

Liability insurances

Purpose

At the end of this unit, candidates should be able to understand liability insurance.

Assumed knowledge

It is assumed that the candidate already has the knowledge gained from a study of the fundamental principles of insurance as covered in IF1 Insurance, legal and regulatory and Po5 Insurance law or equivalent examinations.

Summary of learning outcomes

1. Understand the identification, evaluation and management of liability risk.
2. Understand the main considerations of liability underwriting.
3. Understand the risk, cover and practices of employers' liability insurance.
4. Understand the risks, cover and practices of public and product liability insurance.
5. Understand the risks, cover and practices of directors' and officers' liability and corporate reimbursement insurance.
6. Understand the risks, cover and practices of professional indemnity insurance.

Important notes

- Method of assessment: Part I 14 compulsory questions (140 marks). Part II 2 questions selected from 3 (60 marks). Total of 200 marks. Three hours are allowed for this exam.
- The syllabus is examined on the basis of English law and practice unless otherwise stated.
- The general rule is that the exams are based on the English legislative position six months before the date of the exams.
- 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
 2. Select the appropriate qualification
 3. Select your unit on the right hand side of the page

- 1. Understand the identification, evaluation and management of liability risk**
 - 1.1 Describe the framework for the identification, evaluation and management of liability risk.
 - 1.2 Explain the roles of the various parties involved in the evaluation and management of liability risk.
 - 1.3 Explain the importance of evaluating the historical claims record.
- 2. Understand the main considerations of liability underwriting**
 - 2.1 Describe the different triggering events covered under liability insurance.
 - 2.2 Describe the framework relating to the underwriting of generic liability risks.
 - 2.3 Describe the policy conditions and issues arising under liability insurances.
 - 2.4 Explain the importance of evaluating the exposure to foreign legal environments.
 - 2.5 Describe the underwriting considerations, information and policy wording implications in relation to foreign liability exposures.
- 3. Understand the risk, cover and practices of employers' liability insurance**
 - 3.1 Explain the relevance of the Health and Safety at Work etc Act 1974 to liability insurance.
 - 3.2 Explain the main work of the Health and Safety Executive.
 - 3.3 Explain the duties of an employer and how they are discharged.
 - 3.4 Explain disease exposures from workplace hazards.
 - 3.5 Explain the legal framework governing employers' liability in the workplace under statute and common law.
 - 3.6 Explain the scope of cover of employers' liability insurance including:
 - the operative clause;
 - key definitions;
 - limit of liability;
 - legal costs;
 - common exclusions, conditions and extensions.
 - 3.7 Explain market practices in relation to employers liability insurance including compliance with legislation.
 - 3.8 Describe key underwriting information under employers' liability insurance.
 - 3.9 Describe the common rating bases under employers' liability insurance.
- 4. Understand the risks, cover and practices of public and product liability insurance**
 - 4.1 Explain the risks covered under public and product liability insurance.
 - 4.2 Explain the legal framework for public and product liability insurance.
 - 4.3 Explain the scope of cover of public and product liability insurance including:
 - the operative clause;
 - key definitions;
 - limit of liability;
 - legal costs;
 - common exclusions, conditions and extensions.
 - 4.4 Describe key underwriting information under public and product liability insurance.
 - 4.5 Describe the common rating bases under public and product liability insurance.
- 5. Understand the risks, cover and practices of directors' and officers' liability and corporate reimbursement insurance**
 - 5.1 Explain the risks covered under directors' and officers' liability insurance and corporate reimbursement insurance.
 - 5.2 Explain the legal framework affecting directors' and officers' liability insurance and corporate reimbursement insurance.
 - 5.3 Explain the scope of cover under directors' and officers' liability insurance and corporate reimbursement insurance including:
 - the operative clause;
 - key definitions;
 - limit of liability;
 - legal costs;
 - common exclusions, conditions and extensions.
 - 5.4 Describe key underwriting information under directors' and officers' liability insurance and corporate reimbursement insurance.
 - 5.5 Describe the common rating bases under directors' and officers' liability insurance and corporate reimbursement insurance.
 - 5.6 Explain legal liability for corporate manslaughter in the UK.

