IF3 Insurance underwriting process 2027

Learning Outcome		Assessment Criteria		Indicative Content	
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1 **5** **questions**	**Understand the material circumstances relating to the insurance underwriting process**	**1.1**	Explain why an underwriter needs to be aware of material circumstances in assessing a risk.	**1.1.1**	The duty of good faith as it relates to insurance contracts.
				1.1.2	The requirements for disclosing material information and material circumstances.
		1.2	Explain the concept of the duty of fair presentation, to whom it applies and how the duty may be modified.	**1.2.1**	How the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA) and Insurance Act 2015 impact the duty of disclosure for consumers and non-consumers.
				1.2.2	Duration of the duty of fair presentation.
				1.2.3	Extent of the duty of fair presentation and non-consumers.
				1.2.4	The duty not to make a misrepresentation for consumers.
				1.2.5	Consequences of non-disclosure and misrepresentation.
		1.3	Define the words peril and hazard as used in the insurance industry and the relationship between them.	**1.3.1**	Perils and hazards in insurance and how they relate to each other.
		1.4	Explain the significance of moral and physical hazard for underwriters and how they are manifested.	**1.4.1**	The impact of moral hazards when underwriting the risk.
				1.4.2	The impact of physical hazards when underwriting the risk.
		1.5	Describe the methods used by underwriters to obtain material information.	**1.5.1**	Brokers and delegated authority.
				1.5.2	Risk surveys.
				1.5.3	Supplementary questionnaires.
				1.5.4	Meeting with clients.
				1.5.5	Call centres.
				1.5.6	Internet and statement of fact.
				1.5.7	Proposal forms.

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2 **15 questions**	**Understand underwriting procedures relating to the insurance underwriting process**	**2.1**	Describe the general and specific questions asked of proposers.	**2.1.1**	The general questions asked of proposers when applying for insurance.
				2.1.2	Examples of the specific questions asked of proposers when applying for insurance.
		2.2	Describe the procedure relating to quotations.	**2.2.1**	The quotation process.
		2.3	Explain the methods by which underwriters gather material information and their legal significance.	**2.3.1**	Methods by which underwriters gather information for consumers.
				2.3.2	Methods by which underwriters gather information for non-consumers.
		2.4	Describe the different ways in which premiums are calculated.	**2.4.1**	Different methods of premium calculation - adjustable premiums, flat premiums.
		2.5	Explain the legal significance of procedures relating to the issue of cover notes, policies and certificates of insurance.	**2.5.1**	Features of a cover note.
				2.5.2	Detailed requirements for cover notes as they relate to motor insurance and employers' liability.
				2.5.3	Contract certainty requirements.
				2.5.4	The issuing of policy documents and their features.
		2.6	Describe the relevance of premium payment for valid cover.	**2.6.1**	The importance of paying the premium and how this validates the insurance contract.
		2.7	Describe the methods used by insurers to collect premiums including instalment facilities.	**2.7.1**	The methods of collecting insurance premiums - single payment, credit, instalments.
		2.8	Describe the features of Insurance Premium Tax.	**2.8.1**	The features of Insurance Premium Tax and what rate is charged according to the type of product.

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3 **10 questions**	**Understand insurance policies in relation to the insurance underwriting process**	**3.1**	Describe the structure, functions and contents of a policy form.	**3.1.1**	Heading.
				3.1.2	Preamble.
				3.1.3	Signature Clause.
				3.1.4	Operative Clause.
				3.1.5	Exclusions.
				3.1.6	Conditions.
				3.1.7	Policy Schedule.
				3.1.8	Information and Facilities.
				3.1.9	Endorsements.
				3.1.10	Declaration.
		3.2	Explain the meaning and significance of common policy exclusions.	**3.2.1**	General market and common exclusions, with specific reference to terrorism.
		3.3	Explain the meaning and significance of common policy conditions.	**3.3.1**	Duties of the insured.
				3.3.2	Alteration.
				3.3.3	Action by the insured in the event of a claim.
				3.3.4	Fraud.
				3.3.5	Reasonable precautions.
				3.3.6	Contribution.
				3.3.7	Subrogation.
				3.3.8	Average.
				3.3.9	Arbitration.
				3.3.10	Cancellation.
		3.4	Explain how excesses, deductibles and franchises are used.	**3.4.1**	Impact of excesses, deductibles and franchises on the amount of claims payment and the differences between them.
		3.5	Explain the distinction between warranties, conditions and representations.	**3.5.1**	The impact of warranties.
				3.5.2	Conditions – conditions precedent to contract, subsequent to contract and precedent to liability.
				3.5.3	Representations.

