



## Learning Outcome

## Assessment Criteria

## Indicative Content

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<b>1 7 questions</b>	<b>Understand the business benefits and risks for the use of delegated authorities.</b>	<b>1.1</b>	Explain the purpose and main types of delegated authorities.	<b>1.1.1</b>	Definition of a delegated authority and its key terms.
				<b>1.1.2</b>	Scope and purpose of a delegated authority.
				<b>1.1.3</b>	Main types of delegated authority.
		<b>1.2</b>	Explain the nature and roles of the parties involved with delegated authorities.	<b>1.2.1</b>	Nature of the insurance market.
				<b>1.2.2</b>	Role of insurer, coverholder, MGA, administrator, service company, customer.
		<b>1.3</b>	Explain the types of activities that could be delegated.	<b>1.3.1</b>	Main activities; underwriting, claims including and document issuance.
				<b>1.3.2</b>	Types of underwriting.
				<b>1.3.3</b>	Types of claims.
		<b>1.4</b>	Explain the benefits and risks to all parties involved in delegated authorities.	<b>1.4.1</b>	Main benefits of operating a delegated authority.
				<b>1.4.2</b>	Main risks of operating a delegated authority.
		<b>1.5</b>	Explain the management of conflicts of interest.	<b>1.5.1</b>	Definition of a conflict of interest.
				<b>1.5.2</b>	Situations in which a conflict of interest may arise.
				<b>1.5.3</b>	Agent principal relationship.



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2 9 questions	Understand the legal and regulatory framework related to delegated authorities.	2.1	Explain the legal framework in which delegated authorities operate.	2.1.1	Law of contract.
				2.1.2	Law of agency.
		2.2	Explain the UK regulatory requirements.	2.2.1	Main regulators; Lloyds, Financial Conduct Authority and Prudential Regulation Authority.
				2.2.2	Role of regulators.
				2.2.3	Regulatory responsibilities of coverholders, including reporting.
				2.2.4	Insurance: Conduct of Business sourcebook (ICOBS).
				2.2.5	Client Assets (CASS).
				2.2.6	Conduct risk, including fair treatment of customers and Consumer Duty.
		2.3	Explain the Lloyd's specific regulatory requirements.	2.3.1	Council of Lloyd's.
				2.3.2	Intermediaries bye-law, including delegated structure.
				2.3.3	Document issuance.
				2.3.4	Code of Practice - Delegated Authority.
				2.3.5	Service Companies Code of Practice.
		2.4	Explain the importance of considering international legal and regulatory requirements.	2.4.1	Rationale for international business, including benefits and risks.
				2.4.2	Main factors to consider.
				2.4.3	Regulatory issues specific to international business.
		2.5	Explain the management of compliance.	2.5.1	Definition of compliance.
2.5.2	Scope of compliance for insurers and coverholders.				
2.5.3	Compliance returns, including main content.				



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3  8 questions	Understand the setting up of delegated authorities.	3.1	Examine the key considerations for an insurer when deciding to delegate authority.	3.1.1	Reasons why an insurer would consider a delegated authority, including benefits and risks.
				3.1.2	Scope of underwriting and claims authority for the different types of delegated authority.
		3.2	Explain the due diligence process when assessing a potential coverholder.	3.2.1	Identification of potential coverholders/MGAs.
				3.2.2	The evaluation process, including main factors to consider and suitability.
		3.3	Explain the role of the broker in setting up delegated underwriting arrangements.	3.3.1	Retail and wholesale brokers.
				3.3.2	Broker acting as coverholder/MGA.
				3.3.3	Placement of risk.
				3.3.4	Flow of funds and information.
		3.4	Explain ways in which coverholders/ Managing General Agents may be remunerated.	3.4.1	Ordinary commission.
				3.4.2	Profit commission.
				3.4.3	Override.
				3.4.4	Brokerage.
				3.4.5	Fees.
		3.5	Examine the key components of a delegated authority strategy and a delegated authority business plan for all parties involved.	3.5.1	Role of business plan in a business' strategy, including parties involved in a business plan.
				3.5.2	Business plan for an insurer.
				3.5.3	Business plan for a coverholder/MGA, including main areas of content.
		3.6	Examine the key activities that all parties would undertake when setting up a delegated authority.	3.6.1	Main steps taken by parties when considering potential partners.
3.6.2	Actions taken by parties, including key approvals.				
3.6.3	Initial processing of a formal agreement.				
3.6.4	Ongoing administration of a delegated authority.				



