



## **Specimen coursework assignment and answer**

### **960 Advanced underwriting**

The specimen coursework assignment and answer provides a guide as to the style and format of coursework questions. These examples indicate the depth and breadth of answers sought by CII markers.

The answer given is not intended to be the definitive answer. Well-reasoned alternative answers can also gain marks.

Before commencing work on your coursework assignment, you need to familiarise yourself with the information in the *Coursework Support Centre*.



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### Coursework submission rules and important notes

Before you start your assignment, it is essential that you familiarise yourself with the information in the *Coursework Support Centre*.

This includes the following information:

- This assignment must not be provided to, or discussed with, any other person regardless of whether they are another candidate or not. If you are found to have breached this rule, disciplinary action may be taken against you.
- Important rules relating to referencing all sources including the study text, regulations and citing statute and case law.
- All material taken from study texts and websites (or anywhere else) should be in *italics* so that it is clear you are not passing it off as your own. Whenever material that is not your own is used, please cite where it was sourced from in brackets.
- Penalties for contravention of the rules relating to plagiarism and collaboration.
- You must not use Artificial Intelligence (AI) tools to generate content (any part of an assignment response) and submit it as if it was your own work.
- You must keep copies of your assignment drafts which show the progression of your assignment from initial draft to final submitted version.
- Coursework marking criteria applied by markers to submitted answers.
- Deadlines for submission of coursework answers.
- You must not include your name or CII PIN anywhere in your answer.
- There are 80 marks available per coursework assignment. You must obtain a minimum of 40 marks (50%) per coursework assignment to achieve a pass.
- Your answer must be submitted on the correct answer template in Arial font, size 11.
- Your answer must include a brief context, at the start of your answer, and should be referred to throughout your answer.
- Each assignment answer should be a maximum of 3,200 words. The word count does include text and numbers contained within any tables or diagrams you choose to use. The word count does not include referencing or supplementary material in appendices. **Please be aware that at the point an assignment answer exceeds the word count by more than 10% the examiner will stop marking.**

### Top tips for answering coursework assignments

- Read the *960 Specimen coursework assignment and answer*, available on the unit webpage.
- Read the assignments carefully and ensure you answer all parts of the assignments.
- You are encouraged to choose a context that is based on a real organisation or a division of an organisation.
- For assignments relating to regulation and law, knowledge of the UK regulatory framework is appropriate. However, marks can be awarded for non-UK examples if they are more relevant to your context.



There is no minimum word requirement, but an answer with fewer than 2,800 words may be insufficiently comprehensive.

### Assignment

Provide a brief context for an insurer or a reinsurer, or a division of either, with which you are familiar.

For **this** insurer or reinsurer, or division of either:

- Identify **one** insurance product currently underwritten.
- Explain briefly, how this product affects profitability for this insurer or reinsurer.
- Analyse, based on your explanation, how the underwriting acceptance criteria influences the profitability of this product.
- Make recommendations, based on your analysis, to improve the profitability of this product.

**Note:** You are recommended to discuss your own organisation, or one that is familiar to you. Your answer is confidential to the CII and will not be shared. *For this specimen answer, which is widely publicised, a fictitious company has been chosen so as not to highlight any company.*

**To be completed before submission:**

<b>Word count:</b>	3,258
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**Start typing your answer here:**

**Brief context:**

ABC Group (ABC) is one of the largest insurers in the world, a multinational general insurance company headquartered in London, but providing insurance to over 100 countries. The company provides both personal and commercial insurance and a range of classes of business under each of these sectors.

This assignment will specifically focus on professional indemnity (PI) insurance, a sub-class of Liability. PI insurance provides protection against claims made by the insured's own clients or third parties. This insurance provides cover for any errors or omissions by the insured, subject to the terms and conditions of the policy. The UK Professional Indemnity division for ABC has a gross written premium of £85 million, consisting of income from both the London Market and regional accounts. This income is derived from various forms of distribution, including delegated authority, a wide broker network and online platforms.



### Explanation of how this product affects profitability.

ABC splits the PI offering into four main categories: accountants, engineers, property professions and miscellaneous (including technology and media). Of these, the accountants PI portfolio is the most significant by premium and influence on divisional profit and ABC is recognised by major professional bodies such as the Institute of Chartered Accountants in England and Wales (ICAEW) and the Association of Chartered Certified Accountants (ACCA). Both set minimum standards for PI cover for their members. The minimum levels are dependent on the size of the business and the type of work that is carried out. ([www.nimblefins.co.uk](http://www.nimblefins.co.uk)) These professional body obligations constrained the extent to which ABC could alter core policy terms for certain client groups. There was also an increased focus on defensive underwriting and emerging exposures such as cyber and AI in 2023-2024 and within the last year some market segments began to soften as new capacity entered and underwriter appetite broadened, which affected pricing dynamics for accountants' PI.

