

SQA Advanced Unit specification: general information

Unit title: Insurance Underwriting Process

Unit code: HR2W 46

Superclass: AL

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Unit purpose

This Unit is designed to introduce candidates to the insurance underwriting process including the main features of underwriting including the identification, assessment and acceptance risk, rating and relevant factors. It is primarily intended for candidates seeking employment, or who are already employed, in the insurance sector.

On completion of the Unit the candidate should be able to:

- 1 Describe the nature and main features of underwriting and policy wordings.
- 2 Describe the main features of insurance products and related services.
- 3 Describe the main underwriting considerations.
- 4 Describe the factors involved in establishing price.
- 5 Describe the factors involved in managing exposure.

Recommended prior knowledge and skills

Candidates should have good communication skills. This could be demonstrated by the achievement of the Core Skill Communication at SCQF level 5. It is not necessary for candidates to have prior knowledge of the insurance industry.

Credit points and level

1 SQA Credit at SCQF level 6: (8 SCQF credit points at SCQF level 6*)

**SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from National 1 to Doctorates.*

Core Skills

There are opportunities to develop the Core Skill of Communication at SCQF level 6 in this Unit, although there is no automatic certification of Core Skills or Core Skills components.

Context for delivery

If this Unit is delivered as part of a Group Award, it is recommended that it should be taught and assessed within the subject area of the Group Award to which it contributes.

Assessment

This Unit could be assessed by two instruments of assessment. Outcomes 1 and 2 could be assessed in one instrument of assessment and Outcomes 3, 4 and 5 could also be assessed in one instrument of assessment. Alternatively, each Outcome could be assessed separately.

Assessment will be carried out under open-book controlled conditions. If the assessment of Outcomes 1 and 2 is combined it is recommended that the assessment be completed within one and a half hours. If the assessment of Outcomes 3, 4 and 5 is combined it is recommended that the assessment be completed within two hours.

SQA Advanced Unit specification: statement of standards

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The sections of the Unit stating the Outcomes, Knowledge and/or Skills, and Evidence Requirements are mandatory.

Where evidence for Outcomes is assessed on a sample basis, the whole of the content listed in the Knowledge and/or Skills section must be taught and available for assessment. Candidates should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

Outcome 1

Describe the nature and main features of underwriting and policy wordings

Knowledge and/or Skills

- ◆ Material facts
- ◆ Underwriting procedures
- ◆ Premium payment
- ◆ Renewals and cancellations
- ◆ Policies and application of terms and conditions and exceptions

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can describe:

- ◆ The main features of material facts making reference to three of the following:
 - Why an underwriter needs to be aware of material facts in assessing a risk
 - The concept of the duty of disclosure, to whom it applies and how the duty may be modified
 - The basic features of peril and hazard for underwriters and how they are manifested
 - The methods used by underwriters to obtain material facts
 - The common questions asked of proposers
- ◆ Underwriting procedures including the legal significance of procedures relating to quotations and proposals; the different ways premiums are calculated; and the legal significance of procedures relating to the issue of cover notes, policies and certificates of insurance
- ◆ Premium payment including:
 - The relevance of premium payment for valid cover
 - The methods used by insurers to collect premiums including instalment facilities
 - The feature of insurance premium tax
- ◆ The legal significance of procedures relating to renewals and how cancellation clauses operate
- ◆ Policies and the application of terms and conditions and exceptions making reference to three of the following:
 - The structure, functions and contents of a policy form, including the policy schedule
 - The meaning and significance of common policy exceptions and conditions, including terrorism cover

SQA Advanced Unit Specification

- How excesses, deductibles and franchises are used
- The distinction between warranties, conditions and representations
- The use of exclusions: general and specific, market inclusion

The assessment should be carried out under open-book controlled conditions.

Assessment Guidelines

The assessment of this Outcome can be combined with Outcome 2 as part of a single instrument of assessment covering the two Outcomes. If this method is used it is recommended that the combined assessment take one and a half hours to complete.

Evidence may be presented in responses to specific questions.

Outcome 2

Describe the main features of insurance products and related services

Knowledge and/or Skills

- ◆ Insurance products
- ◆ Insurance related services

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can describe:

- ◆ The basic features and outline of a typical insurance policy cover for four of the following:
 - Motor: private car, motorcycle, commercial vehicles
 - Health: personal accident, sickness, medical expenses
 - Personal: household, travel
 - Property: fire and special perils, all risks, theft, class, money
 - Pecuniary: legal expenses, business interruption, creditor
 - Liability: employers, public, products, professional indemnity
 - Extended warranties
- ◆ The basic features of three insurance related services available from:
 - Helplines and advice
 - Authorised repairers
 - Risk control/advice
 - Legal costs and services
 - Uninsured recovery services

The assessment should be carried out under open-book controlled conditions

Assessment Guidelines

The assessment of this Outcome can be combined with Outcome 1 as part of a single instrument of assessment covering the two Outcomes. If this method is used it is recommended that the combined assessment take one and a half hours to complete.

Evidence may be presented in responses to specific questions.

