

# Underwriting practice

## Purpose

At the end of this unit, candidates should be able to understand the principles and practices of underwriting and the environment within which they operate.

## 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 key influences of the regulatory and commercial environment on underwriting.	10
2. Understand key aspects of underwriting policy and practice.	9
3. Understand how statistical data is used for underwriting.	11
4. Understand the principles and practices of risk pricing.	12
5. Understand risk exposure and control.	8

\* 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:  
Mixed assessment consisting of two components, both of which must be passed. One component is a coursework assignment and one is a multiple choice question (MCQ) 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. an MCQ exam consisting of 50 MCQs. 1 hour is allowed for this exam. This exam must be successfully passed within 18 months of enrolment.
- This syllabus will be examined from 1 May 2026 to 30 April 2027.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- This PDF document has been designed to be accessible with screen reader technology. If for accessibility reasons you require this document in an alternative format, please contact us on [online.exams@cii.co.uk](mailto:online.exams@cii.co.uk) to discuss your needs.

## **1. Understand key influences of the regulatory and commercial environment on underwriting.**

- 1.1 Explain the implications of regulatory authorisation for the underwriting function.
- 1.2 Explain the relationship between underwriting and capital and solvency requirements.
- 1.3 Explain the principles and requirements of contract certainty.
- 1.4 Discuss the impact of legislation and litigation on underwriting.
- 1.5 Explain the operation of the traditional underwriting cycle.
- 1.6 Discuss the impact of major events and trends on underwriting.
- 1.7 Explain the importance of Consumer Duty in providing positive customer outcomes.

## **2. Understand key aspects of underwriting policy and practice.**

- 2.1 Explain corporate underwriting strategy and its influences on underwriting policy.
- 2.2 Discuss the importance of moral and physical hazards in setting an underwriting policy.
- 2.3 Discuss typical criteria for policy cover, terms, conditions and restrictions.
- 2.4 Explain how risks are classified, categorised and improved.
- 2.5 Explain the interaction between underwriting and distribution channels.
- 2.6 Explain the use and implications of granting delegated authority.
- 2.7 Discuss the methods of entering international markets and the implications of writing international business.
- 2.8 Describe counter-fraud initiatives.
- 2.9 Discuss the effect of mergers and acquisitions on underwriting policy and practice.

## **3. Understand how statistical data is used for underwriting.**

- 3.1 Explain the relationship between exposure and claims.
- 3.2 Explain the importance of averages and how they are calculated.
- 3.3 Interpret the distribution of data around the average.
- 3.4 Explain the relationship between frequency and severity.
- 3.5 Explain the basic principles of probability and how it can be used to calculate expected future claims.
- 3.6 Explain the importance of the law of large numbers in sample sizes.
- 3.7 Discuss the limitations of statistical data.

## **4. Understand the principles and practices of risk pricing.**

- 4.1 Explain the main elements of the premium.
- 4.2 Explain the burning cost and prospective risk analysis methods of rating.

- 4.3 Explain how claims data is interpreted and used in setting prices.
- 4.4 Explain the significance of incurred but not reported (IBNR) claims.
- 4.5 Explain the importance of liaison between underwriting and claims functions, especially reserving.
- 4.6 Explain the role and significance of the actuary in risk pricing.
- 4.7 Examine the importance of competitor analysis in pricing.
- 4.8 Discuss other risk data that can be used in pricing.

## **5. Understand risk exposure and control.**

- 5.1 Explain how exposure to single risks and single events can be measured and managed to balance the account.
- 5.2 Explain the aggregation of risks and the use of catastrophe modelling.
- 5.3 Explain the role and main types of reinsurance.
- 5.4 Explain the importance of the interaction between insurer and reinsurer.
- 5.5 Outline methods other than reinsurance that can be used for limiting exposure.

## Additional resources

The following resources may assist you with your studies.

**Note: The examination will test the syllabus alone.**

Supporting information for the syllabus can be found on the unit page via the CII website. The resources found here: [www.cii.co.uk/learning](https://www.cii.co.uk/learning) will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

Additional reading material can also be found referenced in an appendix within the study text.

## Exam preparation

Exam preparation guidance and supporting exam documentation are available via the CII website: <https://www.cii.co.uk/learning/qualifications/assessment-information>.

## Learning support

Underwriting practice. London: CII. Study text M80

Insurance, legal and regulatory. London: CII. Study text IF1.

Key Facts Booklet available at an additional cost (delivered via RevisionMate).

## Assessment information

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](https://www.cii.co.uk/qualifications)
2. Select the appropriate qualification
3. Select your unit from the list provided
4. Select qualification update on the right hand side of the page

## Examination guide

The examination guide is available on the unit page via the CII website.

If you have a current study text enrolment, the current examination guide is included and is accessible via **RevisionMate** ([www.cii.co.uk/login](https://www.cii.co.uk/login)). Details of how to access RevisionMate are on the first page of your study text.

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