There have been significant changes in the market such as, increases in remote working, greater use of technology and deeper integration between accounting software and cloud platforms. These trends introduced new types of errors such as integration failures, incorrect automated tax calculations or insecure data transfer. This has led to an increased potential risk for both frequency and severity on the book of business. Emerging technologies, including generative AI used to draft advice, were highlighted by insurers as a rising concern. This means that ABC's underwriters therefore needed to understand this and apply differentiated terms where appropriate. This is a problem across the whole PI market, but each Insurer has been affected differently and responded in different ways. ABC remains in the market offering of PI for accountants, so inevitably, has already seen some of these risks within the account. However, with careful amendments to underwriting strategy, ABC reduced exposure within this area and managed the remaining risk to protect profitability. The advantage ABC has is due to it being a large corporate entity with a variety of teams and specialisms. This means that any market fluctuations which affect the PI account, tend not to have a large overall impact on the profitability of the company. Therefore, even though individual segments can impact profitability, overall the four sub-classes balance each other to maintain profit.

As the insurance market is cyclical, ABC's ability to preserve future profitability depends on disciplined underwriting and active portfolio management. Following the hard market period in 2019 - 2022, the PI market hardened and capacity contracted which supported rate adequacy. However, since 2024 new capacity had started to return and pricing in some segments began to ease. This created margin pressure and required ABC's underwriters to refine appetite and terms rather than rely on rate alone.

The PI class had been identified by some market commentators and regulators as challenging on performance metrics. For example, Lloyd's thematic reviews in 2021 had highlighted PI as an area of underperformance, prompting many syndicates to reduce



appetite or withdraw from particular sub-classes, with knock-on effects on market capacity and pricing.

More recently, market commentary during 2023-2025 indicated a partial softening in rates and a return of capacity in selected segments, although small practices continued to face tougher underwriting scrutiny and potentially higher relative premium as a percentage of turnover.

**Analyse how the underwriting acceptance criteria affect profitability.**

To ensure that ABC are not too heavily exposed from claims arising from disruption from any unforeseen event, certain underwriting criteria have been set for the PI product.

ABC introduced updated proposal forms in 2023-24 with mandatory additional questions capturing cloud software use, cyber controls, AI-assisted advice etc. These questions enabled underwriters to assess exposure to systemic failure modes and to apply specific endorsements or exclusions where needed. For example, with the accountant's proposal form, claims relating to tax relief and other government schemes could be considered, as well as the risk arising from broader macroeconomic pressure. By capturing this additional information, underwriters could establish the exact scope of the accountant's services and identify high-risk activities early.

Set criteria have been established and written into guidelines as to which risks should be declined on this basis. For instance, where an accountant actively promoted themselves as an expert in high-risk tax mitigation schemes and carried out client submission activities directly, ABC's guidelines required referral or automatic declinature unless significant risk mitigations were evidenced. If, however, it was only introducing clients to schemes and an independent adviser or client remained the primary decision-maker, the exposure might be considered acceptable. This 'chain of causation' approach which is recorded in updated guidelines, allowed consistent categorisation and pricing of risk.

Further questions will be asked as to the nature of their work, the number of clients, the monetary value of the clients and it does do for these clients. ABC has set criteria according to the answers to these questions. This process helps to establish acceptable and unacceptable risks. If the overall amount is too high or a single risk from a client too high, then this would fall outside ABC's appetite.

With a company the size of ABC, there is always pressure to look at business which falls outside of our acceptance criteria. For example, a large accountant with a number of offices places all its commercial combined insurances with us, then we come under pressure to underwrite that risk. ABC documented override requests and required commercial teams to produce impact analyses. This governance reduced poorly informed exceptions but did not eliminate commercial tension between volume and technical profitability.

As underwriters, we would also be looking at the contracts in place between the accountant and its client. Questions should be considered such as whether there is third party advice



and if there is, then a separate contract should be in place between the third party and the client. If this is the case, does the accountant specifically limit their liability? All these measures would make an accountant undertaking such work more attractive. Specific guidelines have also been issued by the ICAEW to help accountants draw up terms of engagement for contracts between themselves, third parties and clients. Where accountants have followed such advice, this will also be looked upon favourably by ABC. These additional aspects of risk management are favourable for the accountants as well as ABC.

These steps would form part of the Insured's risk management. The additional questionnaire will ask further risk management questions which the underwriters of ABC will then analyse and assign points to for each positive step taken, according to the underwriting guidelines set. Where the points allocated fall below a threshold, the risk should then be declined. Only those over the threshold become attractive business and the rate will be dependent on where they fit within the scale.

