
AES-17 Appropriate Examinations: Lloyd's Syndicate Participation

Standards for Appropriate Examinations for those advising on syndicate participation at Lloyd's

[ApEx22 Lloyd's Syndicate Participation](#)

The Appropriate Examinations Standards (AES) series is published by the Financial Services Skills Council. The Standards set out the requirements for Appropriate Examinations required for the relevant regulated activities specified under the Financial Services Authority's Training and Competence Rules.

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Overview

AES17-1 This paper states the standards for Appropriate Examinations for those individuals defined in the FSA's Training and Competence sourcebook TC 1 R 9 as employees advising on syndicate participation at Lloyds.

AES17-2 The Skills Council will list as appropriate those examinations which meet the requirements set out below and elsewhere in this paper.

The Standard

AES17-3 Each Standard defines the learning outcomes and the levels of attainment that a candidate must achieve and the indicative content relevant to each learning outcome.

AES17-4 The Appropriate Examination requirement for those advising on syndicate participation at Lloyd's is:

- 4.1 Individuals must have passed an Appropriate Examination based on the **ApEx22 Lloyd's Syndicate Participation** standard

AES17-5 Candidates must achieve, at the level of attainment specified, all the required outcomes in each Standard in order to pass an Appropriate Examination.

Recognition of Appropriate Examinations that meet the Standards

AES17-6 The Skills Council will designate as Appropriate Examinations proposed examinations that

- 6.1 meet the relevant Appropriate Examination Standards

and

- 6.2 are brought forward by an awarding body which meets at least one of the following conditions:

- 6.2.1 it is accredited by the bodies regulating qualifications in England, Wales and Northern Ireland (Ofqual/DCELLS/Ofqual NI) and has been or is intended to be entered into the Qualifications and Credit Framework (QCF) or equivalent;

or

- 6.2.2 it submits the proposed Appropriate Examination for credit rating and placement in the Scottish Credit and Qualifications Framework by the Scottish Qualifications Authority;

or

- 6.2.3 it is offered by a higher education institution, empowered by statute to offer qualifications and in receipt of a

satisfactory institutional audit report by the UK's Quality Assurance Agency for Higher Education (QAA);

or

- 6.2.4 it is approved by a body equivalent to those identified in above and having authority in a jurisdiction other than the UK.

Listing

AES17-7 The Skills Council holds a List of Appropriate Examinations. Once awarding body proposals meet the requirements set out above, they will be entered into this List as Appropriate Examinations that may meet the Training and Competence requirements of the FSA.

AES17-8 The List is accessible free of charge to employers, practitioners, candidates and members of the public on the Skills Council's website www.fssc.org.uk/exams/index.html.

AES17-9 It is provided to guide employers in discharging their responsibilities under the FSA's Training and Competence Rule TC 2.1.1R: which states with effect from 1 November 2007:

1. A firm must not assess an employee as competent to carry on an activity in TC Appendix 1 until the employee has demonstrated the necessary competence to do so and has (if required by TC Appendix 1) passed each module of an Appropriate Examination. This assessment need not take place before the employee starts to carry on the activity
2. A firm may assess an employee who is subject to, but has not satisfied, an Appropriate Examination requirement as competent to the extent that:
 - (a) that employee works in a branch in an EEA State other than the United Kingdom;
 - (b) the employee is engaging in MiFID business; and
 - (c) there is no Appropriate Examination or equivalent in that EEA State.

Extract from the TC Sourcebook @ The Financial Services Authority 2007

Employers may use the List to identify Appropriate Examinations. The List provides contact details of the awarding bodies offering the examinations.

Internal Examinations

AES17-10 Employers may decide that an internal examination is more appropriate to their business. For further information, please contact the Skills Council.

Questions and Answers

AES17-11 The Skills Council publishes separately a list of Frequently Asked Questions about Appropriate Examinations. These are available to download from the Skills Council's website – www.fssc.org.uk.

Part One:

About the Standards

The Standards

AES17-12 For certain regulated activities, firms must ensure that employees have passed an Appropriate Examination in order to meet the FSA's Training and Competence Rules.

