

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:
 - 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
 - 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 2023 until 30 April 2024.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- This PDF document is accessible through screen reader attachments to your web browser and has been designed to be read via the speechify extension available on Chrome. Speechify is an extension that is available from <https://speechify.com/>. If for accessibility reasons you require this document in an alternative format, please contact us on online.exams@cii.co.uk to discuss your needs.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
 - Visit www.cii.co.uk/qualifications
 - Select the appropriate qualification
 - Select your unit from the list provided
 - 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 particular considerations when drafting and reviewing law and jurisdiction clauses.
- 2.6 Describe the roles and responsibilities of the (re)insurer and broker in the preparation of commercial (re)insurance contract wordings.
- 2.7 Describe the use of underwriting agreements in a subscription market.
- 2.8 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 key components of commercial (re)insurance contract wordings including the importance of using defined terms and consistent language.
- 3.2 Explain how coverage is triggered under an insuring clause.
- 3.3 Explain the operation of exclusion clauses in commercial (re)insurance contract wordings.
- 3.4 Discuss the different ways of defining the amount (re)insured.
- 3.5 Discuss the different ways of defining the amount retained by the (re)insured.
- 3.6 Explain the different provisions of claims notification clauses.
- 3.7 Explain the rights and duties of the (re)insured.
- 3.8 Explain the operation of dispute resolution clauses.
- 3.9 Explain the provisions of cancellation clauses.
- 3.10 Explain the purpose and effect of endorsements.
- 3.11 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 and be able to apply the use and operation of proportional treaty and non-proportional treaty reinsurance clauses.
- 4.4 Explain the importance of 'event' definitions in reinsurance wordings.

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

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

Books (and ebooks)

Bird's modern insurance law. 12th ed. John Birds. Sweet and Maxwell, 2022.

Colinvaux's law of insurance. 13th ed.
London: Sweet & Maxwell, 2022.

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

Insurance theory and practice. Rob Thoyts.
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. 5th ed. Alison Padfield.
Bloomsbury Professional, 2021.

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 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 (register your details to access).

Delivering excellence in insurance claims handling: claims best practice guide. AIRMIC. 2010. Available via www.airmic.com (register your details to access).

Further articles and technical bulletins are available at www.cii.co.uk/learning/elibrary/ (CII/PFS members only).

Journals and magazines

The Journal. London: CII. Six issues a year.

Post magazine. London: Incisive Financial Publishing. Monthly. Contents searchable online at 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 (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.

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.

These exemplar papers are also available on the RevisionMate website (ciigroup.org/login) 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.

* Also available as an eBook through eLibrary via www.cii.co.uk/elibrary (CII/PFS members only).