Another step taken within the underwriting criteria is to ensure that certain endorsements are added where the product is offered to accountants with certain exposures. A specific excess endorsement can be added for risks where their points allocation is suspect or concerning and this is also can also be applied in respect of each and every claimant (as opposed to claim which is usual within PI). Due to the pressures on costs, ABC is seeing more insured's willing to contemplate higher than usual excesses. This is attractive to ABC as it reduces the claims handling cost for the smaller claims.

Previous claims would also be considered by underwriters and whether any have amounted from this type of work historically. ABC's underwriters analysed not only paid losses but also defence spend and notification patterns e.g. repeated low-value notifications pointing to systemic process issues. Where there were repeated notifications, the risk was less attractive. Understanding the trend of spurious or repeated notifications and ABC's handling of those matters helped to assess the residual risk.

Where a risk falls just outside the guidelines, an underwriter can choose to refer the risk for discussion among a peer group, including a portfolio manager. This may be particularly important on renewal cases that were previously acceptable under historic guidelines, but because of amendments could potentially be a declinature. This is the reality for large insurers as risk appetites are adapted regularly.

The main aim of the underwriting acceptance criteria is to ensure that those risks which have historically exposed ABC to claims are no longer within the account, and that an acceptable level of exposure is present. ABC would be unable to withdraw from this sector completely as they are seen as a lead insurer for accountants and must maintain this reputation. As such a large organisation, it is imperative that the brand name is protected and that the perception that many classes of cover are underwritten.

It has been important to use the expertise required to apply suitable restrictions within the underwriting guidelines, which allow us to still accept risks where we are unlikely to have



such severe claims and, as a result, protect the profitability of the account. With carefully selected underwriting, rather than complete withdrawal, we are able to maintain several clients and satisfy brokers needs in placing some difficult risks. In turn, brokers reward us by also keeping the standard risks with us, helping us to maintain profitability across the account.

In requesting an additional proposal form, ABC aims to understand the risk and its exposure. It is essential that we fully understand the extent of the advice that has been provided by each of the accountants. This is particularly important at the introduction stage. The underwriting criteria set requires clients to complete the questionnaire and answer further questions, so that we can establish the extent to which the insured poses a real risk to profitability.

In asking further questions about the values and number of the clients, and setting restrictions on what is acceptable, ABC can also control the level of claims that could arise. For instance, the criteria sets limits on the maximum amounts invested per client and overall. This ensures that should a claim be made under the policy it can only reach a certain level and not go beyond this.

The premiums are carefully constructed to consider the levels of exposure, so where there are higher amounts invested and a larger number of schemes or clients, the premium will be significantly increased. In doing so ABC can protect the profitability of the account by gaining more premium, the loss ratios will be improved, particularly if we are able to keep hold of the business for several years and only encounter few claims within those years. With the restrictions in place as above, which aim to reduce the amount of claims exposure, this will also positively affect the loss ratios.

Another measure that was taken in the underwriting criteria was the increased excess and to make the excess each and every claimant. This was a crucial move in protecting the account due to the nature of such claims making them susceptible to block notifications. For example, if a method comes under scrutiny, all the clients that the insured introduced to the method would be able to take action against the Insured. If the excess was each and every claim, a block notification would be made meaning that only one excess is applicable for multiple clients as they all fall under the same claim. Making the excess each and every client ensures protection for ABC, as the exposure will only be above that excess for each client. In making the excess higher, any claims falling below this will be met by the insured, so ABC is therefore protected up to a set level.

All these methods to manage the level of exposure will also decrease the amount and number of claims payable. In doing so, this will protect the profitability of the account.

The key to protecting the profitability of ABC's account is understanding the risk presented and limiting exposure to likely loss drivers. The additional questionnaire allowed ABC to decline risks where the exposure was judged unacceptable and to accept risks conditionally



where mitigations were evident such as higher premium, higher excess and restrictive endorsements.

### **Recommendations to improve the profitability of the product.**

Within this discussion we have focused on the risk management of accountants, but the depth of the account needs to be considered if profitability is to be maintained.

ABC should deepen its engagement with regulatory and professional bodies such as the ICAEW and the ACCA. The analysis highlighted that claim trends frequently emerge from changes in tax legislation, government relief schemes and shifts in the broader economic environment. By enhancing collaboration with these bodies, ABC can gain earlier visibility of emerging areas of advisory complexity and use this insight to update proposal forms, risk-rating tools and underwriting guidelines more proactively. Regular participation in professional working groups, market bulletins, and technical forums would further support a forward-looking approach that reduces exposure before it materialises into claims.