Outcome 3

Describe the main underwriting considerations

Knowledge and/or Skills

- ◆ Underwriting considerations
- ◆ Fraudulent claims
- ◆ Current legislation

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can describe:

- ◆ Underwriting considerations including the key underwriting criteria for four of the following products:
 - Motor: private car, motor cycle, commercial vehicles
 - Health: personal accident, sickness, medical expenses
 - Personal: household, travel
 - Property: fire and special perils, all risk, theft, glass, money
 - Pecuniary: legal expenses, business interruption, creditor
 - Liability: employers, public, products, professional indemnity
 - Extended warranties
 - The procedures commonly used to discourage and detect fraudulent claims
 - The consequences of fraudulent claims for the insurer, their insureds and the fraudulent claimants
- ◆ The effect on insurance of the Disability Discrimination Act and the Data Protection Act

The assessment should be carried out under open-book controlled conditions.

Assessment Guidelines

The assessment of this Outcome can be combined with Outcomes 4 and 5 as part of a single instrument of assessment covering the three Outcomes. If this method is used it is recommended that the combined assessment take two hours to complete.

Evidence may be presented in responses to specific questions.

Outcome 4

Describe the factors involved in establishing price

Knowledge and/or Skills

- ◆ Rating
- ◆ Pricing factors

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can describe:

- ◆ Rating making reference to three of the following:

SQA Advanced Unit Specification

- The sources, availability and types of data essential to the underwriting process
- The significance of claims information on underwriting terms/premium rates
- The nature of risk and the significance of the frequency/severity of claims
- The significance of the claims loss ratio on premiums/acceptance of risk
- The distinction between underwriting year, policy year, accounting year and calendar year
- ◆ Pricing factors including:
 - The basis of the risk premium
 - The reporting factors of expenses, return on capital, investment income, tax and intermediary remuneration

The assessment should be carried out under open-book controlled conditions.

Assessment Guidelines

The assessment of this Outcome can be combined with Outcomes 3 and 5 as part of a single instrument of assessment covering the three Outcomes. If this method is used it is recommended that the combined assessment take two hours to complete.

Evidence may be presented in responses to specific questions.

Outcome 5

Describe the factors involved in managing exposure

Knowledge and/or Skills

- ◆ Market cycles
- ◆ Risk accumulation
- ◆ Reinsurance

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can describe the factors involved in managing exposure, including:

- ◆ The basic factors influencing the market cycles
- ◆ The principles of risk accumulation
- ◆ The basic reinsurance considerations including the types of reinsurance

The assessment should be carried out under open-book controlled conditions.

Assessment Guidelines

The assessment of this Outcome can be combined with Outcomes 3 and 4 as part of a single instrument of assessment covering the three Outcomes. If this method is used it is recommended that the combined assessment take two hours to complete.

Evidence may be presented in responses to specific questions.

This part of the Unit specification is offered as guidance. The support notes are not mandatory.

SQA Advanced Unit Specification

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 40 hours.

Guidance on the content and context for this Unit

This Unit is primarily intended for candidates who expect to take up a career or further study in insurance. It is one of three Units which make up the PDA in General Insurance at SCQF level 6.

The Unit is designed to introduce candidates to the insurance underwriting process including the main features of underwriting including the identification, assessment and acceptance risk, rating and relevant factors.

On completion of the Unit the candidates should be able to describe the nature and main features of underwriting and policy wordings, the main features of insurance products and related services, the main underwriting considerations, factors involved in establishing price, and the factors involved in managing exposure. It has been designed to prepare candidates who wish to apply for positions of employment or who are already in employment in the general insurance sector.

This Unit may be used to prepare candidates for the Chartered Insurance Institute's (CII) Certificate in Insurance.

The Unit content and assessment should relate to legislation and practice that is current at the time of delivery.

Outcome 1 looks at the nature and main features of underwriting and policy wordings including:

- ◆ The main features of material facts
 - Why an underwriter needs to be aware of material facts in assessing a risk
 - The concept of the duty of disclosure, to whom it applies and how the duty may be modified
 - The basic features of peril and hazard for underwriters and how they are manifested
 - The methods used by underwriters to obtain material facts
 - The common questions asked of proposers
- ◆ Underwriting procedures
 - The legal significance of procedures relating to quotations
 - The legal significance of procedures relating to proposals
 - The different ways in which premiums are calculated
 - The legal significance of procedures relating to the issue of cover notes, policies and certificates of insurance
- ◆ Premium payment
 - The relevance of premium payment for valid cover
 - The methods used by insurers to collect premiums including instalment facilities
 - The feature of insurance premium tax
- ◆ Policies and the application of terms and conditions and exceptions
 - The structure, functions and contents of a policy form, including the policy schedule
 - The meaning and significance of common policy exceptions and conditions, including terrorism cover
 - How excesses, deductibles and franchises are used
 - The distinction between warranties, conditions and representations
 - The use of exclusions: general and specific, market inclusion

SQA Advanced Unit Specification

- ◆ Renewals and cancellations
 - The legal significance of procedures relating to renewals
 - How cancellation clauses operate

Outcome 2 looks at the main features of insurance products and related services including:

