

London Market underwriting principles

Purpose

This unit enables a student to build on introductory knowledge of the London Market (typically from studying units LM1 and LM2) by developing knowledge and understanding of:

- the underwriting disciplines within the London market;
- key elements of the cycle, including business planning and obtaining capacity, pricing and the importance of putting together a contract which is both clear and certain;
- the opportunities and challenges posed by using different distribution channels such as delegated underwriting.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the framework within which business is conducted in the London Market	5
2. Understand the role, purpose and implications of policy wording in practice	16
3. Understand the role and importance of business planning and capital setting in the London Market	18
4. Understand the pricing of risk at an individual and at a portfolio level	12
5. Understand the various methods of writing business and distribution	24

*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:** 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.
- This syllabus will be examined from 1 May 2017 to 31 December 2017.
- 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 on the right hand side of the page

- 1. Understand the framework within which business is conducted in the London Market**
 - 1.1 Explain the framework within which business is conducted in the London Market
 - 1.2 Explain the duties of the broker during the creation of a contract
- 2. Understand the role, purpose and implications of policy wording in practice**
 - 2.1 Explain the importance of policy wording
 - 2.2 Explain the various ways in which policy wordings can be constructed
 - 2.3 Explain the importance of knowing the identity of the contracting parties
 - 2.4 Explain the importance of viewing the complete contract wording
- 3. Understand the role and importance of business planning and capital setting in the London Market**
 - 3.1 Explain the purpose and effect of the business planning process
 - 3.2 Explain the reporting linked with the business planning process throughout the year
 - 3.3 Explain the importance of monitoring against the business plan
 - 3.4 Explain how capital setting supports the writing of business
 - 3.5 Explain the technical account
- 4. Understand the pricing of risk at an individual and at a portfolio level**
 - 4.1 Explain basic statistical theory
 - 4.2 Explain the principles of constructing an insurance rate
 - 4.3 Explain the use of realistic disaster scenarios and catastrophe models
- 5. Understand the various methods of writing business and distribution**
 - 5.1 Explain the different types of placement
 - 5.2 Explain the different methods of distribution
 - 5.3 Explain the different types of delegated underwriting
 - 5.4 Explain the stakeholders' roles and responsibilities
 - 5.5 Explain the advantages and disadvantages of various methods of writing business for the stakeholders involved
 - 5.6 Explain the management and controls around the different methods of placement

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

London Market underwriting principles. London: CII. Study text LM3.

Books and eBooks

Bird's modern insurance law. 10th ed. John Birds. Sweet and Maxwell, 2016.

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

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

'Insurance intermediaries: underwriting agents' in Colinvaux's law of insurance. Robert Merkin. London: Sweet & Maxwell, 2014.

Insurance theory and practice. Rob Thoyts. Routledge, 2010.*

Lloyd's: law and practice. 2nd ed. Julian Burling. Oxon: Informa Law, 2017.*

Pricing in general insurance. Pietro Parodi. CRC Press, 2015.

The law of insurance contracts. Malcolm A Clarke. 6th ed. London: Informa, 2009.

The role of agents in insurance business. Chapter – MacGillivray on insurance law: relating to all risks other than marine. 13th ed. Sweet & Maxwell, 2015.

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 (CII/PFS members only).

- Basic concepts and techniques of the pricing process. Pietro Parodi.
- Principles and trends in general insurance underwriting. Massimo Vascotto.

- Recent developments in general insurance underwriting. Massimo Vascotto.
- Recent developments to Solvency II. Brad Baker.
- Specialist general insurance pricing and advanced techniques. Pietro Parodi.
- The regulatory framework. Simon Collins.

Further articles and technical bulletins are available at www.cii.co.uk/knowledge (CII/PFS members only).

Journals and magazines

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. Monthly. Also available online at www.postonline.co.uk.

Further periodical publications are available at 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.

i-law: online database of insurance legal knowledge. Informa. Available online via www.cii.co.uk/lawdatabases (CII/PFS members only).

Lamont's glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009. Also available online via www.cii.co.uk/lamont (CII/PFS members only).

Lloyd's Underwriting Requirements. Available online via www.lloyds.com (CII/PFS members only).

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

Examination guides

An examination guide, which includes a specimen paper, is available to purchase via www.cii.co.uk.

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (www.revisionmate.com). Details of how to access Revisionmate are on the first page of your study text.

It is recommended that you only study from the most recent versions of the examination guides.

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).