

Insurance, legal and regulatory

Objective

To provide knowledge and understanding of the basic principles of insurance, including the main legal principles related to insurance contracts, the main regulatory principles related to insurance business and the key elements to protect consumers.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the nature and main features of risk within the insurance environment	9
2. Know how to apply the main features of risk and risk management to a given set of circumstances	2
3. Understand the main features of insurance	8
4. Know the structure and main features of the insurance market	14
5. Understand contract and agency	9
6. Understand insurable interest and its place in insurance	5
7. Understand the principle of utmost good faith	11
8. Understand the doctrine of proximate cause and its application to non-complex claims	2
9. Understand the principle of indemnity and how this is applied to contracts of insurance	7
10. Understand the principles of contribution and subrogation	4
11. Understand the main regulatory and legal requirements applicable to the transaction of insurance business	15
12. Understand consumer protection and dispute resolution	6
13. Know the main methods of preventing, handling and resolving consumer complaints	4
14. Understand the CII Code of Ethics and be able to apply the principles to non-complex scenarios	4

*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:** 100 multiple choice questions (MCQs). 2 hours are allowed for this examination.
- This syllabus will be examined from 1 January 2015 until 30 April 2016.
- 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/updates
 2. Select the appropriate qualification
 3. Select your unit on the right hand side of the page

1. Understand the nature and main features of risk within the insurance environment

- 1.1 Describe the concepts of risk and risk perception
- 1.2 Explain the risk management function and process
- 1.3 Describe the various categories of risk
- 1.4 Explain the types of risk that can be insured and the types of risk that cannot
- 1.5 Describe the components of risk
- 1.6 Explain the relationship between frequency and severity
- 1.7 Explain the difference between a peril and hazard as they relate to insurance

2. Know how to apply the main features of risk and risk management to a given set of circumstances

- 2.1 Apply the main features of risk and risk management to different sets of circumstances/scenarios

3. Understand the main features of insurance

- 3.1 Explain the need for insurance
- 3.2 Explain the basis of insurance as a risk transfer mechanism
- 3.3 Describe how insurance benefits policyholders and society in general
- 3.4 Explain the term coinsurance and how this is used in two distinct ways in the insurance market
- 3.5 Describe what is meant by coinsurance, dual insurance and self-insurance
- 3.6 Describe the main classes of insurance which include property insurance, pecuniary insurance, motor insurance, liability insurance, marine and aviation insurance, health and combined or package policies

4. Know the structure and main features of the insurance market

- 4.1 Describe the structure of the insurance market and the five main groups of people (buyers, intermediaries, aggregators, insurers, reinsurers)
- 4.2 Describe the four categories of insurer in terms of ownership
- 4.3 Explain the structure of the Lloyd's market and main features
- 4.4 Describe the London Market
- 4.5 Explain the types and services of intermediaries in the insurance market
- 4.6 Describe the distribution channels used for the selling of insurance
- 4.7 Explain the purpose of reinsurance
- 4.8 Describe the key roles of professionals in insurance including underwriters, claims personnel, loss adjusters, loss assessors, surveyors and those providing forensic services, actuaries, risk managers and compliance officers
- 4.9 Explain the main functions of the principal market organisations. These include:
 - Association of British Insurers (ABI)
 - International Underwriting Association of London (IUA)
 - British Insurance Brokers' Association (BIBA)
 - London Market Regional Committee (LMRC)
 - London and International Insurance Brokers' Association (LIIBA)
 - Lloyd's Market Association (LMA)
 - Chartered Insurance Institute (CII)
 - Chartered Institute of Loss Adjusters (CILA)
 - Institute and Faculty of Actuaries
 - Motor Insurers' Bureau (MIB)
 - UK Information Centre (UKIC)

5. Understand contract and agency

- 5.1 Describe the essential elements of a valid contract
- 5.2 Explain conditional and unconditional acceptance of a contract
- 5.3 Describe consideration which supports the contract
- 5.4 Explain how contracts can be cancelled or terminated
- 5.5 Describe methods of creating an agent/principal relationship
- 5.6 Describe the duties of an agent and the duties of a principal
- 5.7 Explain the consequences of an agent's actions on the principal
- 5.8 List what should be included in a Terms of Business Agreement (TOBA) between insurers and intermediaries

6. Understand insurable interest and its place in insurance

- 6.1 Define insurable interest and its features
- 6.2 Explain the timing of insurable interest
- 6.3 Explain how insurable interest can arise
- 6.4 Explain the application of insurable interest to property and liability insurance contracts

