

NAME OF SUBJECT	INSURANCE UNDERWRITING MANAGEMENT	
LEARNING & SKILL OUTCOMES	OBJECTIVES	
Develop the fundamentals of underwriting in insurance.	<ul style="list-style-type: none"> • Develop underwriting management practice that complies with regulation and legislation. • Develop underwriting strategies for a profitable insurance portfolio. 	
Categorize the reinsurance and the development of risk premium.	<ul style="list-style-type: none"> • Categorize the various types of reinsurance and appraise the development of risk premium 	
Illustrate statistical modelling techniques in underwriting.	<ul style="list-style-type: none"> • Illustrate the use of quantity methods used in underwriting 	
Analyse and understand how quoted premium is developed.	<ul style="list-style-type: none"> • Analyse the principles and practices of pricing and apply appropriate pricing methods 	
Appraise the underwriting operations in insurance companies.	<ul style="list-style-type: none"> • Appraise the management and evaluation of exposures in the underwriting portfolio • Compose appropriate operational controls in the underwriting operations in insurance companies 	
Compose and understand the importance of budgeting and monitoring in underwriting performance.	<ul style="list-style-type: none"> • Compose appropriate monitoring methods, budgeting and controls in underwriting performance. 	
CONTENT OUTLINE		
KEY REGULATION AND LEGISLATION TO THE UNDERWRITING MANAGEMENT		
<ul style="list-style-type: none"> • Implications of Statutory and regulatory framework for underwriting management • Capital and solvency <ul style="list-style-type: none"> ○ The relationship between underwriting management, capital adequacy and solvency requirement ○ The application of risk based capital requirements in local and mature market • Statutory and legislative influences <ul style="list-style-type: none"> ○ The statutory and legislative issues affecting the underwriting function ○ Market Agreements (local agreements ie. ICAGIB, MIB) • Non-statutory issues <ul style="list-style-type: none"> ○ The non-statutory issues affecting the underwriting function. <ul style="list-style-type: none"> ▪ Ethics ▪ Social responsibilities • International business <ul style="list-style-type: none"> ○ The issues for an underwriter in underwriting business internationally ○ The implications for an underwriter in underwriting business internationally • The underwriting cycle • Requirements associated with compulsory covers 		
UNDERWRITING STRATEGY		
<ul style="list-style-type: none"> • Underwriting policy and corporate objectives <ul style="list-style-type: none"> ○ The relationship between the underwriting policy and a company's corporate objectives • Distribution channels <ul style="list-style-type: none"> ○ The importance of distribution channels and their impact on the underwriting function • Implications of using binding authorities and line slips • Contribution of research <ul style="list-style-type: none"> ○ The contribution of research to underwriting policy, including the following: <ul style="list-style-type: none"> ▪ Customer segmentation 		

- Cover to be provided
 - Demand for a product
 - Competitive positioning
- Resource capability
 - The impact on underwriting resource capability with respect to expertise and systems.
- Entry costs
 - The factors, including cost, taken into account when entering classes of business and markets.
- Exit costs
 - The factors, including cost, taken into account when exiting classes of business and markets.
- Reserving policy
 - The significance of reserving policy, practice and the implications of portfolio underwriting management
- Product mix
 - Explain the impact of product mix on portfolio underwriting

UNDERWRITING POLICY AND PRACTICE

- Underwriting considerations to be taken into account when establishing criteria for :
 - Policy terms
 - Use of excesses
 - Deductibles
 - Loadings and incentives
 - First loss
 - Scheme underwriting
- Internal and external constraints, including
 - Prevailing market conditions on what covered
 - Limits to cover
 - Market position
 - New business growth
 - Retention
- The importance and use of the planning process in underwriting
- The importance of liaison with other areas of the business
- The importance of :
 - Risk information
 - Acceptance
 - Evaluation
 - Control criteria

THE PRINCIPLES AND PRACTICES OF PRICING AND APPLY APPROPRIATE PRICING METHODS

- The source, availability and nature of data essential to and desirable for the pricing decision
- Internal and external data
- The different statistical methods and how they are used in risk pricing.
 - Prospective pricing
 - Retrospective pricing
 - Burning cost
- The effect of the following on pricing:
 - Expenses
 - Inflation
 - Return on capital
 - Capital asset pricing model
 - Investment income
 - Tax
 - Intermediary remuneration
 - Levies
 - Planned profitability
- The investment cycle, how it operates and its implications on underwriting

- The interpretation and use of claims information in relation to:
 - Setting the price
 - Setting reserves
 - Statutory requirements
- The underwriting cycle, how it operates and its implications for an underwriter
- Seasonal and cyclical influences
- Effects of liberalization on business environment

REINSURANCE

- Distinctions between outwards and inwards reinsurance
- Types of reinsurance available and the selection of reinsurance programmes
- Example of the reinsurance programmes, including
 - Facultative or treaty programmes
 - Proportional or non-proportional programmes
- The management of reinsurance programmes:
 - Security committee
 - Selection of reinsurer
 - Commutations
 - Risk profile

THE UNDERWRITING PORTFOLIO

- The aggregation and measurement of exposure to
 - Single risks modeling
 - Single events modeling
 - Catastrophe modeling
- Aggregation of losses including cross class aggregation in any one year
- Emerging risks including systemic losses
- The various means of managing exposure and enabling capacity
 - Use of layered covers and deductibles
 - Gross and net acceptance limits
 - Co-insurance
 - Alternative financial instruments
 - Availability of reinsurance

OPERATIONAL CONTROLS

- People management including:
 - Performance management
 - Training and development
 - Identifying skill sets
 - Key performance indicators
 - Continuing professional development for employees
- The use of authority limits as an operational control in underwriting
- The use of auditing, including :
 - Peer review auditing
 - Internal auditing
 - External auditing
- The approach and importance of auditing in the:
 - Implementation of underwriting policy
 - Operation of underwriting policy

MONITORING METHODS AND CONTROLS

- The reasons for monitoring.
- The identification of what should be monitored (including key performance indicators).
- The techniques for monitoring underwriting results.
- How the information derived from monitoring may be used including :
 - Forecasting performance
 - Action planning
 - Sales planning

- How monitoring may affect the underwriting strategy
- How forecasting affect the underwriting strategy