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		3.7	Explain the Lloyd's specific regulatory requirements for setting up a coverholder/MGA.	3.7.1	Reasons for regulatory approval.		
				3.7.2	The approval process, including application system.		
				3.7.3	Main parties involved in the approval process, including responsibilities and including main assessment factors.		
				3.7.4	Coverholder/MGA undertaking, including main areas of content.		
		3.8	Explain the rules on employees working away from a coverholder/MGA's approved location.	3.8.1	Remote working, including the benefits and risks.		
		3.9	Explain why Lloyd's syndicates might use the service company model.	3.9.1	Background to syndicates in the Lloyd's market.		
				3.9.2	Benefits and risks of setting up a service company.		
				3.9.3	Service Company Code of Practice.		
		4 7 questions	Understand contracts of delegation and contracts of insurance.	4.1	Explain the difference between contracts of delegation and contracts of insurance.	4.1.1	Key components of a contract of delegation.
						4.1.2	Key components of a contract of insurance.
4.2	Explain the key content of typical contracts of delegation.			4.2.1	Main contents of a binding authority, including the three main parts to the documentation.		
				4.2.2	Main contents of a lineslip agreement.		
				4.2.3	Main contents of a consortium agreement.		
				4.2.4	Underwriting guidelines.		
				4.2.5	Claims guidelines.		
4.3	Explain the legal position of each party in a contract of delegation.			4.3.1	Legal relationship of insurer, coverholder/MGA and insured.		
				4.3.2	Agent principal relationship.		
				4.3.3	Legal remedies open to the principal.		
				4.3.4	Legal remedies open to the agent.		
4.4	Explain the importance of contract certainty and the implications of a poorly constructed contract.			4.4.1	Definition of contract certainty, including the main terms.		
				4.4.2	Key requirements for contract certainty.		
				4.4.3	Risks of a poorly-constructed contract and the effects on relevant parties.		
4.5	Explain cancellation, non-renewal and run-off.			4.5.1	Cancellation.		
				4.5.2	Non-renewal.		
				4.5.3	Run-off.		
				4.5.4	Effect of cancellation, non-renewal and run-off on parties to a delegated authority.		



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5 4 questions	Understand the management of underwriting by the coverholder/managing general agent (MGA).	5.1	Explain why certain classes of business are most commonly underwritten within delegated authority.	5.1.1	Nature and characteristics of homogeneous and heterogeneous risks.
				5.1.2	Reasons why certain risks would be bound with a delegated authority.
		5.2	Examine how a delegated underwriting function and portfolio is assessed and managed by the coverholder/MGA.	5.2.1	Role of a business plan in a coverholder/MGA's business strategy.
				5.2.2	Main considerations for a coverholder/MGA when establishing a delegated authority.
				5.2.3	Specific issues relating to multiple delegated authorities.
				5.2.4	Management information, including main areas to review.
		5.3	Explain how aggregate exposures can be managed.	5.3.1	Definition of exposure management.
				5.3.2	How to analyse exposure, including risks to an insurer.
		5.4	Explain the underwriting process including where risks fall outside authority.	5.4.1	The main stages of the underwriting process.
				5.4.2	Main factors to consider when evaluating a presented risk.
				5.4.3	Main factors to consider when accepting a risk.
				5.4.4	Dealing with risks that fall outside a delegated authority.
6 4 questions	Understand the management of claims by the coverholder/MGA.	6.1	Examine the different approaches to claims management under delegated authorities.	6.1.1	The options for claims handling.
				6.1.2	The benefits and risks of delegating authority for claims.
		6.2	Explain good claims handling practice and key claims issues by the coverholder/MGA.	6.2.1	Definition of claims handling.
				6.2.2	Stages of claims handling.
				6.2.3	Legal and regulatory issues, including ICOBS rules on claims.
				6.2.4	The role of data, including analysis and audit.
		6.3	Explain the purpose, benefits and risks of loss funds.	6.3.1	Main types of loss fund, including their purpose in the claims process.
				6.3.2	Benefits and risks to an insurer and coverholder/MGA of a loss fund.
				6.3.3	Operation of a loss fund.



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7  5 questions	Understand key business support functions within the coverholder/MGA.	7.1	Explain ways in which business can be marketed and developed.	7.1.1	Main factors an insurer would consider in using a delegated authority for business development.
				7.1.2	Main sources of business generation from a delegated authority.
				7.1.3	Commercial benefits and risks to an insurer from using a delegated authority.
		7.2	Explain policy documentation processes and procedures.	7.2.1	The policy documentation that can be issued under a delegated authority.
				7.2.2	Benefits and risks of policy issuance under a delegated authority.
				7.2.3	Specific issues relating to policy issuance, including record keeping requirements.
		7.3	Explain the handling of premiums and claims monies.	7.3.1	The premium handling and claims fund processes under a delegated authority.
				7.3.2	Main factors to consider when handling premium and claim monies.
				7.3.3	The claims settlement process, including the use of a loss fund.
				7.3.4	Main risks to an insurer from a coverholder/MGA handling premium and client monies.
		7.4	Explain data capture and the reporting requirements under delegated authorities.	7.4.1	Reasons for data capture, including identification of relevant data.
				7.4.2	The main reporting requirements for an insurer.
				7.4.3	Reporting requirements on a coverholder/MGA, including Lloyd's reporting standards.
				7.4.4	Reporting requirements under a lineslip and a consortium.
				7.4.5	Benefits to an insurer and coverholder of good IT systems.



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8  6 questions	Understand the monitoring and auditing of the delegated authority by the insurer.	8.1	Explain the indicators of good and poor coverholder/MGA financial performance and operational controls.	8.1.1	The main indicators of performance, including the differences between good and poor performance.
				8.1.2	Standard approach, including the six-step process.
		8.2	Explain how performance can be monitored.	8.2.1	Main types of performance monitoring, including bordereau analysis.
				8.2.2	Use of service levels, including the main categories.
		8.3	Explain how to manage on-going quality and underperformance.	8.3.1	Reasons for underperformance within a delegated authority.
				8.3.2	Options for an insurer when assessing underperformance.
		8.4	Explain how audits are conducted and the benefits to all parties of regular audits.	8.4.1	Audits, including their purpose and operation.
				8.4.2	Benefits of an audit.
				8.4.3	The standard audit template, including the main sections and content.