

LLMIT

# SYLLABUS 2012

## Objective

To provide knowledge and understanding of basic insurance principles and practice, including how the profession conducts business within the London market and the various organisations that make up the market.

## IMPORTANT NOTE TO ALL STUDENTS

**Syllabus Review: Please note that the LLMIT syllabus will be changing early in 2012 to include:**

- Updates based on recent legislative changes
- Inclusion of learning material relating to Solvency II
- New and significantly revised sections on Claims Management and Delegated Underwriting

A new examination incorporating questions based on these changes will be available at the time of the syllabus change.

New LLMIT packs purchased **after the syllabus change date** will include learning material incorporating this syllabus change. Students who purchase packs prior to the syllabus change date will still be able to complete the existing examination, based on the current syllabus, until at least the 31<sup>st</sup> July 2012.

## Summary of Learning Outcomes

Knowledge and understanding of

1. Insurance principles
2. The main classes of business
3. The legal principles affecting insurance
4. Reinsurance
5. London market regulatory requirements
6. The structure of the London market
7. The governance and operation of Lloyd's
8. Insurance intermediation in the London market
9. Underwriting
10. How business is transacted
11. Knowledge and understanding of delegated underwriting
12. Knowledge and understanding of claims handling

In the table below, the items in italics have changed or are new to the 2012 syllabus

## Learning Outcomes

### **1. Knowledge and understanding of insurance principles**

*On completion, candidates should:*

- 1.1 Know the primary and secondary functions of insurance, emphasising the transfer of risk;
- 1.2 Understand the basic purpose and nature of insurance;
- 1.3 Know the difference between insurable risks and uninsurable risks;
- 1.4 Understand the basic methods of premium calculation;
- 1.5 Understand physical and moral hazard and the relationship between them;
- 1.6 Understand what is meant by a claim;
- 1.7 Know the importance of claims reserving and the basic features of claims management.

### **2. Knowledge and understanding of the main classes of business**

*On completion, candidates should:*

- 2.1 Know the main classes of risk written in the London market;
- 2.2 Know the significant features of cover given under the main classes;
- 2.3 Know the losses and liabilities which may give rise to claims under the main classes;
- 2.4 Understand the difference between long tail and short tail business.

### **3. Knowledge and understanding of the legal principles affecting insurance**

*On completion, candidates should:*

- 3.1 Understand the legal principles governing insurance transactions;
- 3.2 Understand the significance of utmost good faith in the relationship between underwriter and broker;
- 3.3 Know the purpose and effect of warranties, conditions and exclusions;
- 3.4 Know the essential elements of contract law.
- 3.5 Know the basic features of the law of agency

### **4. Knowledge and understanding of reinsurance**

*On completion, candidates should:*

- 4.1 Understand why insurers seek reinsurance;
- 4.2 Know the main methods of reinsurance: treaty and facultative; proportional and non-proportional;
- 4.3 Understand the main methods of reinsurance suitable for each class;
- 4.4 Calculate amounts ceded to reinsurers;
- 4.5 Know and understand the main terms used in connection with reinsurance transactions.

### **5. Knowledge and understanding of London market regulatory requirements**

*On completion, candidates should:*

- 5.1 Know the role of the FSA and major international regulators;
- 5.2 Know the FSA's statutory objectives, Principles for Businesses and Handbook structure;
- 5.3 Know the FSA's approach to regulation of financial services;
- 5.4 Know the changes to the UK Financial Services Regulatory Structure
- 5.5 Know the principles of Solvency II
- 5.6 Know the role of the Financial Ombudsman Service, the Financial Services Compensation Scheme and the Data Protection Act 1998;
- 5.7 Know the regulatory requirements for an insurer to be authorised;
- 5.8 Understand the fundamental risks and issues presented to the market by financial crime

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# LLMIT 2012 syllabus

## **6. Knowledge and understanding of the structure of the London market**

*On completion, candidates should:*

- 6.1 Understand the London market, and its importance in the global markets;
- 6.2 Know the key parties involved;
- 6.3 Know the role of the market associations;
- 6.4 *Know the purpose and aims of the process of market modernisation initiatives*

## **7. Knowledge and understanding of the governance and operation of Lloyd's**

*On completion, candidates should:*

- 7.1 know the purpose and nature of the governance of the Lloyd's market;
- 7.2 understand the role of the Council of Lloyd's and Franchise Board;
- 7.3 understand the roles and duties of members' and managing agencies;
- 7.4 know the security underlying policies at Lloyd's;
- 7.5 know the main features of regulatory oversight of Lloyd's.
- 7.6 *Understand the concept of open years management and Reinsurance to Close*

## **8. Knowledge and understanding of insurance intermediation in the London market**

*On completion, candidates should:*

- 8.1 Know the basic elements of the regulatory approach to insurance intermediaries, including the concept of risk transfer and the use of trust accounts;
- 8.2 Understand the FSA's regulatory classification of clients and its effects on the transaction of business;
- 8.3 Understand the role and responsibilities of brokers;
- 8.4 Understand the business process of broking and the parties involved;
- 8.5 Understand the purpose and function of a Terms of Business Agreement ('TOBA');
- 8.6 Know the main EU and UK legislative provisions applicable to insurance intermediaries;
- 8.7 Know the different categories of insurance intermediary.

## **9. Knowledge and understanding of underwriting**

*On completion, candidates should:*

- 9.1 Know the role, responsibilities and duties of the London market underwriter;
- 9.2 Know the insurance cycle and financial performance;
- 9.3 Understand the concept of underwriting risk;
- 9.4 *Know the role of risk management.*
- 9.5 Understand the purpose of loss and exposure modelling;
- 9.6 Understand the concept of reserving and the need to make provision for outstanding liabilities;
- 9.7 Understand security ratings, their impact on business and the use of security committees;
- 9.8 Understand the structure and operation of a subscription market;
- 9.9 Understand the particular responsibilities of the lead underwriter.

## **10. Knowledge and understanding of how business is transacted**

*On completion, candidates should:*

- 10.1 Know the role of the proposal form and the main questions contained therein;
- 10.2 Know the role of the slip (Market Reform Contract) and the main purpose of the headings;
- 10.3 Understand the operation of the General Underwriters' Agreement (GUA);
- 10.4 Know when a London market underwriter is on risk;
- 10.5 Know the basic procedures for preparing a policy
- 10.6 Know what is meant by contract certainty.
- 10.7 *Know the broker's role in the handling of premiums*
- 10.8 *Understand the importance of prompt and efficient transfer of premiums*
- 10.8 *Know the role of Xchanging Ins-sure Services*

## **11. Knowledge and understanding of delegated underwriting**

*On completion, candidates should:*

- 11.1 *Be aware of the different types of delegated underwriting used in the London mark (binding authorities, line slips, consortia, service companies )*
- 11.2 *Understand what a coverholder is and the benefits of the coverholder model*
- 11.3 *Understand what a binding authority is and some of the key contractual provisions*
- 11.4 *Be aware of the Lloyd's delegated underwriting standards and the code of practice for delegated underwriting*
- 11.5 *Be aware of some of the key compliance and control areas for coverholders*
- 11.6 *Understand the premium, claims and risk standards for binding authorities*

## **12. Knowledge and Understanding of claims handling**

*On completion, candidates should:*

- 12.1 *Understand the importance to the market of prompt and efficient handling of claims*
- 12.2 *Understand the role and responsibilities of the broker in the claims process*
- 12.3 *Understand the role of experts in claims handling*
- 12.4 *Understand the London Market claims processes for notification, submission and settlement of claims*
- 12.5 *Know the role performed by Xchanging Claims Services and other service providers in the market*