

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:
 - 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
 - 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 2025 until 30 April 2026.
- 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 at online.exams@cii.co.uk to discuss your needs.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
 - Visit www.cii.co.uk/qualifications
 - Select the appropriate qualification
 - Select your unit from the list provided
 - Select qualification update on the right hand side of the page

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.

Reading list

The following list provides details of further reading 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 resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

CII study texts

Underwriting practice. London: CII. Study text M80

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

Books (and ebooks)

Actuarial practice of general insurance. D G Hart, R A Buchanan, B A Howe. 7th ed. Sydney: Institute of Actuaries of Australia, 2007.

Bowstead and Reynolds on agency. Peter Watts & FMB Reynolds. 23rd ed. London: Thomson Reuters, 2024.

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

'Insurance intermediaries: underwriting agents' in Colinvau's law of insurance. 13th ed. Prof. Robert Merkin. London: Sweet & Maxwell, 2023.

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

Pricing in general insurance. Pietro Parodi. CRC Press, 2023.*

Reinsurance: the nuts and bolts. Keith Riley. London: Witherby, 2012.

Reinsurance underwriting. Robert Kiln, Stephen Kiln. 2nd ed. London: CRC Press, 2017.

Risk management for insurers: risk control, economic capital, and Solvency II. René Doff. 3rd/2nd ed. London: Risk Books, 2015/2011.*

Solvency II handbook: practical approaches to implementation. René Dorf. London: Risk Books, 2014.

The role of agents in insurance business. Chapter – MacGillivray on insurance law:

relating to all risks other than marine. 15th ed. Sweet & Maxwell, 2024.

Ebooks

The following eBooks are available via www.cii.co.uk/elibrary (CII/PFS members only):

Big data revolution: what farmers, doctors and insurance agents teach us about discovering big data patterns. Rob Thomas, Patrick McSharry. Wiley, 2015.

Fundamental aspects of operational risk and insurance analytics: a handbook of operational risk. Marcelo G. Cruz. Wiley, 2015.

Handbook in Monte Carlo simulation: applications in financial engineering, risk management and economics. Paolo Bradimarte. Hoboken: Wiley, 2014.

Risk modelling in general insurance: from principles to practice. Roger J. Gray, Susan M. Pitts. Cambridge: Cambridge University Press, 2012.

Treatises on Solvency II. Meinrad Dreher. Heidelberg: Springer, 2015.

Online resources

The Insurance Institute of London (IIL) provides access to lectures from leading industry figures and subject experts speaking on current issues and trends impacting insurance and financial services. Available online at www.cii.co.uk/learning/insurance-institute-of-london (CII/PFS members only).

Risk control. Ian Searle.

Risk identification. Ian Searle.

Recent developments in general insurance underwriting. Massimo Vascotto.

Principles and trends in general insurance underwriting. Massimo Vascotto.

Recent developments to Solvency II. Brad Baker.

Insurance accounting (general business). Ian Hutchinson, updated by Alex Barnes.

AIRMIC. www.airmic.com.

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

Institute of Risk Management
www.theirm.org.

* Also available as an eBook through eLibrary via www.cii.co.uk/elibrary (CII/PFS members only).

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

Journals and magazines

The Journal. London: CII. Six issues a year.

InsurancePOST. London: Incisive Financial Publishing. Monthly. Contents searchable online at www.postonline.co.uk.

The Economist. London: Economist Newspaper. Weekly.

Financial times. London: Financial Times. Daily. Available online at www.ft.com.

Access to further periodical publications is available from the Knowledge website at thejournal.cii.co.uk (CII/PFS members only).

Reference materials

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

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.*

Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the MCQ exam 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 (ciigroup.org/login) after you have purchased the unit.

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.