\*

Non-life insurance pricing with generalised linear models. Esbjorn Ohlsson, Bjorn Johansson. Heidelberg: Springer, 2015.\*

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

Reinsurance underwriting. Robert Kiln, Stephen Kiln. 2nd ed. London: CRC Press, 2017.\*

Risk management for insurers: risk control, economic capital, and Solvency II. Rene Doff. 3rd/2nd ed. London: Risk Books, 2015/2011.\*

### eBooks

The following eBooks are available via [www.cii.co.uk/elibrary](http://www.cii.co.uk/elibrary) (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 risk management: understanding, evaluating and implementing effective risk management. Paul Hopkin, Kogan Page, 2014.

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

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

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

### 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](http://www.postonline.co.uk).

The Economist. London: Economist Newspaper. Weekly.

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\* Also available as an eBook through eLibrary via [www.cii.co.uk/elibrary](http://www.cii.co.uk/elibrary) (CII/PFS members only).

**Reference materials**

Code of ethics. London: CII, 2017. Available online at [bit.ly/2UnNlgn](https://bit.ly/2UnNlgn).

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

**Specimen guides**

Specimen guides are available for all coursework units.

These are available on the CII website under the unit description / purchasing page. You will be able to access this page from the Qualifications section of the CII website: [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications).

**Exam technique/study skills**

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