

# Insurance broking practice

## Purpose

To provide knowledge and understanding of the wide range of technical skills required by a professional insurance broker with specific reference to client care.

## Assumed knowledge

It is assumed that the candidate already has knowledge of the fundamental principles of insurance as covered in IF1, Insurance, legal and regulatory.

### Summary of learning outcomes

1. Understand key aspects of the regulatory and legal environment within which brokers operate.
2. Understand the role of the broker in meeting client needs.
3. Understand the role of the broker in the negotiation and placing of insurance contracts.
4. Understand the role of the broker in selecting insurers.
5. Understand the role of the broker in the design and operation of insurance programmes.
6. Understand the role of the broker in the claims negotiation, collection and payment process.
7. Understand the range of services that may be available from insurance brokers and their benefit to clients.

## Important notes

- *Wording in italics in the syllabus reflects the Insurance Act 2015 and will only be tested from October 2016.*
- **Method of assessment: 15 short answer questions. Total of 130 marks. Two 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](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 the key aspects of the regulatory and legal environment within which brokers operate**

- 1.1 Describe how the law of agency applies to insurance brokers in respect of the various roles they could undertake.
- 1.2 Describe the key insurance and non-insurance statutory and contract law applicable to insurance brokers, including key policy documentation.
- 1.3 Define the scope of the Financial Conduct Authority (FCA) and key relevant regulatory definitions.
- 1.4 Explain how the FCA's objectives and principles translate into rules and guidance.
- 1.5 Explain the elements of the Insurance: Conduct of Business Sourcebook (ICOBS).
- 1.6 Explain the importance of Treating Customers Fairly (TCF).
- 1.7 Describe the main approach to the regulation of intermediaries in the European Union and elsewhere.

## **2. Understand the role of the broker in meeting client needs**

- 2.1 Describe the approach to demands and needs and suitability statements.
- 2.2 Describe the regulatory and other information brokers disclose to clients and the various forms this can take.
- 2.3 Explain the delivery of 'contract certainty' and dealing with subjectivities – surveys, proposal forms.
- 2.4 Explain how complaints are dealt with, the handling of errors and omissions, claims and various forms of compensation.

## **3. Understand the role of the broker in the negotiation and placing of insurance contracts**

- 3.1 Explain the duty of disclosure and acting in good faith in the presentation of risk information to insurers/*Explain the broker's duty in the presentation of risk to insurers.*
- 3.2 Explain the principles and objectives of good submission drafting, including the market reform slip.
- 3.3 Describe good practice in the presentation of quotation and contract information to clients.
- 3.4 Explain the duties when using sub-broking arrangements and the various forms of introducer.
- 3.5 Explain the legal duties of wholesale brokers – to the producing broker and to the insured.

## **4. Understand the role of the broker in selecting insurers**

- 4.1 Explain the main factors to be taken into account when selecting insurers and the importance of the broker in this process.
- 4.2 Explain the need for an insurer to be licensed to write a particular class of business in the UK.
- 4.3 Describe the FCA 'scope of service': single insurer, limited panel and 'Fair Analysis'.
- 4.4 Explain the general approach to assessing the security of an insurer.

## **5. Understand the role of the broker in the design and operation of insurance programmes**

- 5.1 Describe the general approach to the design and operation of insurance programmes including the involvement of self-insurance and captives.
- 5.2 Explain the detail behind complex programmes.
- 5.3 Explain the use of global markets, including the use of different markets at different stages of the insurance market cycle.
- 5.4 Describe the operation of schemes, lineslips and delegated authorities.
- 5.5 Explain post placement activity and administration.

## **6. Understand the role of the broker in the claims negotiation, collection and payment process**

- 6.1 Explain the duties of the broker in negotiating claims on behalf of clients and the impact of fraud.
- 6.2 Describe the different methods of dealing with claims.
- 6.3 Explain the duties of the broker in handling claims records including disease claims, and the market agreement on Employers' Liability records.
- 6.4 Explain the duty of a broker to deal with a claim when the client has been lost.

## **7. Understand the range of services that may be available from insurance brokers and their benefit to clients**

- 7.1 Explain the fundamentals of risk/risk transfer and the broker's role in the management process.
- 7.2 Describe captive insurance company services.
- 7.3 Describe specialist risk consultancy services.

