

# Insurance, legal and regulatory

## Objective

To provide knowledge and understanding of the basic principles of insurance, including the main legal principles related to insurance contracts, the main regulatory principles related to insurance business and the key elements to protect consumers.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the nature and main features of risk within the insurance environment	9
2. Know how to apply the main features of risk and risk management to a given set of circumstances	2
3. Understand the main features of insurance	8
4. Know the structure and main features of the insurance market	14
5. Understand contract and agency	9
6. Understand insurable interest and its place in insurance	5
7. Understand the principle of good faith	11
8. Understand the doctrine of proximate cause and its application to non-complex claims	2
9. Understand the principle of indemnity and how this is applied to contracts of insurance	7
10. Understand the principles of contribution and subrogation	4
11. Understand the main regulatory and legal requirements applicable to the transaction of insurance business	15
12. Understand consumer protection and dispute resolution	6
13. Know the main methods of preventing, handling and resolving consumer complaints	4
14. Understand the CII Code of Ethics and be able to apply the principles to non-complex scenarios	4

\*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 2019 until 31 December 2019.
- 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/updates](http://www.cii.co.uk/updates)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page

- 1. Understand the nature and main features of risk within the insurance environment**
  - 1.1 Describe the concepts of risk and risk perception
  - 1.2 Explain the risk management function and process
  - 1.3 Describe the various categories of risk
  - 1.4 Explain the types of risk that can be insured and the types of risk that cannot
  - 1.5 Describe the components of risk
  - 1.6 Explain the relationship between frequency and severity
  - 1.7 Explain the difference between a peril and hazard as they relate to insurance
- 2. Know how to apply the main features of risk and risk management to a given set of circumstances**
  - 2.1 Apply the main features of risk and risk management to different sets of circumstances/scenarios
- 3. Understand the main features of insurance**
  - 3.1 Explain the need for insurance
  - 3.2 Explain the basis of insurance as a risk transfer mechanism
  - 3.3 Describe how insurance benefits policyholders and society in general
  - 3.4 Explain the term coinsurance and how this is used in two distinct ways in the insurance market
  - 3.5 Describe what is meant by coinsurance, dual insurance and self-insurance
  - 3.6 Describe the main classes of insurance which include property insurance, pecuniary insurance, motor insurance, liability insurance, marine and aviation insurance, health and combined or package policies
- 4. Know the structure and main features of the insurance market**
  - 4.1 Describe the structure of the insurance market and the five main groups of people (buyers, intermediaries, aggregators, insurers, reinsurers)
  - 4.2 Describe the four categories of insurer in terms of ownership
  - 4.3 Explain the structure of the Lloyd's market and main features
  - 4.4 Describe the London Market
  - 4.5 Explain the types and services of intermediaries in the insurance market
  - 4.6 Describe the distribution channels used for the selling of insurance
  - 4.7 Explain the purpose of reinsurance
  - 4.8 Describe the key roles of professionals in insurance including underwriters, claims personnel, loss adjusters, loss assessors, surveyors and those providing forensic services, actuaries, risk managers and compliance officers
  - 4.9 Explain the main functions of the principal market organisations. These include:
    - Association of British Insurers (ABI)
    - International Underwriting Association of London (IUA)
    - British Insurance Brokers' Association (BIBA)
    - London Market Regional Committee (LMRC)
    - London and International Insurance Brokers' Association (LIIBA)
    - Lloyd's Market Association (LMA)
    - Chartered Insurance Institute (CII)
    - Chartered Institute of Loss Adjusters (CILA)
    - Institute and Faculty of Actuaries
    - Motor Insurers' Bureau (MIB)
    - UK Information Centre (UKIC)
- 5. Understand contract and agency**
  - 5.1 Describe the essential elements of a valid contract
  - 5.2 Explain conditional and unconditional acceptance of a contract
  - 5.3 Describe consideration which supports the contract
  - 5.4 Explain how contracts can be cancelled or terminated
  - 5.5 Describe methods of creating an agent/principal relationship
  - 5.6 Describe the duties of an agent and the duties of a principal
  - 5.7 Explain the consequences of an agent's actions on the principal
  - 5.8 List what should be included in a Terms of Business Agreement (TOBA) between insurers and intermediaries

