Purpose
At the end of this unit, candidates should be able to:

• demonstrate a knowledge and understanding of the laws which form the background to the operation of insurance;
• demonstrate a knowledge and understanding of the system within which these laws operate and are administered;
• apply knowledge and skills to practical situations.

Assumed knowledge
It is assumed the candidate has the knowledge gained from a study of the fundamental principles and practices of insurance as covered in IF1 Insurance, legal and regulatory or equivalent examinations.

Summary of learning outcomes
1. Understand the nature and sources of law and legal systems.
2. Understand the concept of legal personality.
3. Understand the principles of the law of tort and the characteristics of the main Torts.
4. Understand the law of contract.
5. Understand the law of agency and its application to insurance.
6. Understand the main principles governing the formation of insurance contracts.
7. Understand how the terms of insurance contracts are classified and the effect of a breach of an insurance contract term by the insured and of other vitiating factors.
8. Understand the main legal principles governing the making of an insurance claim.
9. Understand how losses are measured and how the principle of indemnity applies to insurance claims.
10. Understand how the principles of subrogation and contribution apply to insurance claims.

Important notes
• Method of assessment: Part I – 14 compulsory questions (140 marks). Part II – 2 questions selected from 4 (60 marks). Total of 200 marks. Three hours are allowed for this exam.
• The syllabus is examined on the basis of English law and practice unless otherwise stated.
• The general rule is that the exams are based on the English legislative position six months before the date of the exams.
• 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
  2) Select the appropriate qualification
  3) Select your unit on the right hand side of the page

Knowledge ratings
| General background awareness necessary. | 1 |
| Requires a broad understanding and some detailed knowledge of the principles and concepts of law and their application. | 2 |
| Requires a detailed knowledge and in-depth understanding of legal principles and the ability to apply them to problem situations. | 3 |
1. Understand the nature and sources of law and legal systems
   1.1 Describe the classifications of law and the main branches of public and private law. 1
   1.2 Describe the characteristics of English law and the UK legal system. 1
   1.3 Describe the development of common law and equity. 1
   1.4 Describe the two main sources of law: legislation and judicial precedent (case law). 1
   1.5 Outline the minor sources of law. 1
   1.6 Describe delegated legislation and statutory interpretation. 1
   1.7 Describe the effect of supra-national legislation, such as European law, on national systems. 1
   1.8 Describe the structure of the courts, the judiciary and the system of precedent. 1
   1.9 Describe the elements of civil procedure and methods for the funding of litigation. 1

2. Understand the concept of legal personality
   2.1 Describe the status and capacity of natural legal persons and corporations. 1
   2.2 Describe the main types of corporation and their characteristics. 1
   2.3 Describe unincorporated associations and their characteristics. 1
   2.4 Describe the characteristics of partnerships, the Crown and trade unions. 1

3. Understand the principles of the law of tort and the characteristics of the main torts
   3.1 Describe the nature and classification of torts. 1
   3.2 Explain the law of negligence: duty of care, breach of duty and rules concerning damage, including liability for economic loss and psychiatric injury. 2
   3.3 Explain general characteristics of the other main torts: trespass, nuisance, the rule in Rylands v. Fletcher, breach of statutory duty and defamation. 2
   3.4 Explain the application of tort and liability law in the context of employers' liability, liability for defective products and liability for dangerous or defective premises. 2
   3.5 Explain the main defences, remedies and rules governing limitation of actions in tort. 2

4. Understand the law of contract
   4.1 Explain the nature of contractual liability and classification of contracts. 2
   4.2 Explain the rules governing the formation of a contract. 2
   4.3 Explain how contract terms are classified under the general law. 2
   4.4 Explain elements which affect the validity of contracts. 2
   4.5 Explain the circumstances in which a contract may be discharged. 2
   4.6 Explain remedies for breach of contract. 2
   4.7 Explain the doctrine of privity of contract and the effect of the Contracts (Rights of Third Parties) Act 1999. 2
   4.8 Explain the assignment of contractual rights and duties. 2
   4.9 Explain assignment in the context of insurance and apply this to problem situations. 3

5. Understand the law of agency and its application to insurance
   5.1 Explain the nature of agency and how an agency relationship can be created. 2
   5.2 Explain the relationships between agents, principals and third parties. 2
   5.3 Explain the nature of an agent's rights, responsibilities, authority and duties. 2
   5.4 Explain the termination of agency and its effects. 2
   5.5 Explain how the principles of agency law apply to insurance. 3
   5.6 Apply the principles of agency law to problem situations. 3

6. Understand the main principles governing the formation of insurance contracts
   6.1 Explain how the general principles of contract law apply to insurance. 2
   6.2 Explain the concept and nature of insurable interest. 3
   6.3 Explain the application of the law on insurable interest to the main classes of insurance and apply the law to problem situations. 3
   6.4 Explain potential reform of the law relating to insurable interest. 2
   6.5 Explain the doctrine of utmost good faith. 3
   6.6 Explain misrepresentation in the context of insurance and apply its principles to problem situations. 3
9. Understand how losses are measured and how the principle of indemnity applies to insurance claims

9.1 Explain the principle of indemnity.

9.2 Explain the measure of indemnity in various classes of insurance and apply the law and practice to problem situations.