## Reading list

The following list provides details of various publications which may assist you 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 you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

### CII study texts

Insurance broking practice. London: CII. Study text P81.

### Books (and ebooks)

Bowstead and Reynolds on agency. Peter Watts & FMB Reynolds. 20th ed. London: Thomson Reuters, 2014.

'Claims against insurance brokers'. Chapter: Insurance claims. 3rd ed. Alison Padfield. Tottel, 2012.

Insurance brokers: an industry accounting and auditing guide. 5th ed. M Grice, S Ouarbya. London: CCH Wolters Kluwer, 2013.

'Intermediary responsibility'. Chapter: Insurance disputes. 3rd ed. Jonathan Mance et al. Informa, 2011.

'Lloyd's brokers and other agents of the assured'. Chapter in Lloyd's: law and practice. Julian Burling. Oxon: Informa Law, 2014.\*

Pinsent Masons guide to insurance distribution. 2nd ed. Andrew Long. London: Kogan Page, 2009.

The law of insurance broking. 2nd ed. Christopher Henley. London: Sweet & Maxwell, 2004.

The role of agents in insurance business. Chapter – MacGillivray on insurance law: relating to all risks other than marine. 12th ed. Sweet & Maxwell, 2014.

Winning client trust. Chris Davies. London: Ecademy Press, 2011.

### 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](http://www.cii.co.uk/ciifactfiles) (CII/PFS members only).

- The business of insurance broking. Ian Youngman
- Insurance accounting (general business). Ian Hutchinson.
- Insurance in the single market. Paul Clarke.
- An examination of factors leading to a "hard" or "soft" insurance market. Ian Searle.

- Efficiency tactics within the insurance industry. Ian Searle.
- Recent developments to Solvency II. Brad Baker.
- Distribution for insurance brokers. Ian Youngman.
- E-commerce in insurance. Martyn Allez, updated by Ian Searle.
- The regulation of general insurance intermediaries. Updated annually. Ian Youngman.

Insurance: Conduct of Business sourcebook (ICOBS). Available via [www.handbook.fca.org.uk/handbook/ICOBS.pdf](http://www.handbook.fca.org.uk/handbook/ICOBS.pdf)

The rise of online aggregators. ©Timetric Insight Report. July, 2014. Available for members at [www.cii.co.uk/insightreports](http://www.cii.co.uk/insightreports)

### Journals and magazines

Financial adviser. London: FT Business. Weekly. Also available online at [www.ftadviser.com](http://www.ftadviser.com).

Insurance day. London: Informa. Daily except weekends. Also available online at [www.insuranceday.com](http://www.insuranceday.com).

Insurance age. Incisive media. Monthly. Also available online at [www.insuranceage.co.uk](http://www.insuranceage.co.uk).

Insurance times. London: Newsquest Specialist Media. Weekly. Also available online at [www.insurancetimes.co.uk](http://www.insurancetimes.co.uk).

Money marketing. London: Centaur Communications. Weekly. Also available online at [www.moneymarketing.co.uk](http://www.moneymarketing.co.uk).

Post magazine. London: Incisive Financial Publishing. Weekly. Also available online at [www.postonline.co.uk](http://www.postonline.co.uk).

Further periodical publications are available at [www.cii.co.uk/journalmagazines](http://www.cii.co.uk/journalmagazines) (CII/PFS members only).

### Reference materials

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.\*

'Regulation'. Chapter: Insurance broking practice and the law. Looseleaf, updated. Cameron McKenna.

'The broker's role and duties owed in the claims process'. Chapter: Insurance broking practice and the law. Looseleaf, updated. Cameron McKenna.

\*Also available as an ebook through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only).

### 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 from the last two sittings. Please visit [www.cii.co.uk](http://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](http://www.revisionmate.com).

Older guides are available via [www.cii.co.uk/pastexamguides](http://www.cii.co.uk/pastexamguides) (CII/PFS members only).

## 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 (IIL) holds a lecture on revision techniques for CII written exams approximately three times a year. The slides from their most recent lectures can be found at [www.cii.co.uk/iilwrittenrevision](http://www.cii.co.uk/iilwrittenrevision) (CII/PFS members only).