AES17-13 This paper sets out Appropriate Examination Standards in the form of learning outcomes, attainment levels and indicative content to be achieved by those advising on syndicate participation at Lloyd's.

Basis

Source

AES17-14 The Standards stated here are derived from work with the industry.

Status

AES17-15 Taken together, the Standards are the definitive statement of the knowledge and understanding which needs to be assessed within an Appropriate Examination for those advising on syndicate participation at Lloyd's, to enable them to satisfy the FSA's examination requirement, subject to the examination being regarded as appropriate by their firm.

AES17-16 They do not apply to other areas of knowledge and understanding that a practitioner may need to offer advice on consumer requirements and financial products and services.

AES17-17 Where the FSA determines that an Appropriate Examination is required for other activities, the Financial Services Skills Council will bring forward relevant Examination Standards.

AES17-18 The Skills Council has already brought forward such Standards in the following publications, which may be downloaded from the Skills Council's website:

AES-1	Retail Investment Advice
AES-2	Mortgage Advice
AES-3	Lifetime Mortgage Activities
AES-4	Long Term Care Insurance Advice
AES-5	Overseeing Life Policy Administration
AES-6	Overseeing Investment Management Administration
AES-7	Overseeing Stakeholder Pension Administration
AES-8	Overseeing Collective Investment Schemes
AES-9	Overseeing Safeguarding Client Money
AES-10	Overseeing Stakeholder Pension Scheme Decision Trees

AES-11	Securities and Derivatives Advice
AES-12	Securities Advice
AES-13	Derivatives Advice
AES-14	Managing Investments
AES-15	Advising on Friendly Society tax-exempt policies
AES-16	Acting as a Broker Fund Adviser
AES-17	Advising on syndicate participation at Lloyd's
AES-18	Acting as a pensions transfer specialist

Scope of the Standards

AES17-19 The knowledge and understanding specified is set out under the following principal headings:

19.1 Learning Outcomes that require individuals to demonstrate knowledge and understanding;

19.2 Attainment Levels which define the level of knowledge and understanding individuals must demonstrate to show that they have achieved the learning outcome. An attainment level is set for each outcome, and determines which of the following the individual must demonstrate:

19.2.1 knowledge;

19.2.2 understanding;

19.2.3 an ability to apply knowledge and understanding;

19.2.4 an ability to analyse information;

19.2.5 an ability to assess or evaluate information.

19.3 Indicative content

19.3.1 These are statements of the general areas of knowledge and understanding that must be covered in an Appropriate Examination.

19.3.2 They are designed to guide awarding bodies when they design examinations in the subjects covered by each Standard.

Application

AES17-20 The Standards are set:

20.1 to enable firms to make training and testing arrangements for individuals to acquire and apply knowledge and understanding appropriate to advise on syndicate participation at Lloyd's

and

20.2 to guide awarding bodies so that they can bring forward proposals for Appropriate Examinations to the Financial Services Skills Council.

AES17-21 **An Appropriate Examination must meet the Standard.** It may comprise the whole of a qualification or part of it. It is for awarding bodies to decide the examination strategy they will use to meet the required Standard(s).

AES17-22 Whatever examination strategy is used, the Skills Council requires that the arrangements for testing achievement against the Standard(s) are clearly stated in both the examination design and the materials used to communicate awarding body requirements to candidates and employers.

Listing of Appropriate Examinations

AES17-23 The Skills Council maintains a List of Appropriate Examinations. This comprises

23.1 Qualifications and other tests that meet Appropriate Examination Standards; and

23.2 Qualifications and other tests that have been previously approved by the FSA.

AES17-24 For any examination to be entered into the List of Appropriate Examinations by the Financial Services Skills Council, it must

24.1 Meet the relevant Standard(s) set out here: that is, it must test achievement of

24.1.1 the learning outcomes at the specified levels of attainment, and

24.1.2 the indicative content.

and

24.2 Meet the requirements of a nationally recognised quality assurance body as defined below.

AES17-25 When awarding bodies bring forward proposals for examinations for entry into the Skills Council's List of Appropriate Examinations, the Skills Council will review each proposal against its Appropriate Examination Criteria [see Part Two].