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4 **3** **questions**	**Understand renewals and cancellation in relation to the insurance underwriting process**	**4.1**	Describe the legal significance of procedures relating to renewals.	**4.1.1**	The renewal process.
				4.1.2	Duties of the insured in the renewal process.
				4.1.3	Recent regulatory and legal rules and how these impact the renewal process, with specific reference to Financial Conduct Authority transparency.
		4.2	Explain how cancellation clauses operate.	**4.2.1**	Explain the meaning and the impact/significance of the cancellation clause.
5 **3** **questions**	**Understand personal insurances in relation to the insurance underwriting process**	**5.1**	Describe the basic features and typical policy cover of motor insurance, health insurance, household insurance, travel insurance and extended warranties.	**5.1.1**	Motor insurance including private motor, private motorcycle and commercial vehicle.
				5.1.2	Health, personal accident and income protection insurances.
				5.1.3	Household insurance.
				5.1.4	Travel insurance.
				5.1.5	Extended warranty insurance.
6 **3** **questions**	**Understand commercial insurances in relation to the insurance underwriting process**	**6.1**	Describe the basic features and typical policy cover of property insurance, pecuniary insurance, cyber insurance and liability insurance.	**6.1.1**	Property insurance including - fire and special perils, all risks insurance, theft, glass and money.
				6.1.2	Pecuniary insurance including - business interruption, legal expenses.
				6.1.3	Liability Insurance including - employers' liability, public liability, products liability, pollution liability, professional indemnity, directors' and officers' liability and cyber insurance.
7 **2** **questions**	**Understand the main 'support' type insurance services available**	**7.1**	Describe the basic features of additional 'support' type insurance services available with specific reference to helplines, authorised repairers and suppliers, risk control/advice and uninsured loss recovery services.	**7.1.1**	Helplines and the services they offer for different products and how these provide "added value" to the customer.
				7.1.2	Authorised repairers and suppliers particularly in relation to home and motor insurance.
				7.1.3	The three steps of managing risk - identification, analysis and control.
				7.1.4	Role of the risk surveyor in the support process.
				7.1.5	The role of uninsured loss recovery services, particularly in relation to motor.

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8 **13 questions**	**Understand underwriting considerations in relation to the insurance underwriting process**	**8.1**	Describe the key underwriting criteria for motor insurance, health insurance and personal insurances.	**8.1.1**	Basic underwriting approach and how it differs between personal and commercial.
				8.1.2	The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA).
				8.1.3	Insurance Act 2015.
				8.1.4	The factors to consider for underwriting motor insurance.
				8.1.5	The factors to consider for underwriting health, personal accident and income protection insurances.
				8.1.6	The factors to consider for underwriting home insurance.
				8.1.7	The factors to consider for underwriting travel insurance.
		8.2	Describe the key underwriting criteria for commercial property insurance, including fire and special perils, theft insurance, glass insurance and money insurance.	**8.2.1**	The factors to consider for underwriting commercial property insurance - fire and special perils, theft insurance, glass insurance and money insurance.
		8.3	Describe the key underwriting criteria for pecuniary insurances, including legal expense insurance and business interruption insurance.	**8.3.1**	The factors to consider for underwriting pecuniary insurance - legal expenses and business interruption.
		8.4	Describe the key underwriting criteria for liability insurance, including employers' liability, public liability, pollution liability, products liability and professional indemnity.	**8.4.1**	The factors to consider for underwriting liability insurance – employers' liability, public liability, products liability, pollution liability, professional indemnity, directors' and officers' liability and cyber insurance.
		8.5	Describe the key underwriting criteria for extended warranties.	**8.5.1**	The factors to consider for underwriting extended warranties insurance.
				8.5.2	Use of credit ratings in the underwriting process.

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		8.6	Describe the procedures commonly used to discourage individuals from making fraudulent claims.	**8.6.1**	Types of insurance fraud, including inventing, exaggerating or staging an incident.
		8.7	Describe the procedures commonly used to detect fraudulent claims.	**8.7.1**	Agencies and databases used to detect fraud.
				8.7.2	Role of the claims handler in detecting fraud.
				8.7.3	Fraud at the application and inception stage.
		8.8	Explain the consequences of fraudulent claims for the insurer, their insureds and the fraudulent claimant.	**8.8.1**	Impact of fraud on insurers, the insured and the fraudulent claimant.
		8.9	Explain the effect on insurance of Data Protection legislation.	**8.9.1**	The main provisions and purpose and categories of data.
		8.10	Explain the importance of Consumer Duty and positive customer outcomes.	**8.10.1**	Consumer Duty and positive customer outcomes.
				8.10.2	The disability discrimination and the Equality Act 2010.
9 **10 questions**	**Understand the principles and practices of pricing**	**9.1**	Describe the sources, availability and types of data essential to the underwriting process.	**9.1.1**	Importance of management information and data.
				9.1.2	Three tiers of data reporting requirements.
		9.2	Explain the importance of claims information on underwriting terms/premium rates.	**9.2.1**	Importance of claims data - where, when, why and how trends.
				9.2.2	Personal injury discount rate.
		9.3	Explain the nature of risk in terms of frequency and severity of claims.	**9.3.1**	Impact of frequency and severity on claims.
		9.4	Explain the significance of the claims loss ratio on premiums/acceptance of risk.	**9.4.1**	Different types of claims loss ratios.
		9.5	Explain the distinction between underwriting year, policy year, accounting year and calendar year.	**9.5.1**	Describe what the main types of monitoring periods are.

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10 **5** **questions**	**Understand pricing factors within the context of the insurance underwriting process**	**10.1**	Define risk premium and its key features.	**10.1.1**	Definition of risk premium.
				10.1.2	Key features of risk premium.
		10.2	Describe the reporting factors of expenses, return on capital, investment income, tax and intermediary remuneration.	**10.2.1**	Types of expenses.
				10.2.2	Components of variable expenses.
				10.2.3	Return on capital employed.
				10.2.4	Investment income.
				10.2.5	Premium taxes.
11 **6** **questions**	**Understand managing exposure within the context of the insurance underwriting process**	**11.1**	Describe the basic factors influencing the market cycle.	**11.1.1**	Factors affecting market cycle.
		11.2	Describe the principles of risk accumulation.	**11.2.1**	Types of risk accumulation.
		11.3	Describe the basic reinsurance considerations, including the types of reinsurance.	**11.3.1**	Brief overview of what reinsurance is and why underwriters buy it.
				11.3.2	Proportional reinsurance.
				11.3.3	Non-proportional reinsurance.