

Delegated authority

Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of delegated underwriting authority from the perspective of all participants, including the setting up, successful management and development of business.

Assumed knowledge

It is assumed that the candidate already has the knowledge gained from a study of the fundamental principles of insurance as covered in IF1 Insurance, legal and regulatory, or equivalent examinations.

Summary of learning outcomes

1. Understand the business benefits and risks for the use of delegated authorities
2. Understand the legal and regulatory framework related to delegated authorities
3. Understand the setting up of delegated authorities
4. Understand contracts of delegation and contracts of insurance
5. Understand the management of underwriting by the coverholder/managing general agent (MGA)
6. Understand the management of claims by the coverholder/MGA
7. Understand key business support functions within the coverholder/MGA
8. Understand the monitoring and auditing of the delegated authority by the insurer

Important notes

- Method of assessment: 14 compulsory short answer questions between 6 and 15 marks each (total 140 marks). Plus 2 from 3 mini-case studies worth 30 marks each (total 60 marks). Three hours are allowed for this examination.
- The syllabus is examined on the basis of English law and practice unless otherwise stated.
- The general rule is that the exams are based on the English legislative position six months before the date of the exams.
- 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 the business benefits and risks for the use of delegated authorities

- 1.1 Explain the purpose and main types of delegated authorities
- 1.2 Explain the nature and roles of the parties involved with delegated authorities
- 1.3 Explain the types of activities that could be delegated
- 1.4 Explain the benefits and risks to all parties involved in delegated authorities
- 1.5 Explain the management of conflicts of interest
- 1.6 Explain the importance of reputational risk management in a delegated authority context

2. Understand the legal and regulatory framework related to delegated authorities

- 2.1 Explain the legal framework in which delegated authorities operate
- 2.2 Explain the UK regulatory requirements
- 2.3 Explain Lloyd's specific regulatory requirements
- 2.4 Explain the importance of considering international legal and regulatory requirements
- 2.5 Explain the management of compliance

3. Understand the setting up of delegated authorities

- 3.1 Examine the key considerations for an insurer when deciding to delegate authority
- 3.2 Explain the role of the broker in setting up delegated underwriting arrangements
- 3.3 Explain ways in which coverholders/managing general agents (MGA) may be remunerated
- 3.4 Examine the key components of a sound delegated authority business plan for all parties involved
- 3.5 Examine the key activities that all parties would undertake when setting up a delegated authority
- 3.6 Explain the Lloyd's specific requirements for setting up a coverholder/MGA
- 3.7 Explain why Lloyd's syndicates might use the service company model

4. Understand contracts of delegation and contracts of insurance

- 4.1 Explain the difference between contracts of delegation and contracts of insurance
- 4.2 Explain the key content of typical contracts of delegation, including underwriting guidelines
- 4.3 Explain the legal position of each party in a contract of delegation
- 4.4 Explain the importance of Contract Certainty and the implications of a poorly constructed contract
- 4.5 Explain cancellation, non-renewal, and run-off

5. 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
- 5.2 Examine how a delegated underwriting function and portfolio is assessed and managed by the coverholder/MGA
- 5.3 Explain how aggregate exposures can be managed
- 5.4 Explain the underwriting process including where risks are outside authority

6. Understand the management of claims by the coverholder/MGA

- 6.1 Examine the different approaches to claims management under delegated authorities
- 6.2 Explain good claims handling practice and key claims issues by the coverholder/MGA
- 6.3 Explain the role, benefit and purpose of loss funds

7. Understand key business support functions within the coverholder/MGA

- 7.1 Explain ways in which business can be marketed and developed
- 7.2 Explain policy documentation processes and procedures
- 7.3 Explain the handling of premiums and claims monies
- 7.4 Explain the reporting requirements under delegated authorities
- 7.5 Explain the importance of good IT systems and processes to support the management of coverholders/managing general agents

8. 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
- 8.2 Explain the indicators of good and poor coverholder/MGA operational controls
- 8.3 Explain the ways/methods that performance can be monitored to ensure ongoing quality
- 8.4 Explain ways in which underperformance may be addressed
- 8.5 Explain the benefits to all parties of an annual audit
- 8.6 Explain how the annual audit will be conducted

Reading list

The following list provides details of various publications which may assist 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 publications will help candidates keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/Personal Finance Society members can borrow most of the additional study materials below from Knowledge Services.

CII study texts can be consulted from within the library. For further information on the lending service, please go to www.cii.co.uk/knowledge.

Older guides are available (members only) via www.cii.co.uk/knowledge.

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/knowledge/iilrevision (CII/PFS members only).

CII study texts

Delegated authority. London: CII. Course book P66.

Additional reading

Additional reading materials are available through the library or on the Knowledge Services website.

New materials are added frequently – for information about new books and articles in your area of interest, please visit www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

Books (and ebooks)

Bowstead and Reynolds on agency. Peter Watts & FMB Reynolds. 19th ed. London: Thomson Reuters, 2010.

Reference materials

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

Insurance broking practice and the law. Looseleaf, updated. Cameron McKenna.

Periodicals

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.

Insurance age. Incisive media. Monthly. Available online at www.insuranceage.co.uk.

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.