7. Understand the principle of utmost good faith

- 7.1 Explain the principle of utmost good faith and how this applies to contracts of insurance
- 7.2 Explain how the duty of disclosure operates in non-life insurance policies and how it can be altered in terms of the policy
- 7.3 Describe the difference between non-life and life policies in terms of the duty of disclosure
- 7.4 Define a material fact
- 7.5 Identify and distinguish between physical and moral hazards in relation to a non-life proposal
- 7.6 Explain the limitation of an insurer's right to information
- 7.7 Explain material facts that do not require disclosure
- 7.8 Explain the consequences of non-disclosure or misrepresentation of material facts

8. Understand the doctrine of proximate cause and its application to non-complex claims

- 8.1 Explain the meaning of proximate cause
- 8.2 Apply proximate cause to scenarios that relate to non-complex claims

9. Understand the principle of indemnity and how this is applied to contracts of insurance

- 9.1 Define the principle of indemnity
- 9.2 Explain the settlement options available to insurers which will provide the insured with the necessary indemnity
- 9.3 Identify and distinguish between indemnity and benefit policies
- 9.4 Explain what is meant by agreed value policies, first loss policies and new for old cover
- 9.5 Calculate a non-complex claim payment, subject to the pro rata condition of average

10. Understand the principles of contribution and subrogation

- 10.1 Explain the principle of contribution and when and how it applies to the sharing of claim payments between insurers in straightforward property cases
- 10.2 Explain the principle of subrogation and why it may or may not be pursued in simple circumstances

11. Understand the main regulatory and legal requirements applicable to the transaction of insurance business

- 11.1 Explain the reasons for compulsory insurance and describe the types of insurances which are compulsory in the UK
- 11.2 Explain the application of the Unfair Terms in Consumer Contract Regulations 1999 in relation to insurance contracts
- 11.3 Explain the Contracts (Rights of Third Parties) Act 1999 in relation to insurance contracts
- 11.4 Explain the role of the financial services regulators in the authorisation, supervision and regulation of insurers
- 11.5 Explain the role of the financial services regulators in the authorisation, supervision and regulation of intermediaries
- 11.6 Describe the financial services regulatory principles for businesses and the approved person regime in broad outline
- 11.7 Explain the importance of Treating Customers Fairly
- 11.8 Describe the consequences of non-compliance – discipline and enforcement
- 11.9 Explain the requirements for reporting, record keeping and training and competence
- 11.10 Describe the scope and effect of the Insurance: Conduct of Business sourcebook (ICOB5) in broad outline
- 11.11 Describe the EU solvency requirements for insurers and intermediaries and financial services regulatory risk-based capital requirements in broad outline

12. Understand consumer protection and dispute resolution

- 12.1 Describe the main provisions of the current Data Protection legislation
- 12.2 Describe the main provisions of the current Money Laundering Regulations and their application to insurers and intermediaries
- 12.3 Describe the main provisions of the Proceeds of Crime Act 2002 as they apply to the transaction of insurance business
- 12.4 Explain the purpose of Insurance Premium Tax
- 12.5 State the current rates of Insurance Premium Tax
- 12.6 Describe the Insurance Premium Tax collection method

13. Know the main methods of preventing, handling and resolving consumer complaints

- 13.1 Describe the financial services regulatory requirements in relation to handling complaints
- 13.2 Explain the services provided by the Financial Ombudsman Service
- 13.3 Describe the main provisions of the Financial Services Compensation Scheme, including the range of activities falling within its scope

- 14. Understand the CII Code of Ethics and be able to apply the principles to non-complex scenarios**
- 14.1 Explain the five main principles in the CII Code of Ethics**
- 14.2 Apply the main principles in the CII Code of Ethics to non-complex scenarios**
- 14.3 Identify positive and negative indicators of ethical behaviour to non-complex scenarios**

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

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)

Insurance theory and practice. Rob Thoyts. Routledge, 2010.*

Bird's modern insurance law. 9th ed. John Birds. Sweet and Maxwell, 2013.

Factfiles and other online resources

CII factfiles are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Covering general insurance, life and pensions and financial services sectors, the factfile collection includes key industry topics as well as less familiar or specialist areas with information drawn together in a way not readily available elsewhere. Available online via www.cii.co.uk/ciifactfiles (CII/PFS members only).

The regulation of general insurance business. Ian Youngman.

Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

The insurance manual. Stourbridge, West Midlands: Insurance Publishing & Printing Co. Looseleaf, updated.

Kluwer's handbook of insurance. Kingston upon Thames, Surrey: Croner. CCH. Looseleaf updated.

Periodicals

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

Post magazine. London: Incisive Financial Publishing. Weekly.

Examination guides

An examination guide, which includes a specimen paper, is available to purchase via www.cii.co.uk.

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate (www.revisionmate.com). Details of how to access Revisionmate are on the first page of your study text.

It is recommended that you only study from the most recent versions of the examination guides.

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/PFS members only).