

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 knowledge of the fundamental principles of insurance as covered in IF1 Insurance, legal and regulatory or equivalent examination.

| Summary of learning outcomes | Number of questions in the examination* |
|--|---|
| 1. Know the purpose of, and the parties involved in, reinsurance | 4 |
| 2. Understand the different types of reinsurance | 3 |
| 3. Understand the features and operation of facultative reinsurance | 2 |
| 4. Understand the features and operation of proportional reinsurance treaties | 8 |
| 5. Understand the features and operation of non-proportional reinsurance treaties | 7 |
| 6. Understand the design and placement of reinsurance programmes | 8 |
| 7. Understand legal issues relating to reinsurance | 3 |
| 8. Understand reinsurance contract wordings | 5 |
| 9. Understand the main features and characteristics of the principal reinsurance markets | 4 |
| 10. Understand the principles and practices of different classes of reinsurance business | 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:
 - Mixed assessment consisting of two components, both of which must be passed. One component is a coursework assignment and one is a multiple choice question (MCQ) examination. The details are:
 1. an online coursework assignment using RevisionMate consisting of 10 questions which sequentially follow the learning outcomes. This must be successfully completed within 6 months of enrolment; and
 2. an MCQ exam consisting of 50 MCQs. 1 hour is allowed for this exam. This exam must be successfully passed within 18 months of enrolment.
- This syllabus will be examined from 1 May 2020 until 30 April 2021.
- 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

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 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/PFS members can access most of the additional study materials below via the Knowledge Services webpage at <https://www.cii.co.uk/knowledge-services/>.

New resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources, please go to <https://www.cii.co.uk/knowledge-services/> or email knowledge@cii.co.uk.

CII study texts

Reinsurance. London: CII. Study text: M97

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

Books (and ebooks)

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

Imagining the future: how to stay ahead in the reinsurance game through scenario planning. Paula Jarzabkowski. London: Cass Business School, 2013.

Insurance and reinsurance law and regulation: jurisdictional comparisons. Clive O'Connell. London: Sweet and Maxwell, 2014.

Making a market for acts of God. The practice of risk-trading in the global reinsurance industry. Paula Jarzabkowski. Oxford: Oxford University Press, 2015. *

Reinsurance arbitrations. Kyriaki Noussia. Heidelberg: Springer-Verlag, 2013. *

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

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

Risk theory and reinsurance. Griselda Deelstra, et al. London: Springer, 2014. *

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

Factfiles and other online resources

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

The Insurance Institute of London (IIL) podcast lecture series features leading industry figures and subject experts speaking on current issues and trends impacting insurance and financial services. Available online at <https://www.cii.co.uk/insurance-institute-of-london/> (CII/PFS members only).

Alternative risk transfer (ART). Alan Punter. Insurance-linked securities (ILS). Alan Punter.

Recent developments in reinsurance law. Robert Merkin.

Reinsurance industry in the UK, key trends and opportunities. ©Timetric Forecast Reports. Annual. Available for members at www.cii.co.uk/forecastreports.

Journals and magazines

The Journal. London: CII. Six issues a year. Archive available online at <https://www.thepfs.org/search-results/?q=the+journal> (CII/PFS members only).

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.

Reinsurance practice and the law. London: Informa. Updated regularly. Available online on i-law.com. Access via the CII website on www.cii.co.uk/lawdatabases (members only).

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

Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the MCQ exam component.

These are available on the CII website under the unit number before purchasing the unit. They are available under the following link www.cii.co.uk/qualifications/diploma-in-insurance-qualification.

These exemplar papers are also available on the RevisionMate website (www.revisionmate.com) after you have purchased the unit.

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).