AES17-26 The Skills Council will endeavour to inform the awarding body of the results of its review within ten working days¹ of receipt of the proposals and

Either

26.1 Confirm that the proposals meet the relevant Examination Standard(s)

Or

26.2 Request specific changes to be made so that the proposals meet the criteria.

AES17-27 Once a proposal meets the criteria, the Skills Council will endorse its submission to an appropriate external quality assurance body. There are different external quality assurance bodies, depending upon where the awarding body is located and its educational status². The Skills Council's requirement is that:

27.1 Appropriate Examinations offered by an awarding body based in England, Wales or Northern Ireland must

27.1.1 meet the requirements of the relevant Appropriate Examination Standard(s)

and

27.1.2 be accredited by the relevant national qualifications regulators within the national qualifications frameworks (NQF) of England, Wales and Northern Ireland.

27.2 Appropriate Examinations offered by an awarding body based in Scotland must be credit-rated by the Scottish Qualifications Authority and placed in the Scottish Credit and Qualifications Framework (the equivalent in Scotland of the NQF).

27.3 UK higher education bodies³ (such as universities) offering Appropriate Examinations must have had a satisfactory institutional audit report from the Quality Assurance Agency for Higher Education (QAA).

¹ This timescale allows for discussions between the awarding body and the Skills Council if there is a need to clarify any aspects of the proposals. The Skills Council will make its best efforts to complete the review within ten days.

² For more details of these bodies and their role in assuring the quality of Appropriate Examinations, please contact the Skills Council.

³ Higher education bodies are not in scope to QCA.

27.4 Some examinations previously recognised by the FSA as 'approved examinations' are awarded by bodies outside the UK. Such bodies do not come into the scope of the UK quality assurance bodies identified above. In such cases, the Skills Council

27.4.1 will ask the awarding body to confirm that their examinations are consistent with the relevant Appropriate Examination Standard(s); and

27.4.2 requires that the examination offered by the overseas awarding body is approved by a national body equivalent to QCA or QAA where such bodies exist in the jurisdiction of the awarding body. This will apply both to current qualifications previously approved by the FSA and to any new qualifications awarded by extra-territorial bodies.

AES17-28 Once accredited as a national qualification, the Skills Council will enter the qualification into the List of Appropriate Examinations, as a *current Appropriate Examination*.

AES17-29 When such an examination replaces a previously approved examination (for example, a new version of the Financial Planning Certificate, for advising on packaged products) the older version will:

29.1 continue to be listed, because it will apply to those who passed it before the new version became available.

29.2 be listed as '*appropriate, but no longer available for new candidates*'.

AES17-30 The Skills Council will co-operate with awarding bodies in informing the industry about transitional arrangements for candidates who have not completed a previously listed examination that is replaced by a new version.

Responsibility for maintaining competence

AES17-31 Employers are reminded that under the FSA's Training & Competence Rules and Guidance:

TC 2.1.12 A firm must review on a regular and frequent basis employees' competence and take appropriate action to ensure that they remain competent for their role.

TC 2.1.13 A firm should ensure that maintaining competence for an employee takes into account such matters as:

(1) technical knowledge and its application;

(2) skills and expertise; and

(3) changes in the market and to products, legislation and regulation.

Extract from the TC Sourcebook @ The Financial Services Authority 2007

Internal Examinations

AES17-32 An employer may decide not to use external Appropriate Examinations in their arrangements for meeting the FSA's Training and Competence Rules. They may instead decide to use internal examinations. Under the FSA's Training and Competence Rules, the employing firm should be able to justify that the examination is appropriate for the activity being carried out by the employee.

Part Two:

Criteria for Appropriateness

FSSC Criteria for recognising Appropriate Examinations

Proposals for recognition as Appropriate Examinations must meet the following criteria:

AER1. The organisation making the proposals must be

- 1.1. an awarding body accredited with the Qualifications and Curriculum Authority: that is, it must have satisfied the requirements for Part A accreditation with QCA; or
- 1.2. prepared to accept a credit rating of the proposed Appropriate Examination and its placement in the Scottish Credit and Qualifications Framework by the Scottish Qualifications Authority; or
- 1.3. a higher education institution, empowered by statute to offer qualifications and in receipt of a satisfactory institutional audit report by the UK's Quality Assurance Agency for Higher Education (QAA); or
- 1.4. an examining body located outside the UK and approved by a body equivalent to QCA, SQA or QAA and having authority in a jurisdiction other than the UK.

