

# 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 (relevant to the M97 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](http://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:** Part I 14 compulsory questions (140 marks). Part II 2 questions selected from 3 (60 marks). Total of 200 marks. Three hours are allowed for this exam.
- 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](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
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- 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 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](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

### CII study texts

Reinsurance. London: CII. Study text: M97/P97

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 in practice. Robert Kiln, Stephen Kiln. 4th ed. London: Witherby, 2001.

'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 in England and Bermuda. T O'Neill, J W Woloniecki. 3rd ed. London: Sweet and Maxwell, 2010.

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

## Factfiles and other online resources

CII factfiles are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Covering general insurance, life and pensions and financial services sectors, the factfile collection includes key industry topics as well as less familiar or specialist areas with information drawn together in a way not readily available elsewhere. Available online via [www.cii.co.uk/ciifactfiles](http://www.cii.co.uk/ciifactfiles) (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](http://www.cii.co.uk/forecastreports).

## Journals and magazines

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

Post magazine. London: Incisive Financial Publishing. Monthly. Also available online at [www.postonline.co.uk](http://www.postonline.co.uk).

Reactions. London: Euromoney. Monthly.

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

## 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](http://www.cii.co.uk/lawdatabases) (members only).

\*Also available as an ebook through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (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](http://www.cii.co.uk/qualifications/diploma-in-insurance-qualification).

These exemplar papers are also available on the RevisionMate website [www.revisionmate.com](http://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](http://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](http://www.revisionmate.com).

Older guides are available via [www.cii.co.uk/pastexamguides](http://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 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](http://www.cii.co.uk/iilrevision) (CII/PFS members only).