

M21 Commercial insurance contract wording 2023



Learning Outcome		Assessment Criteria		Indicative Content	
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1 12 Questions	Understand the environment within which UK commercial (re)insurance contract wordings are created.	1.1	Explain the regulation and oversight of the UK insurance industry in relation to contract wordings.	1.1.1	Participants – including Financial Policy Committee, Prudential Regulation Authority, Financial Conduct Authority, Lloyd’s.
				1.1.2	Insurance companies, brokers.
				1.1.3	How regulation is implemented.
		1.2	Explain the role of market organisations in relation to commercial (re)insurance contract wordings.	1.2.1	London Market Group (LMG).
				1.2.2	The Lloyd’s market, The Corporation of Lloyd’s, Lloyd’s Market Association (LMA), The Lloyd's Wording Repository.
				1.2.3	International Underwriting Association of London (IUA).
				1.2.4	London and International Insurance Brokers' Association (LIIBA).
				1.2.5	Xchanging.
				1.2.6	Association of Insurance and Risk Managers in Commerce (Airmic).
				1.2.7	Association of British Insurers (ABI).
				1.2.8	Joint Excess Loss Committee (JELC).
				1.2.9	Insurance Services Office, Inc. (ISO).
				1.2.10	The Aviation Insurance Clauses Group (AICG).
				1.2.11	The Joint Cargo Committee (JCC).
		1.3	Explain the key features of the Market Reform Contract (MRC) and contract certainty principles.	1.3.1	London Market Reform.
				1.3.2	Contract certainty.
				1.3.3	Wider insurance markets.
				1.3.4	Contract Certainty Code of Practice, Contract clarity.
				1.3.5	Market Reform Contracts (Slips)– open market MRC, binding authorities, lineslips, endorsements.
		1.4	Explain how the (re)insurance cycle affects contract wordings.	1.4.1	Hard market, soft market.
		1.5	Explain the internal and external influences on the way in which (re)insurance contract wordings are created.	1.5.1	Internal influences.
				1.5.2	External influences.

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2 12 Questions	Understand legal factors affecting commercial (re)insurance contract wordings.	2.1	Explain the legal factors affecting commercial (re)insurance contract wordings.	2.1.1	Contract law; essentials of a valid contract.
				2.1.2	Insurable interest.
				2.1.3	Sanctions clauses.
		2.2	Explain the legal relationship between the parties to a (re)insurance contract.	2.2.1	Policyholder, insurer, reinsurer, broker, claimant.
				2.2.2	Relationships between parties.
		2.3	Apply the legal principles relating to the interpretation of contracts.	2.3.1	Express terms.
				2.3.2	Implied terms.
		2.4	Explain the classification of terms and conditions.	2.4.1	Warranties.
				2.4.2	Conditions, precedent to the contract, precedent to liability.
				2.4.3	Minor terms.
				2.4.4	Exclusions, suspensive conditions, clauses describing a risk.
				2.4.5	Subjectivities.
				2.4.6	Multi-sectioned policies.
		2.5	Explain the particular considerations when drafting and reviewing law and jurisdiction clauses.	2.5.1	Choice of law.
				2.5.2	Choice of jurisdiction.
				2.5.3	Dispute resolution and mediation clauses.
				2.5.4	Service of suit clauses.
		2.6	Describe the roles and responsibilities of the (re)insurer and broker in the preparation of commercial (re)insurance contract wordings.	2.6.1	(Re)insurer.
				2.6.2	Broker.
		2.7	Describe the use of underwriting agreements in a subscription market.	2.7.1	Legal relationships.
				2.7.2	General Underwriters Agreement (GUA).
				2.7.3	Notification to other underwriters; position of the slip leader and agreement parties.
				2.7.4	Several liability.
		2.8	Explain the role of coverholders and the use of delegated authorities.	2.8.1	Underwriting agents and delegated authorities.
				2.8.2	Forms of binding authority.
				2.8.3	Responsibilities of the parties involved.

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3 16 Questions	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.	3.1.1	Terminology.
				3.1.2	Proposal forms and underwriting submissions.
				3.1.3	Insuring clause; classes of business; exclusions; period of insurance.
				3.1.4	Requirements for regulatory purposes.
				3.1.5	Definitions and consistency of language.
		3.2	Explain how coverage is triggered under an insuring clause.	3.2.1	Features of the insuring clause; parties.
				3.2.2	How cover is provided; content of insuring clause.
				3.2.3	Basis of attachment; claims made; losses occurring.
		3.3	Explain the operation of exclusion clauses in commercial (re)insurance contract wordings.	3.3.1	Policy of exception; policy of inclusion.
				3.3.2	Drafting of exclusions including: limitations, effects; use of buy-back or write-back.
		3.4	Discuss the different ways of defining the amount (re)insured.	3.4.1	Sum insured, limits of indemnity (limits clause).
		3.5	Discuss the different ways of defining the amount retained by the (re)insured.	3.5.1	Excess.
				3.5.2	Deductible.
				3.5.3	Self-insured retention.
				3.5.4	Coinsurance.
				3.5.5	Impact; importance of definitions.
		3.6	Explain the different provisions of claims notification clauses.	3.6.1	Claim notification.
				3.6.2	Claims handling and adjustment.
		3.7	Explain the rights and duties of the (re)insured.	3.7.1	Due diligence; reasonable precautions.
				3.7.2	Rights of recourse or subrogation (maintaining or waiving).
				3.7.3	Receipt of losses payable.
				3.7.4	Duty to notify material changes.
				3.7.5	Fraudulent claims.



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		3.8	Explain the operation of dispute resolution clauses.	3.8.1	Choice of law and forum.
				3.8.2	Arbitration.
				3.8.3	Mediation.
		3.9	Explain the provisions of cancellation clauses.	3.9.1	Cancellation; tacit renewal.
		3.10	Explain the purpose and effect of endorsements.	3.10.1	Endorsements, addenda, memoranda.
				3.10.2	Electronic endorsements (EMRC), drafting considerations.
		3.11	Apply the principles of commercial (re)insurance contract drafting to various classes of business.	3.11.1	Types of wordings.
				3.11.2	Roles, responsibilities, agreement.
4 10 Questions	Understand the different types of reinsurance contract wordings.	4.1	Explain the different types of reinsurance.	4.1.1	Proportional, non-proportional, facultative, treaty.
				4.1.2	Parties, subject matter of the reinsurance.
		4.2	Describe the use and operation of facultative reinsurance clauses.	4.2.1	Proportional and non-proportional facultative clauses.
				4.2.2	Clauses, including ultimate net loss clause, premium clause, claims clauses, miscellaneous clauses, law and jurisdiction clauses.
		4.3	Describe and be able to apply the use and operation of proportional treaty and non-proportional treaty reinsurance clauses.	4.3.1	Relevant reinsurance treaty clauses.
				4.3.2	Application, uses, impacts.
		4.4	Explain the importance of 'event' definitions in reinsurance wordings.	4.4.1	Limits and deductibles; hours clauses, excess of loss.