AER2. The proposals must meet the requirements of the relevant Appropriate Examination Standards: that is:

- 2.1. The proposed **learning outcomes** must:
 - 2.1.1. be the learning outcomes specified in the Appropriate Examination Standards, and
 - 2.1.2. test attainment at least at the cognitive level defined for each outcome in each of the Appropriate Examination Standards;
- 2.2. The proposals must clearly identify how each learning outcome is to be tested.
- 2.3. The proposed **syllabus content** should be consistent with the indicative content of the Appropriate Examination Standard(s).

2.4. The **assessment methods** used must:

- 2.4.1. be appropriate to testing attainment at the level specified in the relevant Appropriate Examination Standard(s);
- 2.4.2. generate valid and reliable evidence of the candidate's knowledge and understanding;
- 2.4.3. be capable of consistent application by competent examiners and moderators;
- 2.4.4. be applicable to all potential candidates and allow for suitable alternative procedures to be available for candidates with special assessment needs.

Part Three:

Lloyd's Syndicate Participation

Standards for Appropriate Examinations

The Standards

The Standards contain the following information:

1. The learning outcomes that must be assessed in an Appropriate Examination
2. The indicative content of the syllabus for each outcome
3. The level of attainment necessary to pass an Appropriate Examination.

This information is presented in two sections:

1. A summary of the learning outcomes cross-referenced to the level of attainment required
2. Details of the indicative content for each learning outcome.

Outcomes and Level

Learning outcomes are classified by level. By level is meant **level of attainment**, defined in terms of the cognitive skills required to achieve each learning outcome. The following is based on Bloom's Taxonomy and shows successive levels of attainment, the abilities needed to reach this level and the types of verbs that might be used to frame examination questions and tasks.

K	KNOWLEDGE	ability to recall (e.g. facts, rules, definitions) <i>(Action verbs: List, State, Define, Outline)</i>
U	COMPREHENSION	ability to interpret, translate ideas, extrapolate <i>(Action verbs: Explain, Describe, Discuss, Interpret, Identify)</i>
A	APPLICATION	ability to apply general principles/rules in new situations <i>(Action verbs: Demonstrate, Apply, Operate, Illustrate, Employ)</i>
An	ANALYSIS	ability to break down information and make clear the nature of the component parts and their relationship to each other <i>Action verbs: Distinguish, Investigate, Analyse etc)</i>
S	SYNTHESIS	ability to assemble a number of components in order to generate a new statement or plan <i>(Action verbs; Design, Create, Organise, Plan etc)</i>
As	EVALUATION	ability to judge the value of methods or materials by comparison with external criteria <i>(Action verbs: Judge, Evaluate, Appraise, Assess etc)</i>

Numbering

Standards are assigned their own reference numbers: Approved Examination Standard 1 or ApEx1, etc.

Learning Outcomes are also numbered according to the level of attainment required (K1, U1, U2, An1, etc.)

Summary of Learning Outcomes

ApEx22 Lloyd's Syndicate Participation		Level
Candidates will be expected to		
Demonstrate a knowledge of:		Knowledge
K1 Classes of business		Knowledge
K2 Lloyd's position in respect of classes of business		Knowledge
Demonstrate an understanding of:		Comprehension
U1 Exposure to risk		Comprehension
U2 Short tail and long tail business		Comprehension
U3 Loss modelling		Comprehension
U4 Triangulated data		Comprehension
U5 Rating indices		Comprehension
U6 Sources of information		Comprehension
U7 Reinsurance programmes		Comprehension
U8 Reinsurance security		Comprehension
U9 Retrocessional business		Comprehension
U10 The subscription market		Comprehension
U11 Auctions		Comprehension
U12 Provision of capital		Comprehension
U13 Risk Based Capital model		Comprehension
U14 Risk and reward		Comprehension
U15 Portfolio diversity		Comprehension
U16 Fundamentals of economics		Comprehension
U17 Law of Agency		Comprehension
U18 Know your principal		Comprehension
U19 Managing conflicts		Comprehension
Demonstrate the ability to analyse:		Analysis
An1 Portfolio expenses		Analysis

