

# Liability insurances

## Purpose

At the end of this unit, candidates should be able to understand liability insurance.

## 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 identification, evaluation and management of liability risk.  | 4                                       |
| 2. Understand the main considerations of liability underwriting.  | 5                                       |
| 3. Understand the risk, cover and practices of employers' liability insurance.  | 11                                      |
| 4. Understand the risks, cover and practices of public and product liability insurance.                                   | 11                                      |
| 5. Understand the risks, cover and practices of directors' and officers' liability and corporate reimbursement insurance. | 9                                       |
| 6. Understand the risks, cover and practices of professional indemnity insurance.   | 10                                      |

\*The test specification (relevant to the M96 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

### M96

- **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

### P96

- **Method of assessment:** Part I 14 compulsory questions (140 marks). Part II 2 questions selected from 3 (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](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page

- 1. Understand the identification, evaluation and management of liability risk**
  - 1.1 Describe the framework for the identification, evaluation and management of liability risk.
  - 1.2 Explain the roles of the various parties involved in the evaluation and management of liability risk.
  - 1.3 Explain the importance of evaluating the historical claims record.
- 2. Understand the main considerations of liability underwriting**
  - 2.1 Describe the different triggering events covered under liability insurance.
  - 2.2 Describe the framework relating to the underwriting of generic liability risks.
  - 2.3 Describe the policy conditions and issues arising under liability insurances.
  - 2.4 Explain the importance of evaluating the exposure to foreign legal environments.
  - 2.5 Describe the underwriting considerations, information and policy wording implications in relation to foreign liability exposures.
- 3. Understand the risk, cover and practices of employers' liability insurance**
  - 3.1 Explain the relevance of the Health and Safety at Work etc Act 1974 to liability insurance.
  - 3.2 Explain the main work of the Health and Safety Executive.
  - 3.3 Explain the duties of an employer and how they are discharged.
  - 3.4 Explain disease exposures from workplace hazards.
  - 3.5 Explain the legal framework governing employers' liability in the workplace under statute and common law.
  - 3.6 Explain the scope of cover of employers' liability insurance including:
    - The operative clause.
    - Key definitions.
    - Limit of liability.
    - Legal costs.
    - Common exclusions, conditions and extensions.
  - 3.7 Explain market practices in relation to employers liability insurance including compliance with legislation.
  - 3.8 Describe key underwriting information under employers' liability insurance.
  - 3.9 Describe the common rating bases under employers' liability insurance.
- 4. Understand the risks, cover and practices of public and product liability insurance**
  - 4.1 Explain the risks covered under public and product liability insurance.
  - 4.2 Explain the legal framework for public and product liability insurance.
  - 4.3 Explain the scope of cover of public and product liability insurance including:
    - The operative clause.
    - Key definitions.
    - Limit of liability.
    - Legal costs.
    - Common exclusions, conditions and extensions.
  - 4.4 Describe key underwriting information under public and product liability insurance.
  - 4.5 Describe the common rating bases under public and product liability insurance.
- 5. Understand the risks, cover and practices of directors' and officers' liability and corporate reimbursement insurance**
  - 5.1 Explain the risks covered under directors' and officers' liability insurance and corporate reimbursement insurance.
  - 5.2 Explain the legal framework affecting directors' and officers' liability insurance and corporate reimbursement insurance.
  - 5.3 Explain the scope of cover under directors' and officers' liability insurance and corporate reimbursement insurance including:
    - The operative clause.
    - Key definitions.
    - Limit of liability.
    - Legal costs.
    - Common exclusions, conditions and extensions.
  - 5.4 Describe key underwriting information under directors' and officers' liability insurance and corporate reimbursement insurance.
  - 5.5 Describe the common rating bases under directors' and officers' liability insurance and corporate reimbursement insurance.
  - 5.6 Explain legal liability for corporate manslaughter in the UK.

