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.

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*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 May 2016 until 31 December 2017.
- 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
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page
- Wording in italics in the syllabus will only be tested from October 2016.
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 utmost good faith/good faith
   7.1 Explain the principle of utmost good faith/good faith and how this applies to contracts of insurance
   7.2 Explain how the duty of disclosure/duty of fair presentation operates in insurance policies and how it can be altered in terms of the policy
   7.3 Define a material fact/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 facts/matters that do not require disclosure
   7.7 Explain the consequences of non-disclosure or misrepresentation of material facts/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
    11.5 Explain the role of the financial services regulators in the authorisation, supervision and regulation of intermediaries
    11.6 Describe the financial services regulatory principles for businesses and the approved person regime in broad outline
    11.7 Explain the importance of Treating Customers Fairly
    11.8 Describe the consequences of non-compliance – discipline and enforcement
    11.9 Explain the requirements for reporting, record keeping and training and competence
    11.10 Describe the scope and effect of the Insurance: Conduct of Business sourcebook (ICOBS) in broad outline
    11.11 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

The following list provides details of various publications 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 publications will help you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

### CII study texts


### Books (and ebooks)


### Factfiles and other online resources

CII factfiles are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Covering general insurance, life and pensions and financial services sectors, the factfile collection includes key industry topics as well as less familiar or specialist areas with information drawn together in a way not readily available elsewhere. Available online via www.cii.co.uk/ciifactfiles (CII/PFS members only).

- The regulation of general insurance business. Ian Youngman.
- The regulatory framework. Simon Collins.

Code of ethics explained. Duncan Minty. CII Faculty lecture, 2014. Available online at www.cii.co.uk/30790

### Periodicals

The Journal. London: CII. Six issues a year. Also available online via www.cii.co.uk/knowledge (CII/PFS members only).

**Reference materials**


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


Prudential Regulation Authority (PRA) Rulebook Online. Available at www.prarulebook.co.uk

*Also available as an ebook through Discovery via www.cii.co.uk/discovery (CII/PFS members only).

**Examination guides**

An examination guide, which includes a specimen paper, is available to purchase via www.cii.co.uk.

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 versions of the examination guides.

**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).