- ◆ Insurance products — the basic features and outline of a typical policy cover for:
 - Motor: private car, motorcycle, commercial vehicles
 - Health: personal accident, sickness, medical expenses
 - Personal: household, travel
 - Property: fire and special perils, all risks, theft, class, money
 - Pecuniary: legal expenses, business interruption, creditor
 - Liability: employers, public, products, professional indemnity
 - Extended warranties
- ◆ Insurance and related services — the basic features of additional product services available, specifically:
 - Helplines and advice
 - Authorised repairers
 - Risk control/advice
 - Legal costs and services
 - Uninsured recovery services

Outcome 3 looks at the main underwriting considerations including

- ◆ Underwriting considerations — the key underwriting criteria for:
 - Motor: private car, motor cycle, commercial vehicles
 - Health: personal accident, sickness, medical expenses
 - Personal: household, travel
 - Property: fire and special perils, all risk, theft, glass, money
 - Pecuniary: legal expenses, business interruption, creditor
 - Liability: employers, public, products, professional indemnity
 - Extended warranties
- ◆ Fraudulent claims
 - The procedures commonly used to discourage individuals from making fraudulent claims
 - The procedures commonly used to detect fraudulent claims
 - The consequences of fraudulent claims for the insurer, their insureds and the fraudulent claimants
- ◆ Current legislation
 - The effect on insurance of the Disability Discrimination Act and Data Protection Act

Outcome 4 looks at factors involved in establishing the price including:

- ◆ Rating
 - The sources, availability and types of data essential to the underwriting process
 - The significance of claims information on underwriting terms/premium rates
 - The nature of risk and the significance of the frequency/severity of claims
 - The significance of the claims loss ratio on premiums/acceptance of risk
 - The distinction between underwriting year, policy year, accounting year and calendar year
- ◆ Pricing Factors
 - The basis of the risk premium
 - The reporting factors of expenses, return on capital, investment income, tax and intermediary remuneration

SQA Advanced Unit Specification

Outcome 5 looks at the factors involved in managing exposure including:

- ◆ The basic factors influencing the market cycles
- ◆ The principles of risk accumulation
- ◆ The basic reinsurance considerations including the types of reinsurance

Guidance on the delivery and assessment of this Unit

This Unit is likely to form part of a Professional Development Award for new or potential entrants to the general insurance sector. It can also be used to formalise the training of existing employees within the general insurance sector. As added value to candidates it may be used as preparation towards the CII Certificate in Insurance

Delivery of this Unit will allow candidates to acquire the underpinning knowledge relevant to the subject area. In this respect the Unit is ideally suited to distance learning. However, candidates must be able to apply the knowledge they have acquired to identify and understand the insurance underwriting process. Assessment may be combined for Outcomes 1 and 2 and for Outcomes 3, 4 and 5. Alternatively, each Outcome may be assessed separately.

Assessment will be carried out under open-book controlled conditions.

Opportunities for developing Core Skills

There are opportunities to develop the Core Skill of Communication at SCQF level 6 in this Unit, although there is no automatic certification of Core Skills or Core Skills components.

Candidates are expected to read, understand and evaluate written communication. The material may deal with topics and vocabulary which are unfamiliar to candidates.

Candidates can provide written evidence to meet the Evidence Requirements for all Outcomes. Candidates could provide a response in which all essential ideas/information and supporting details is presented in a logical and effective order.

Open learning

This Unit could be delivered by distance learning. However, it would require planning by the centre to ensure the authenticity of candidate evidence. Arrangements would have to be made to ensure that evidence is generated under the assessment conditions specified for each Outcome.

Further advice can be found on SQA's website — www.sqa.org.uk

Equality and inclusion

This unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence.

Further advice can be found on our website www.sqa.org.uk/assessmentarrangements.

History of changes to Unit

Version	Description of change	Date

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SQA acknowledges the valuable contribution that Scotland's colleges have made to the development of SQA Advanced Qualifications.

FURTHER INFORMATION: Call SQA's Customer Contact Centre on 44 (0) 141 500 5030 or 0345 279 1000. Alternatively, complete our Centre Feedback Form.

General information for candidates

Unit title: Insurance Underwriting Process

This Unit is designed to introduce you to the insurance underwriting process including the main features of underwriting and policy wording, insurance products and related services, underwriting considerations, establishing price and managing exposure. It is one of three Units which make up the PDA in General Insurance at SCQF level 6.

In Outcome 1 you will look at the nature and main features of underwriting and policy wordings.

In Outcome 2 you will learn about the main features of insurance products and related services.

In Outcome 3 you will look at the main underwriting considerations.

In Outcome 4 you will look at the factors involved in establishing price.

In Outcome 5 you will learn about the factors involved in managing exposure.

The assessment may take the form of restricted response questions, with assessment being carried out under open-book controlled conditions. The assessment of Outcomes may be combined — Outcomes 1 and 2 may be assessed together and Outcomes 3, 4 and 5 may be jointly assessed.

The Unit content will prepare you for positions of employment in the general insurance sector. If you are already employed in the general insurance sector this Unit may help you progress in your chosen career.

You may choose to use this Unit to prepare for CII online examinations. In this case you should refer to the CII website for further information.