## 6. Understand the risks, cover and practices of professional indemnity insurance

- 6.1 Describe how legal liability is covered under professional indemnity insurance.
- 6.2 Explain the risks covered under professional indemnity insurance.
- 6.3 Explain the scope of cover of professional indemnity insurance including:
  - The operative clause.
  - Key definitions.
  - Limit of liability.
  - Legal costs.
  - Common exclusions, conditions and extensions.
- 6.4 Describe key underwriting information under professional indemnity insurance.
- 6.5 Describe the common rating bases under professional indemnity insurance.
- 6.6 Describe the risks and cover given under fidelity liability insurance.

## 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

Liability insurances. London: CII. Study text M96/P96

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

## Books (and ebooks)

Directors' and officers' liability insurance. Research Study Group 234A. London: ILL, 2010.

Directors' and officers' liability insurance. Adolfo Paolini and Deepak Nambisan. London: Informa, 2008.

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

'Employers' liability insurance'. Chapter – The modern law of insurance. Andrew McGee. 3rd ed. London: LexisNexis, 2011.

'Employers' liability'. Chapter – Insurance disputes. Jonathan Mance, Iain Goldrein, Robert Merkin. 3rd ed. London: Informa, 2011.

'Employers' liability and other compulsory insurances'. Chapter – Birds' modern insurance law. John Birds. 10th ed. London: Sweet & Maxwell, 2016.

Health and safety: risk management. 3rd ed. Tony Boyle. Wigston: IOSH Services, 2010.\*

'Liability insurance'. Chapter – Birds' modern insurance law. John Birds. 10th ed. London: Sweet & Maxwell, 2016.

Munkman on employer's liability. 16th ed. Barry Cotter and Daniel Bennett (eds) et al. London: LexisNexis, 2013.

Product recall, liability and insurance. M Kendall. London: Globe Business Publishing, 2012.

Professional indemnity insurance. 2nd ed. Mark Cannon, Brendan McGurk. Oxford: Oxford University Press, 2016.

Professional indemnity insurance law. W I B Enright, Digby C Jess. 2nd ed. London: Sweet and Maxwell, 2007.

'Professional liability'. Chapter – Insurance disputes. Jonathan Mance, Iain Goldrein, Robert Merkin. 3rd ed. London: Informa, 2011.

The handbook of health and safety practice. Jeremy Stranks. 7th ed. Harlow: Pearson, 2005.

The law of liability insurance. Malcolm Clarke. New York: Informa, 2013.\*

The non-executive directors' handbook. 4th ed. Brian Coyle. London: ICSA Publishing, 2016.

Tort law and liability insurance. Gerhard Wagner. Wien: Springer, 2005.

Tort law: text, cases and materials. Jenny Steele. 3rd ed. Oxford: Oxford University Press, 2014.

## Ebooks

The following ebooks are available through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only):

Company law. Ann Ridley, Chris Shepherd. London: Routledge, 2015.

Critical company law. 2nd ed. Lorraine Talbot. London: Routledge, 2016.

Tort law and the Legislature: common law, statute and the dynamics of legal change. Jenny Steel, et al. Oxford: Hart Publishing, 2013.

## 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).

- Recent developments in tort I and II. Alan Peck.
- Recent developments in quantum. Alan Peck.
- The professional liability of insurance brokers. Christopher Henley, updated by Simon Kemp and Michelle Radom.
- Civil procedure rules. Alan Peck.

Guidance. Health and Safety Executive. Available online via [hse.gov.uk](http://hse.gov.uk).

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

Insurance times. London: Newsquest Specialist Media. Weekly. Also available online at [www.insurancetimes.co.uk](http://www.insurancetimes.co.uk).

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).

Further periodical publications are available at [www.cii.co.uk/journalmagazines](http://www.cii.co.uk/journalmagazines) (CII/PFS members only).

## 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.

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).

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

Insurance: Conduct of Business sourcebook (ICOBS). Available via [www.handbook.fca.org.uk/handbook/ICOBS](http://www.handbook.fca.org.uk/handbook/ICOBS).

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

## M96

### 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.

## P96

### 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).