- 6. Understand insurable interest and its place in insurance**
  - 6.1 Define insurable interest and its features
  - 6.2 Explain the timing of insurable interest
  - 6.3 Explain how insurable interest can arise
  - 6.4 Explain the application of insurable interest to property and liability insurance contracts
- 7. Understand the principle of good faith**
  - 7.1 Explain the principle of good faith and how this applies to contracts of insurance
  - 7.2 Explain how the duty of fair presentation operates in insurance policies and how it can be altered in terms of the policy
  - 7.3 Define material circumstances
  - 7.4 Identify and distinguish between physical and moral hazards in relation to a non-life proposal
  - 7.5 Explain an insurer's right to information
  - 7.6 Explain material matters that do not require disclosure
  - 7.7 Explain the consequences of non-disclosure or a breach of the duty of fair presentation
- 8. Understand the doctrine of proximate cause and its application to non-complex claims**
  - 8.1 Explain the meaning of proximate cause
  - 8.2 Apply proximate cause to scenarios that relate to non-complex claims
- 9. Understand the principle of indemnity and how this is applied to contracts of insurance**
  - 9.1 Define the principle of indemnity
  - 9.2 Explain the settlement options available to insurers which will provide the insured with the necessary indemnity
  - 9.3 Identify and distinguish between indemnity and benefit policies
  - 9.4 Explain what is meant by agreed value policies, first loss policies and new for old cover
  - 9.5 Calculate a non-complex claim payment, subject to the pro rata condition of average
- 10. Understand the principles of contribution and subrogation**
  - 10.1 Explain the principle of contribution and when and how it applies to the sharing of claim payments between insurers in straightforward property cases
  - 10.2 Explain the principle of subrogation and why it may or may not be pursued in simple circumstances
- 11. Understand the main regulatory and legal requirements applicable to the transaction of insurance business**
  - 11.1 Explain the reasons for compulsory insurance and describe the types of insurances which are compulsory in the UK
  - 11.2 Explain the application of the Consumer Rights Act 2015 in relation to insurance contracts
  - 11.3 Explain the Contracts (Rights of Third Parties) Act 1999 in relation to insurance contracts
  - 11.4 Explain the role of the financial services regulators in the authorisation, supervision and regulation of insurers and intermediaries
  - 11.5 Describe the financial services regulatory principles for businesses and the approved person regime in broad outline
  - 11.6 Explain the importance of the fair treatment of customers
  - 11.7 Describe the consequences of non-compliance - discipline and enforcement
  - 11.8 Explain the requirements for reporting, record keeping and training and competence
  - 11.9 Describe the scope and effect of the Insurance: Conduct of Business sourcebook (ICOBs) in broad outline
  - 11.10 Describe the EU solvency requirements for insurers and intermediaries and financial services regulatory risk-based capital requirements in broad outline
- 12. Understand consumer protection and dispute resolution**
  - 12.1 Describe the main provisions of the current Data Protection legislation
  - 12.2 Describe the main provisions of the current Money Laundering Regulations and their application to insurers and intermediaries
  - 12.3 Describe the main provisions of the Proceeds of Crime Act 2002 as they apply to the transaction of insurance business
  - 12.4 Explain the purpose of Insurance Premium Tax
  - 12.5 State the current rates of Insurance Premium Tax
  - 12.6 Describe the Insurance Premium Tax collection method

- 13. Know the main methods of preventing, handling and resolving consumer complaints**
  - 13.1 Describe the financial services regulatory requirements in relation to handling complaints**
  - 13.2 Explain the services provided by the Financial Ombudsman Service**
  - 13.3 Describe the main provisions of the Financial Services Compensation Scheme, including the range of activities falling within its scope**
- 14. Understand the CII Code of Ethics and be able to apply the principles to non-complex scenarios**
  - 14.1 Explain the five main principles in the CII Code of Ethics**
  - 14.2 Apply the main principles in the CII Code of Ethics to non-complex scenarios**
  - 14.3 Identify positive and negative indicators of ethical behaviour to non-complex scenarios**

## 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 [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge).

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 [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, legal and regulatory. London: CII. Study text IF1.

### Books (and ebooks)

Insurance law: an introduction. Robert Merkin. London: Routledge, 2014.\*

Insurance law in the United Kingdom. 3rd ed. John Birds. The Netherlands: Kluwer Law International, 2015.

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

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

MacGillivray on insurance law: relating to all risks other than marine. 13th ed. London: Sweet & Maxwell, 2015.

The Insurance Act 2015: a new regime for commercial and marine insurance law. Malcolm Clarke, Baris Soyer (eds.). Abingdon: Informa, 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 [www.cii.co.uk/ciifactfiles](http://www.cii.co.uk/ciifactfiles) (CII/PFS members only).

- The Financial Ombudsman Service and general insurance. Peter Tyldesley, Saira Paruk.
- The regulatory framework. Simon Collins.

Code of ethics explained. Duncan Minty. CII Faculty lecture, 2014. Available online at [www.cii.co.uk/30790](http://www.cii.co.uk/30790)

i-law: online database of insurance legal knowledge. Informa. Available online via [www.cii.co.uk/lawdatabases](http://www.cii.co.uk/lawdatabases) (CII/PFS members only).

## Periodicals

The Journal. London: CII. Six issues a year. Archive available online at <http://www.cii.co.uk/knowledge/journals-and-magazines/the-journal-archive/> (CII/PFS members only).

Post magazine. London: Incisive Financial Publishing. Monthly. 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.\*

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

Financial Conduct Authority (FCA) Handbook. Available at [www.handbook.fca.org.uk/handbook](http://www.handbook.fca.org.uk/handbook).

International encyclopedia for insurance law. Wolters Kluwer. Available online via [www.cii.co.uk/lawdatabases](http://www.cii.co.uk/lawdatabases) (CII/PFS members only).

Prudential Regulation Authority (PRA) Rulebook Online. Available at [www.prarulebook.co.uk](http://www.prarulebook.co.uk)

\* 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

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).