

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

Summary of learning outcomes	Number of questions in the examination*
1. Understand the business benefits and risks for the use of delegated authorities.	7
2. Understand the legal and regulatory framework related to delegated authorities.	9
3. Understand the setting up of delegated authorities.	8
4. Understand contracts of delegation and contracts of insurance.	7
5. Understand the management of underwriting by the coverholder/managing general agent (MGA).	4
6. Understand the management of claims by the coverholder/MGA.	4
7. Understand key business support functions within the coverholder/MGA.	5
8. Understand the monitoring and auditing of the delegated authority by the insurer.	6

*The test specification (relevant to the M66 multiple choice question exam only) 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

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- **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 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. a multiple-choice question (MCQ) exam at one of the CII's online centres (paper based MCQs are available in April and October for those sitting outside the UK). The MCQ exam consists of 50 MCQs. 1 hour is allowed for this examination. This exam must be successfully passed within 18 months of enrolment.

- This syllabus will be examined from 1 May 2017 until 30 April 2018.

- 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/updates
2. Select the appropriate qualification
3. Select your unit on the right hand side of the page

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- **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
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- 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 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 publications will help you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

CII study texts

Delegated authority. London: CII. Study text M66/P66.

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

Books

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

Bowstead and Reynolds on agency. Peter Watts & FMB Reynolds. 20th ed. London: Thomson Reuters, 2014.

Reputational risk management in financial institutions. Thomas Kaiser, Petra Merl (eds.) London: Risk Books, 2014.

Reference materials

Contract certainty: an Airmic guide for risk managers and insurance buyers. AIRMIC. 2009. Available via www.airmic.com (register your details to access).

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010. Also available online through Discovery via www.cii.co.uk/discovery (CII/PFS members only).

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

Journals and magazines

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

Post magazine. London: Incisive Financial Publishing. Monthly. Also available online at www.postonline.co.uk.

The Journal. London: CII. Six issues a year. Also available online via www.cii.co.uk/knowledge (CII/PFS members only).

Further periodical publications are available at www.cii.co.uk/journalmagazines (CII/PFS members only).

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Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the multiple-choice 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.

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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.

Older guides are available via www.cii.co.uk/pastexamguides (CII/PFS members only).

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 (IIL) holds a lecture on revision techniques for CII written exams approximately three times a year. The slides from their most recent lectures can be found at www.cii.co.uk/iilwrittenrevision (CII/PFS members only).