ABC should appoint dedicated senior underwriters for each key professional segment to improve technical oversight and consistency. The analysis confirmed that ABC's current structure results in variations in appetite pressures, especially where large multi-line clients seek PI cover despite falling outside technical criteria. A specialist underwriter for accountants could take ownership of monitoring regulatory changes, loss trends and notification patterns. This structure would also enable more confident decision-making when renewing cases impacted by shifting guidelines, ensuring that exceptions are justified, recorded and aligned with long-term portfolio strategy rather than short-term premium retention.

Policyholder risk visibility should be improved by introducing compulsory site visits for companies exceeding defined exposure thresholds. The analysis emphasised the importance of understanding how a firm manages high-risk workstreams, particularly around tax relief schemes and complex financial structures. A structured visit process triggered, for example, by fee income over £2.5 million or repeat notifications, would support more accurate risk classification. Face-to-face reviews often reveal operational weaknesses or undeclared advisory activities that may not be apparent from proposal forms alone, thus strengthening underwriting confidence and preventing mispriced risks from entering the portfolio.

Another significant opportunity lies in refining the programme structure offered by ABC to higher-exposure firms. The analysis noted that several unacceptable risks could potentially be written if exposure was shared or layered differently. ABC should therefore expand its use of co-insurance, excess layers, and participation above defined attachment points to accommodate firms with higher fee income or more volatile advisory portfolios. By writing excess layers instead of primary, ABC can participate in accounts that would otherwise fall outside appetite, while protecting itself from the most frequent and severe claim types. This also allows more competitive pricing where appropriate, without compromising profitability.



The analysis acknowledged that policy wording changes are constrained by professional body minimum requirements, ABC should continue exploring any scope for refining excess structures, particularly around each and every claimant terms. The previous analysis showed that block notifications pose a significant profitability threat. If future regulatory changes permit, ABC could lobby for an each and every claimant excess inclusive of defence costs, as defence spend forms a substantial proportion of loss ratios. Although not currently allow early discussions with industry bodies could position ABC to influence future standards and secure more sustainable underwriting conditions.

Lastly, ongoing portfolio management must prioritise strong, data-driven risk monitoring. As identified earlier, the PI market remains volatile and susceptible to economic triggers, political development and tax-scheme litigation. ABC should therefore invest in enhanced internal analytics to track concentrations of risk, frequency of spurious claims and behaviours associated with historical losses. Embedding a more granular exposure monitoring framework, connected directly to acceptance criteria, would make future guideline revisions more precise and evidence-based, reducing reliance on broad appetite shifts and helping maintain underwriting credibility with brokers. These recommendations reinforce the core finding of the analysis, in that profitability depends on early trend detection, disciplined risk selection and proactive management of specialist exposures. By implementing these improvements, ABC can maintain its position as a leading insurer for accountants while protecting the long-term sustainability of its PI portfolio.



### Reference List

Course books:

- Hatchek, H (2025) *Advanced Underwriting 960* CII, London
- Priddle and Wallace (2025) *Underwriting Practice M80/P80* CII, London

Websites:

[PII market update: Professional services 2025 - WTW](#) (accessed 11/02/25)

[Market Update: Professional Indemnity Insurance in London - WTW](#) (accessed 11/02/25)

[Professional indemnity insurance claims insights 2023](#) (accessed 11/02/25)

[News focus: trends in professional indemnity insurance 2023 - main findings | News | Law Gazette](#)  
(accessed 11/02/25)

[Engagement letters and privacy notices | ICAEW](#) (accessed 11/02/25)

[Top 5 Claims Made Under ICAEWs PI Insurance Scheme](#) (accessed 10/12/25)

[TRENDS IN PROFESSIONAL INDEMNITY CLAIMS AGAINST ACCOUNTANTS – Lifecycle](#)  
[\(lifecycle.co.uk\)](#) [accessed 11/12/25]

[Welcome to ICAEW.com | ICAEW](#) [accessed 11/12/25]



### Glossary of key words

#### Analyse

Find the relevant facts and examine these in depth. Examine the relationship between various facts and make conclusions or recommendations.

#### Construct

To build or make something; construct a table.

#### Describe

Give an account in words (someone or something) including all relevant characteristics, qualities or events.

#### Devise

To plan or create a method, procedure or system.

#### Discuss

To consider something in detail; examining the different ideas and opinions about something, for example to weigh up alternative views.

#### Explain

To make something clear and easy to understand with reasoning and/or justification.

#### Identify

Recognise and name.

#### Justify

Support an argument or conclusion. Prove or show grounds for a decision.

#### Outline

Give a general description briefly showing the essential features.

#### Recommend with reasons

Provide reasons in favour.

#### State

Express main points in brief, clear form.