

Foundation Insurance Test

Objective

To provide knowledge and understanding of basic insurance products, principles and practice, within the legal and regulatory framework of the insurance industry.

Summary of learning outcomes	Number of questions in the examination*
1. Understand how the insurance market operates.	8
2. Understand risk and insurance in the context of the insurance market.	7
3. Understand insurance legal principles.	17
4. Understand insurance underwriting procedures and their legal significance.	10
5. Understand policy wordings and procedures.	8
6. Understand insurance procedures for claims.	10
7. Understand the conduct of insurance business and wider legal and regulatory requirements.	15
8. Understand personal insurance.	18
9. Understand commercial insurance.	7

* 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 2021 until 31 December 2021.
 - Candidates will be examined on the basis of English law and practice unless otherwise stated.
 - Candidates should refer to the CII website for further details of assessment content, along with 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 from the list provided
 4. Select qualification update on the right hand side of the page

1. Understand how the insurance market operates.

- 1.1 Describe the main features and roles within the insurance market.
- 1.2 Describe the types of intermediaries in the insurance market.
- 1.3 Describe the main functions and responsibilities of underwriters.
- 1.4 Describe the main functions and responsibilities of claims staff.
- 1.5 Describe the main functions and responsibilities of delegated authority arrangements.
- 1.6 Describe the additional services available to policyholders.

2. Understand risk and insurance in the context of the insurance market.

- 2.1 Describe what is meant by risk in relation to insurance.
- 2.2 Describe the categories and components of risk.
- 2.3 Describe how insurance operates as a risk transfer mechanism.

3. Understand insurance legal principles.

- 3.1 Describe the essentials of a legal contract of insurance.
- 3.2 Describe the methods of creating an agency.
- 3.3 Describe the principle of insurable interest.
- 3.4 Describe the concepts of good faith and the duty of fair presentation.
- 3.5 Describe the principle of indemnity and how it is modified.
- 3.6 Explain the application of clauses incorporated within insurance policies.

4. Understand insurance underwriting procedures and their legal significance.

- 4.1 Describe the methods used to obtain information on material circumstances.
- 4.2 Explain moral and physical hazard in relation to underwriting.
- 4.3 Describe the formation of an insurance policy.
- 4.4 Explain the relevance of premium payment methods.
- 4.5 Describe the application of Insurance Premium Tax.

5. Understand policy wordings and procedures.

- 5.1 Describe the components of a policy.
- 5.2 Explain the use of typical policy conditions and exclusions and their application.
- 5.3 Describe the procedures and requirements relating to renewals.

6. Understand insurance procedures for claims.

- 6.1 Describe the requirements for a claim to be valid.
- 6.2 Explain why a claim may be partially met or invalid.
- 6.3 Describe the insured's duties after a loss.
- 6.4 Describe the methods of claims settlement.

- 6.5 Explain the detection and impact of fraudulent claims.

7. Understand the conduct of insurance business and wider legal and regulatory requirements.

- 7.1 Describe the main purpose of the financial services regulators, government bodies and other organisations.
- 7.2 Describe the requirements of the Financial Conduct Authority handbook.
- 7.3 Describe the main provisions of the General Insurance compensation arrangements under the Financial Services Compensation Scheme.
- 7.4 Describe the provisions of data protection legislation.
- 7.5 Describe the main regulatory requirements for financial services industry personnel.
- 7.6 Explain the need for effective complaints-handling procedures and dispute resolution.

8. Understand personal insurance.

- 8.1 Describe the basic features and outline of personal lines insurance policy cover.
- 8.2 Describe the types of personal insurance that are compulsory in the UK.

9. Understand commercial insurance.

- 9.1 Describe the basic features and outline of commercial insurance policy cover.
- 9.2 Describe the types of commercial insurance that are compulsory in the UK.

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 study texts

Foundation Insurance Test. London: CII. Study text FIT.

Books (and ebooks)

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

A practitioner's guide to the regulation of insurance. 4th ed. John Young (ed). London: Sweet and Maxwell, 2011.

Factfiles and other online resources

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).

The regulatory framework. Simon Collins.

Periodicals

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.

Reference materials

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

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

The insurance manual. Sadler, John. Stourbridge, Worcs: Insurance Publishing & Printing Co. Looseleaf updated annually.

Examination guide

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 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 (CII/PFS members only).