9.3 Explain the factors which limit, reduce, extend or modify the principle of indemnity and apply the law and practice to problem situations.

9.4 Explain the methods of providing indemnity and apply the law and practice to problem situations.

9.5 Explain the doctrine of salvage and abandonment and apply the law and practice to problem situations.

9.6 Explain the effect of claim payments on policy cover and apply the law and practice to problem situations.

10. Understand how the principles of subrogation and contribution apply to insurance claims

10.1 Explain the doctrine of subrogation as a corollary of principle of indemnity.

10.2 Explain the source of subrogation rights and apply the law to problem situations.

10.3 Explain abandonment and salvage and apply the law and practice to problem situations.

10.4 Explain how subrogation rights may be modified or denied and apply the law and practice to problem situations.

10.5 Explain the nature of double insurance and contribution and how contribution arises at common law.

10.6 Explain the operation of contribution at common law and the effect of common contribution conditions.

10.7 Explain methods of ascertaining the ratio of contribution.

10.8 Apply the principle of contribution to the main lines of insurance and to problem situations.

10.9 Explain the effect of market agreements on rights of contribution.

7. Understand how the terms of insurance contracts are classified and the effect of a breach of an insurance contract term by the insured and of other vitiating factors

7.1 Explain the classification of insurance contract terms.

7.2 Explain the nature of warranties, conditions and other insurance contract terms and apply the law on these to problem situations.

7.3 Explain the effect of breach of warranty or condition and apply the law to problem situations.

7.4 Explain the effect of the regulatory rules on the law of warranties and conditions and apply the rules to problem situations.

7.5 Explain potential reform of the law of warranties and conditions.

7.6 Explain void and illegal insurance contracts and apply the law to problem situations.

7.7 Explain the distinction between joint and composite and apply the law to problem situations.

8. Understand the main legal principles governing the making of an insurance claim

8.1 Describe the parties who can claim on or benefit from an insurance contract and apply the law to problem situations.

8.2 Explain the rules governing notice and proof of loss and apply them to problem situations.

8.3 Explain the principles governing the construction of insurance contracts and apply them to problem situations.

8.4 Explain the doctrine of proximate cause.

8.5 Explain the doctrine of proximate cause in the context of ‘chains of events’, concurrent causes and efforts to avoid or reduce loss and apply the law to problem situations.


CII study texts

Insurance law. London: CII. Study text P05


Additional reading

Additional reading materials are available through the library or on the Knowledge Services website.

New materials are added frequently – for information about new books and articles in your area of interest, please visit www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

Books (and ebooks)


Essential law for your business: a practical guide to all legal and financial requirements. 13th ed. Patricia Clayton. Kogan Page, 2009. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).


Insurance theory and practice. Rob Thoyts. Routledge, 2010. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Factfiles and other online resources

CII factfiles are written by subject matter experts within the insurance and financial services industry. They are updated annually, and interim update bulletins are included where necessary to take into account any major changes during the year. All are available online via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

- Recent developments in tort. Alan Peck.
- The regulation of general insurance business. Ian Youngman.
- The regulation of general insurance and protection business. Ian Youngman.
- Recent developments in insurance law. Robert Merkin, updated by Samantha James.

Contracts for Difference. iMinds. Mosman: iMinds, 2009. [Introductory text, 2 pp.] Available online via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Journals and magazines
The Journal. London: CII. Six issues a year. Also available via www.cii.co.uk/knowledge (CII/Personal Finance society members only).
Legal digest. DAC Beachcroft. Monthly. Available online via www.cii.co.uk/knowledge (CII/Personal Finance society members only).

Reference materials

Examination guides
Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners’ comments on candidates’ performance and key points for inclusion in answers. You are strongly advised to study guides for the last two sittings. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.
Older examination guides are available (for members only) via www.cii.co.uk/knowledge. Alternatively, if you have a current study text enrolment, the latest exam guides are available via www.revisionmate.com.

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/knowledge/iilrevision (CII/Personal Finance Society members only).