ApEx22 Lloyd's Syndicate Participation		
Attainment Level	Outcome	Indicative Content
K Demonstrate knowledge of	K1 Classes of business	K1.1 Classes of business written across the industry K1.2 Key underwriting features and risk profile of each class
	K2 Lloyd's position in respect of classes of business	K2.1 Indication of market conditions in particular classes K2.2 Use of published information to determine which classes a syndicate is growing or shrinking K2.3 Implications of growth or shrinkage for a syndicate's overall performance K2.4 Tolle's market indices
U Demonstrate understanding of	U1 Exposure to risk	U1.1 What the various risks are U1.2 Mechanisms by which a syndicate is exposed to each type of risk
	U2 Short tail and long tail business	U2.1 Classes which fall under each type U2.2 Features of short and long tail business and risk profile of each
	U3 Loss modelling	U3.1 Systems used by RMS, AIR and Egecat U3.2 Risks posed by multiple, relatively small claims and single large events
	U4 Triangulated data	U4.1 Forecast and projection of insurance results U4.2 Identify trends from the available data U4.3 Projection forward U4.4 Adequacy of syndicate and the reserve held in each class
	U5 Rating indices	U5.1 What they mean U5.2 How they operate U5.3 How they are calculated U5.4 Whether they are inclusive of claims inflation, deductibles etc or are pure ratings U5.5 Trends and predictions
	U6 Sources of information	U6.1 Different sources of information and bias thereof U6.2 Difference between hard and soft information and what each type provides U6.3 Who writes on a slip and information provided thereof U6.4 Track records of people in the market
	U7 Reinsurance programmes	U7.1 Amount and type of reinsurance purchased by a syndicate and the implications thereof
	U8 Reinsurance security	U8.1 Current market knowledge (beyond rating agency figures) of which reinsurance or retrocessionaires are a risk U8.2 The limitations of data provided by rating agencies

U Demonstrate understanding of	U9 Retrocessional business	U9.1 Retrocessional business and where it aggregates
	U10 The subscription market	U10.1 Key features of the subscription market U10.2 Mechanisms within the market U10.3 Limitations on the diversity of the portfolio market
	U11 Auctions	U11.1 Workings and history U11.2 Involvement in pricing of assets and investments
	U12 Provision of capital	U12.1 Different forms of provision of capital to the market U12.2 Managing agent's sympathy, or lack of, to third party capital and consequences thereof
	U13 Risk Based Capital model	U13.1 Key features and intentions U13.2 How it operates
	U14 Risk and reward	U14.1 Principles of risk and reward U14.2 Risk/reward profile of different asset classes
	U15 Portfolio diversity	U15.1 Which syndicates form part of a portfolio U15.2 Diversity of risk underwritten within and between syndicates U15.3 Risk posed by concentration of exposure across syndicates
	U16 Fundamentals of economics	U16.1 Supply and demand U16.2 Costs – production, average, marginal, total U16.3 Economies and diseconomies of scale U16.4 Perfect competition, monopoly and oligopoly U16.5 Commonly used methods of assessing companies and investments U16.6 Inequality of information
	U17 Law of Agency	U17.1 Nature of agency U17.2 Agents, principals and third parties U17.3 Creation of Agency U17.4 Rights and responsibilities U17.5 Termination U17.6 The law of agency and insurance
	U18 Know your principal	U18.1 Asset base U18.2 Mix of investors U18.3 Interaction between the Lloyd's portion and other investments in the client's portfolio
	U19 Managing conflicts of interest	U19.1 The nature of the conflicts that may arise U19.2 The reasons for those conflicts U19.3 How the conflicts can be managed

An Demonstrate an ability to analyse	An1 Portfolio expenses	An1.1 Income of portfolio An1.2 Investment portfolio
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