6. Understand the risks, cover and practices of professional indemnity insurance

- 6.1 Describe how legal liability is covered under professional indemnity insurance.
- 6.2 Explain the risks covered under professional indemnity insurance.
- 6.3 Explain the scope of cover of professional indemnity insurance including:
 - the operative clause;
 - key definitions;
 - limit of liability;
 - legal costs;
 - common exclusions, conditions and extensions.
- 6.4 Describe key underwriting information under professional indemnity insurance.
- 6.5 Describe the common rating bases under professional indemnity insurance.
- 6.6 Describe the risks and cover given under fidelity liability insurance.

Reading list

The following list provides details of various publications which may assist with your studies.

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.

The publications will help candidates keep up-to-date with developments and will provide a wider coverage of syllabus topics.

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.

CII study texts

Liability insurances. London: CII. Study text P96

Insurance law. London: CII. Study text P05

Insurance, legal and regulatory. London: CII. Study text IF1

Additional reading

Additional reading materials are available through the library or on the Knowledge Services website.

New materials are added frequently – for information about new books and articles in your area of interest, please visit www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

Books (and ebooks)

The law of liability insurance. Malcolm Clarke. Informa, 2013. Also available as an ebook via www.cii.co.uk/ebSCO

The handbook of health and safety practice. Jeremy Stranks. 7th ed. Harlow: Pearson, 2005.

Health and safety: risk management. 3rd ed. Tony Boyle. Wigston: IOSH Services, 2010.

Munkman on employer's liability. 16th ed. Barry Cotter and Daniel Bennett (eds) et al. London: LexisNexis, 2013.

'Employers' liability insurance'. Chapter – The modern law of insurance. Andrew McGee. 3rd ed. London: LexisNexis, 2011.

'Employers' liability'. Chapter – Insurance disputes. Jonathan Mance, Iain Goldrein, Robert Merkin. 3rd ed. London: Informa, 2011.

'Professional liability'. Chapter – Insurance disputes. Jonathan Mance, Iain Goldrein, Robert Merkin. 3rd ed. London: Informa, 2011.

'Liability insurance'. Chapter – Birds' modern insurance law. John Birds. 9th ed. London: Sweet & Maxwell, 2013.

'Employers' liability and other compulsory insurances'. Chapter – Birds' modern insurance law. John Birds. 9th ed. London: Sweet & Maxwell, 2013.

Professional indemnity insurance. Advanced Study Group 228. Insurance Institute of London, 2001.

Professional indemnity insurance law. W I B Enright, Digby C Jess. 2nd ed. London: Sweet and Maxwell, 2007.

Directors' and officers' liability insurance. Research Study Group 234A. London: ILL, 2010.

Directors' and officers' liability insurance. Adolfo Paolini and Deepak Nambisan. London: Informa, 2008.

Company law (Law Express series). 2nd ed. Chris Taylor. Harlow: Pearson, 2012.

Drafting insurance contracts: certainty, clarity, law and practice. Christopher Henley. London: Leadhall press, 2010.

Risk analysis. Gordon C A Dickson. London: Witherby, 2003.

Product recall, liability and insurance. M Kendall. London: Globe Business Publishing, 2012.

Factfiles and other online resources

CII factfiles are written by subject matter experts within the insurance and financial services industry. They are updated annually, and interim update bulletins are included where necessary to take into account any major changes during the year. All are available online via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

- Recent developments in tort. Alan Peck.
- Recent developments in quantum. Alan Peck.
- The professional liability of insurance brokers. Christopher Henley.
- Civil procedure rules. Alan Peck.
- Risk control. Ian Searle.
- Risk identification. Ian Searle.

Guidance. Health and Safety Executive. Available online via hse.gov.uk.

Further articles and technical bulletins are available at www.cii.co.uk/knowledge (CII and Personal Finance Society members only).

Journals and magazines

Insurance times. London: Newsquest Specialist Media. Weekly.

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

Post magazine. London: Incisive Financial Publishing. Weekly.

Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

Professional negligence and liability. London: Informa Professional. Looseleaf, updated.

Insurance: Conduct of Business sourcebook (ICOBS). Available via www.fshandbook.info/FS/.

Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers.

You are strongly advised to study guides for the last two sittings. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Alternatively, if you have a current study text enrolment, the latest exam guides are available via www.revisionmate.com.

Older guides are available (for members only) via www.cii.co.uk/knowledge.

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 (CII/Personal Finance Society members only).