

# Insurance broking fundamentals

## Objective

To provide knowledge and understanding of the roles and responsibilities of insurance broking organisations, including:

- their interaction with insurers;
- their interaction with clients;
- regulatory and financial issues affecting them; and
- conduct issues.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the insurance broking market.	6
2. Understand the role and responsibilities of the insurance broker in the provision of insurance products and services.	26
3. Understand contract and agency in relation to insurance brokers and their clients.	6
4. Understand the key legal and regulatory issues affecting insurance brokers.	15
5. Understand the key financial issues affecting insurance brokers.	12
6. Understand issues relating to the conduct and culture of insurance broking business.	10

\*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:** 65 multiple choice questions (MCQs) and 2 case studies, each comprising 5 MCQs. 2 hours are allowed for this exam.
- This syllabus will be examined from 1 January 2018 until 31 December 2018.
- 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 the insurance broking market**
  - 1.1 Explain the rationale for insurance brokers in the insurance market
  - 1.2 Describe the types of non-life insurance brokers in the insurance market, including Lloyd's, wholesale and reinsurance brokers
  - 1.3 Describe the services offered by insurance brokers and the different ways they are remunerated
  - 1.4 Describe the classes of insurance that are more likely to be transacted by insurance brokers
  - 1.5 Explain the various roles within an insurance broking organisation
- 2. Understand the role and responsibilities of the insurance broker in the provision of insurance products and services**
  - 2.1 Explain the role of the insurance broker in meeting client needs by providing insurance products and services
  - 2.2 Explain the role of Lloyd's insurance brokers
  - 2.3 Explain the role of reinsurance brokers
  - 2.4 Explain the role of wholesale insurance brokers
  - 2.5 Explain the role of the insurance broker in negotiating and placing insurance contracts
  - 2.6 Explain the role of the insurance broker in selecting insurers
  - 2.7 Describe the role of the insurance broker in the claims process
  - 2.8 Describe the role of the insurance broker in assisting clients to manage risk
  - 2.9 Explain the role of the insurance broker in the design and operation of insurance programmes
  - 2.10 Describe the role of the insurance broker in supplying additional services
  - 2.11 Explain the role and responsibilities of the insurance broker in relation to delegated authority agreements and wholesale business
- 3. Understand contract and agency in relation to insurance brokers and their clients**
  - 3.1 Describe the duties of an insurance broker as agent
  - 3.2 Explain how conflicts of interest could arise in relation to insurance broking business and how to deal with them
  - 3.3 Describe the items that should be included in a Terms of Business Agreement (TOBA) between insurance brokers and insurers, and between insurance brokers and their clients
- 4. Understand the key legal and regulatory issues affecting insurance brokers**
  - 4.1 Describe the role of the Financial Conduct Authority in the authorisation, supervision and regulation of insurance brokers
  - 4.2 Explain the importance of the fair treatment of customers and contract certainty
  - 4.3 Describe the purpose of the Insurance: Conduct of Business sourcebook (ICOB) and the application to insurance brokers
  - 4.4 Explain the importance of training and competence within insurance broking organisations
  - 4.5 Explain the responsibilities of insurance brokers in relation to sanctions checking, money laundering, bribery, corruption and with regards to the Employers' Liability Tracing Office (ELTO)
  - 4.6 Explain the responsibilities of insurance brokers as required by Data Protection legislation
- 5. Understand the key financial issues affecting insurance brokers**
  - 5.1 Explain the different monies held by an insurance broker, including broker funds, client money and insurers' money (including risk transfer)
  - 5.2 Explain the importance of the impact of the Insurance Mediation Directive 2002 in relation to handling money
  - 5.3 Explain the importance of retaining clients and winning new business for insurance brokers
- 6. Understand issues relating to the conduct and culture of insurance broking business**
  - 6.1 Explain the importance of good conduct in relation to dealing with insurers and clients
  - 6.2 Explain the impact of culture on the way that business is conducted by an insurance broking organisation
  - 6.3 Describe how insurance brokers handle complaints
  - 6.4 Explain how errors and omissions occur and are reported and handled in insurance broking organisations
  - 6.5 Explain the issues relating to mis-selling of insurance products

## 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 fundamentals. London: CII. Study text 110.

### Books (and ebooks)

'Claims against insurance brokers'. Chapter: Insurance claims. 4th ed. Alison Padfield. Tottel, 2016.

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.\*

The law of insurance broking. 3rd ed. Christopher Henley. London: Sweet & Maxwell, 2016.

The law of insurance contracts. Malcolm A Clarke. 6th ed. London: Informa, 2009.

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

### Factfiles

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).

- An examination of factors leading to a "hard" or "soft" insurance market. Ian Searle.
- Insurance accounting (general business). Ian Hutchinson, updated by Alex Barnes.
- Recent developments to Solvency II. Brad Baker.
- The professional liability of insurance brokers. Christopher Henley, updated by Simon Kemp and Michelle Radom.

## Journals and magazines

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

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

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

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

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. Monthly. Also available online at [www.postonline.co.uk](http://www.postonline.co.uk).

## Reference materials

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

Consumer Insurance (Disclosure and Representations) Act 2012. London: HMSO, 2012. Available via [www.legislation.gov.uk](http://www.legislation.gov.uk).

Data Protection Act 1998. Available via [www.legislation.gov.uk](http://www.legislation.gov.uk).

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

Insurance Mediation Directive. Brussels: Office for Official Publications of the European Communities, 2002. Available via <http://eur-lex.europa.eu>.

'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 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 current examination guide is included and is accessible via Revisionmate ([www.revisionmate.com](http://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 version of the examination guide.

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