

# Commercial insurance contract wording

## Purpose

To enable the candidate to understand commercial (re)insurance contract wordings and the legal, regulatory and drafting issues surrounding these wordings.

## 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 or equivalent examinations.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the environment within which UK commercial (re)insurance contract wordings are created	12
2. Understand legal factors affecting commercial (re)insurance contract wordings	12
3. Understand the terms and conditions of commercial (re)insurance contract wordings	16
4. Understand the different types of reinsurance contract wordings	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:
 

Mixed assessment consisting of two components, both of which must be passed. One component is a coursework assignment and one is a multiple choice question (MCQ) examination. The details are:

  1. an online coursework assignment using RevisionMate consisting of 10 questions which sequentially follow the learning outcomes. This must be successfully completed within 6 months of enrolment; and
  2. an MCQ exam consisting of 50 MCQs. 1 hour is allowed for this exam. This exam must be successfully passed within 18 months of enrolment.
- This syllabus will be examined from 1 May 2020 until 30 April 2021.
- 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 from the list provided
  4. Select qualification update on the right hand side of the page

## **1. Understand the environment within which UK commercial (re)insurance contract wordings are created**

- 1.1 Explain the regulation of the UK insurance industry in relation to contract wordings.
- 1.2 Explain the role of market organisations in relation to commercial (re)insurance contract wordings.
- 1.3 Explain the key features of the Market Reform Contract (MRC) and contract certainty principles.
- 1.4 Explain how the (re)insurance cycle affects contract wordings.
- 1.5 Explain the internal and external influences on the way in which (re)insurance contract wordings are created.

## **2. Understand legal factors affecting commercial (re)insurance contract wordings**

- 2.1 Explain the legal factors affecting commercial (re)insurance contract wordings.
- 2.2 Explain the legal relationship between the parties to a (re)insurance contract.
- 2.3 Apply the legal principles relating to the interpretation of contracts.
- 2.4 Explain the classification of terms and conditions.
- 2.5 Explain the considerations when drafting and reviewing contract clauses.
- 2.6 Explain the particular considerations when drafting and reviewing law and jurisdiction clauses.
- 2.7 Describe the roles and responsibilities of the (re)insurer and broker in the preparation of commercial (re)insurance contract wordings.
- 2.8 Describe the use of underwriting agreements in a subscription market.
- 2.9 Explain the role of coverholders and the use of delegated authorities.

## **3. Understand the terms and conditions of commercial (re)insurance contract wordings**

- 3.1 Explain the importance of using defined terms and consistent language.
- 3.2 Explain the key components of commercial (re)insurance contract wordings.
- 3.3 Explain how coverage is triggered under an insuring clause.
- 3.4 Explain the operation of exclusion clauses in commercial (re)insurance contract wordings.
- 3.5 Discuss the different ways of defining the amount (re)insured.
- 3.6 Discuss the different ways of defining the amount retained by the (re)insured.
- 3.7 Explain the different provisions of claims notification clauses.
- 3.8 Explain the rights and duties of the (re)insured.
- 3.9 Explain the operation of dispute resolution clauses.
- 3.10 Explain the provisions of cancellation clauses.
- 3.11 Explain the purpose and effect of endorsements.

- 3.12 Apply the principles of commercial (re)insurance contract drafting to various classes of business.

## **4. Understand the different types of reinsurance contract wordings**

- 4.1 Explain the different types of reinsurance.
- 4.2 Describe the use and operation of facultative reinsurance clauses.
- 4.3 Describe the use and operation of proportional treaty reinsurance clauses.
- 4.4 Describe the use and operation of non-proportional treaty reinsurance clauses.
- 4.5 Explain the importance of 'event' definitions in reinsurance wordings.
- 4.6 Apply different types of reinsurance clauses to specific risks.

## Reading list

The following list provides details of further reading 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 resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

CII/PFS members can access most of the additional study materials below via the Knowledge Services webpage at <https://www.cii.co.uk/knowledge-services/>.

New resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources, please go to <https://www.cii.co.uk/knowledge-services/> or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

### **CII study texts**

Commercial insurance contract wording. London: CII. Study text M21.

### **Books (and ebooks)**

Bird's modern insurance law. 10<sup>th</sup> ed. John Birds. Sweet and Maxwell, 2016.

Colinvaux's law of insurance. 11<sup>th</sup> ed. London: Sweet & Maxwell, 2016.

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

Insurance theory and practice. Rob Thoys. Routledge, 2010.\*

Lloyd's: law and practice. 2nd ed. Julian Burling. Oxon: Informa Law, 2017.\*

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

Insurance claims. 4th ed. Alison Padfield. Bloomsbury Professional, 2016.

### **Factfiles and other online resources**

CII fact files are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Written by subject experts and practitioners, the fact files cover key industry topics as well as less familiar or specialist areas of general insurance, life, and pensions and financial services, 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 Insurance Institute of London (IIL) podcast lecture series features leading industry figures and subject experts speaking on current issues and trends impacting insurance and financial services. Available online at <https://www.cii.co.uk/insurance-institute-of-london/> (CII/PFS members only).

Contract certainty: an Airmic guide for risk managers and insurance buyers. AIRMIC. 2009. Available via [www.airmic.com](http://www.airmic.com) (register your details to access).

Delivering excellence in insurance claims handling: claims best practice guide.

AIRMIC. 2010. Available via [www.airmic.com](http://www.airmic.com) (register your details to access).

Further articles and technical bulletins are available at <https://www.cii.co.uk/knowledge-services/> (CII/PFS members only).

### **Journals and magazines**

The Journal. London: CII. Six issues a year. Archive available online at <https://www.thepfs.org/search-results/?q=the+journal> (CII/PFS members only).

Post magazine. London: Incisive Financial Publishing. Monthly. Contents searchable online at [www.postonline.co.uk](http://www.postonline.co.uk).

Insurance law monthly. London: Informa. Monthly.

Access to further periodical publications is available from the Knowledge website at [www.cii.co.uk/journalmagazines](http://www.cii.co.uk/journalmagazines) (CII/PFS members only).

### **Reference materials**

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

Colinvaux & Merkin's insurance contract law. Robert M Merkin. Brentford: Sweet & Maxwell. Looseleaf, updated.

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

### **Exemplars**

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the MCQ exam component.

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

These are available on the CII website under the unit number before purchasing the unit. They are available under the following link [www.cii.co.uk/qualifications/diploma-in-insurance-qualification](http://www.cii.co.uk/qualifications/diploma-in-insurance-qualification).

These exemplar papers are also available on the RevisionMate website ([www.revisionmate.com](http://www.revisionmate.com)) after you have purchased the unit.

### **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).