

# 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 (relevant to the M21 multiple choice question exam only) 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

### M21

- **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 examination. The details are:
  1. 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
  2. a multiple-choice question (MCQ) exam at one of the CII's online centres (paper based MCQs are available in April and October for those sitting outside the UK). The MCQ exam consists of 50 MCQs. 1 hour is allowed for this examination. This exam must be successfully passed within 18 months of enrolment.
- This syllabus will be examined from 1 May 2017 until 30 April 2018.
- 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

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- **Method of assessment:** Part I 8 compulsory questions (80 marks). Part II 2 questions selected from 4 (60 marks). Total of 140 marks. Two 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](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
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## **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 wording.
- 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 wording.
- 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 considerations when drafting and reviewing contract clauses.
- 2.6 Explain the particular considerations when drafting and reviewing law and jurisdiction clauses.
- 2.7 Describe the roles and responsibilities of the (re)insurer and broker in the preparation of commercial (re)insurance contract wordings.
- 2.8 Describe the use of underwriting agreements in a subscription market.
- 2.9 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 importance of using defined terms and consistent language.
- 3.2 Explain the key components of commercial (re)insurance contract wordings.
- 3.3 Explain how coverage is triggered under an insuring clause.
- 3.4 Explain the operation of exclusion clauses in commercial (re)insurance contract wordings.
- 3.5 Discuss the different ways of defining the amount (re)insured.
- 3.6 Discuss the different ways of defining the amount retained by the (re)insured.
- 3.7 Explain the different provisions of claims notification clauses.
- 3.8 Explain the rights and duties of the (re)insured.
- 3.9 Explain the operation of dispute resolution clauses.
- 3.10 Explain the provisions of cancellation clauses.
- 3.11 Explain the purpose and effect of endorsements.
- 3.12 Apply the principles of commercial (re)insurance contract drafting to various classes of business.

## **4. Understand the different types of reinsurance contract wording**

- 4.1 Explain the different types of reinsurance.
- 4.2 Describe the use and operation of facultative reinsurance clauses.
- 4.3 Describe the use and operation of proportional treaty reinsurance clauses.
- 4.4 Describe the use and operation of non proportional treaty reinsurance clauses.
- 4.5 Explain the importance of 'event' definitions in reinsurance wordings.
- 4.6 Apply different types of reinsurance clauses to specific risks.

## Reading list

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](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

### CII study texts

Commercial insurance contract wording. London: CII. Study text M21/P21.

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

### Books (and ebooks)

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

Claims handling law and practice. Richard West et al. London: Witherby, 2008.

Colinvaux's law of insurance. 11th ed. London: Sweet & Maxwell, 2016.

Consumer insurance law: disclosure, representations and basis of the contract clause. Peter Tyldesley. Haywards Heath: Bloomsbury Professional, 2013.

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

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

Lloyd's: law and practice. 2nd ed. Julian Burling. Oxon: Informa Law, 2017.\*

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

The law of insurance contracts. Malcolm A Clarke. 6th ed. London: Informa, 2009.

The modern law of insurance. Andrew McGee. LexisNexis, 2011.

Insurance claims. 4th ed. Alison Padfield. Bloomsbury Professional, 2016.

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

'Reinsurance contracts, markets and participants' in Reinsurance practice and the law. Barlow Lyde & Gilbert LLP. London: Informa, 2009.

Reinsurance: the nuts and bolts. Keith Riley. London: Witherby, 2012.

## 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](http://www.cii.co.uk/ciifactfiles) (CII/PFS members only).

Contract certainty: an Airmic guide for risk managers and insurance buyers. AIRMIC. 2009. Available via [www.airmic.com](http://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](http://www.airmic.com) (register your details to access).

Further articles and technical bulletins are available at [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/PFS members only).

## Journals and magazines

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

Post magazine. London: Incisive Financial Publishing. Monthly. Also available online at [www.postonline.co.uk](http://www.postonline.co.uk).

Insurance law monthly. London: Informa. Monthly.

Further periodical publications are available at [www.cii.co.uk/journalmagazines](http://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.\*

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

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### Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the multiple-choice 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](http://www.cii.co.uk/qualifications/diploma-in-insurance-qualification).

These exemplar papers are also available on the RevisionMate website [www.revisionmate.com](http://www.revisionmate.com) after you have purchased the unit.

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### 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 from the last two sittings. Please visit [www.cii.co.uk](http://www.cii.co.uk) to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Alternatively, if you have a current study text enrolment, the latest exam guides are available via [www.revisionmate.com](http://www.revisionmate.com).

Older guides are available via [www.cii.co.uk/pastexamguides](http://www.cii.co.uk/pastexamguides) (CII/PFS members only).

## **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).