

# London Market insurance essentials

## Objective

To provide an essential grounding in the operation of the London insurance market.

Summary of learning outcomes		Number of questions in the examination*
1.	Understand basic terminology used within the general insurance market	6
2.	Understand the fundamental principles of insurance	10
3.	Understand the main classes of insurance written in the London Market	4
4.	Understand the insurance cycle	1
5.	Understand reinsurance within the insurance market	3
6.	Understand the structure of the London Market	5
7.	Understand the London Market regulatory and legal environment	10
8.	Understand the importance of appropriate systems and controls	2
9.	Understand data protection and money laundering legislation and requirements	2
10.	Understand the broker's role in the way that business is conducted in the London Market	4
11.	Understand the underwriter's role in the way that business is conducted in the London Market	3
*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.		

## Important notes

- Method of assessment: 50 multiple choice questions (MCQs). 1 hour is allowed for this examination.
- This syllabus will be examined from 1 September 2013 until 31 December 2014.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  - 1) Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications)
  - 2) Select the appropriate qualification
  - 3) Select your unit on the right hand side of the page

## **1. Understand basic terminology used within the general insurance market**

- 1.1 Explain the principle of utmost good faith
- 1.2 Define the meaning of proximate cause
- 1.3 Define indemnity
- 1.4 Explain the concept of contribution
- 1.5 Explain what is meant by subrogation

## **2. Understand the fundamental principles of insurance**

- 2.1 Describe the concept of risk
- 2.2 Explain the categories of risk
- 2.3 Explain the principle of the pooling of risks
- 2.4 Explain the difference between a peril and a hazard as this relates to insurance
- 2.5 Give examples of physical and moral hazards
- 2.6 List the types of insurable and uninsurable risks
- 2.7 Explain the basic purpose of insurance
- 2.8 Explain the primary and secondary functions of insurance
- 2.9 Explain the importance of the claims handling process

## **3. Understand the main classes of insurance written in the London Market**

- 3.1 Describe the main classes of insurance written in the London Market
- 3.2 Describe the main features of the different classes of insurance

## **4. Understand the insurance cycle**

- 4.1 Outline and explain the insurance cycle

## **5. Understand reinsurance within the insurance market**

- 5.1 Explain the purpose of reinsurance
- 5.2 Describe the main terminology used in connection with reinsurance transactions

## **6. Understand the structure of the London Market**

- 6.1 Describe the main providers in the London Market including Lloyd's, Company market and P&I Clubs
- 6.2 Explain the importance of the London Market and why clients may decide to place their business within this market
- 6.3 Explain the role of the London Market associations
- 6.4 Explain the way that business is transacted in the London Market

## **7. Understand the London Market regulatory and legal environment**

- 7.1 Describe the role, aims, approach to regulation; and principles for business of the industry regulator
- 7.2 Describe the role of major international regulators, including licensing
- 7.3 Explain the governance of the Lloyd's Market
- 7.4 Examine and explain the role of the Financial Ombudsman Service and the Financial Services Compensation Scheme
- 7.5 Explain the basic powers of the industry regulator for the authorisation, supervision and regulation of insurers
- 7.6 Explain the basic powers of the Industry regulator for the authorisation, supervision and regulation of insurance intermediaries
- 7.7 Define what is meant by a contract of insurance
- 7.8 Describe the essentials of a valid contract of insurance

## **8. Understand the importance of appropriate systems and controls**

- 8.1 Explain the purpose of sanctions
- 8.2 Examine and describe the basic systems and controls to ensure adherence to EU, US and UK legislation

## **9. Understand data protection and money laundering legislation and requirements**

- 9.1 Explain the principles, rights and restrictions of the Data Protection Act of 1998
- 9.2 Explain the various requirements to ensure money laundering compliance when dealing with clients

## **10. Understand the broker's role in the way that business is conducted in the London Market**

- 10.1 Explain the role and responsibilities of brokers
- 10.2 Explain the business process of broking and the parties involved
- 10.3 Explain the broker's role in the handling of premiums
- 10.4 Explain the broker's role in claims notification, investigation and settlement

## **11. Understand the underwriter's role in the way that business is conducted in the London Market**

- 11.1 Explain the role and responsibilities of underwriters
- 11.2 Explain the role and responsibilities of the lead and following underwriters within the London Market

## Reading list

The following list provides details of various publications which may assist with your studies. Periodicals and publications will be of value in ensuring candidates keep up to date with developments and in providing a wider coverage of syllabus topics. Any reference materials cited are authoritative, detailed works which should be used selectively as and when required.

**Note: The examination will test the syllabus alone.**

The reading list is provided for guidance only and is not in itself the subject of the examination.

CII/Personal Finance Society members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library. For further information on the lending service, please go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge).

## CII study text

London Market Insurance Essentials. London: CII.  
Study text LM1

## Additional reading

### Books (and ebooks)

Insurance theory and practice. Rob Thoyts. Abingon, Oxon: Routledge, 2010. Also available as an ebook via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

### Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004. Also available online at [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

### Periodicals

The Journal. London: CII. Six issues a year. Also available online (CII/Personal Finance Society members only) at [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge).

Post Magazine. London: Incisive Financial Publishing. Weekly.

Market Magazine. Lloyd's of London. Quarterly.

## Examination guide

An examination guide, which includes a specimen paper, is available to purchase via [www.cii.co.uk](http://www.cii.co.uk).

If you have a current study text enrolment the specimen paper is included, as a mock test, via Revisionmate ([www.revisionmate.com](http://www.revisionmate.com)). Details on how to access this resource are on the first page of the study text.

## Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at [www.cii.co.uk/knowledge/iilrevision](http://www.cii.co.uk/knowledge/iilrevision) (CII/Personal Finance Society members only).