

# Insurance law

## 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 that the candidate 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 nature and sources of English law and the concept of natural legal persons.	5
2. Understand the principles of the law of torts and the characteristics of the main torts.	4
3. Understand the law of contract.	4
4. Understand the law of agency and its application to insurance.	4
5. Understand the main principles governing the formation of insurance contracts.	9
6. Understand the classification and interpretation of insurance contract terms, the effects of their breach and other vitiating factors.	8
7. Understand the main legal principles governing the making of an insurance claim.	6
8. Understand how losses are measured and how the principle of indemnity applies to insurance claims.	4
9. Understand how the principles of subrogation and contribution apply to insurance claims.	6

\*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:**  
Mixed assessment consisting of two components, both of which must be passed. One component is a coursework assignment and one is a multiple choice question (MCQ) 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. an 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 40 standard format and 10 multiple response questions. 1 hour is allowed for this exam. This exam must be successfully passed within 18 months of enrolment.
- This syllabus will be examined from 1 May 2018 until 30 April 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 sources of English law and the concept of natural legal persons**
  - 1.1 Describe the classifications and characteristics of English law.
  - 1.2 Describe the sources of English law.
  - 1.3 Describe the structures and procedures of the courts.
  - 1.4 Describe the status and capacity of natural legal persons.
  - 1.5 Describe the main types of corporation and their characteristics.
- 2. Understand the principles of the law of torts and the characteristics of the main torts**
  - 2.1 Describe the nature and classification of torts.
  - 2.2 Explain the law of negligence and the other main torts
  - 2.3 Explain how the law of torts apply to employers' liability, products liability and occupiers' liability.
  - 2.4 Explain the main defences, remedies and limitations of actions in tort.
- 3. Understand the law of contract**
  - 3.1 Explain the nature of contractual liability and classification of contracts.
  - 3.2 Explain the formation of a contract.
  - 3.3 Explain how contract terms are classified under the general law.
  - 3.4 Explain defective contracts.
  - 3.5 Explain the circumstances in which a contract may be discharged.
  - 3.6 Explain the remedies for breach of contract.
  - 3.7 Explain the doctrine of privity of contract.
  - 3.8 Explain the assignment of contractual rights and duties.
  - 3.9 Explain assignment in the context of insurance and apply this to practical situations.
- 4. Understand the law of agency and its application to insurance**
  - 4.1 Explain the nature of agency and how an agency relationship can be created.
  - 4.2 Explain the relationships between agents, principals and third parties.
  - 4.3 Explain the nature of an agent's rights, responsibilities, authority and duties.
  - 4.4 Explain the termination of agency and its effects.
  - 4.5 Explain how the principles of agency law apply to insurance.
  - 4.6 Apply the principles of agency law to practical situations.
- 5. Understand the main principles governing the formation of insurance contracts**
  - 5.1 Explain how the principles of contract law apply to the formation of insurance contracts.
  - 5.2 Explain the concept and key elements of insurable interest.
  - 5.3 Explain how the law of insurable interest applies to the main classes of insurance and apply the law to practical situations.
  - 5.4 Explain the duty of fair presentation in non-consumer insurance and apply the principles to practical situations.
  - 5.5 Explain the effects of breach of the duty of fair presentation in non-consumer insurance and apply the principles to practical situations.
  - 5.6 Explain the duty to take reasonable care not to make a misrepresentation in consumer insurance and apply the principles to practical situations.
  - 5.7 Explain the effects of breach of the duty to take reasonable care not to make a misrepresentation in consumer insurance and apply the principles to practical situations.
- 6. Understand the classification and interpretation of insurance contract terms, the effects of their breach and other vitiating factors**
  - 6.1 Explain the classification and interpretation of insurance contract terms.
  - 6.2 Explain how warranties and conditions are formed in insurance contracts and apply the law to practical situations.
  - 6.3 Explain the effect of breach of warranty or condition and apply the law to practical situations.
  - 6.4 Explain how illegality arises in insurance contracts and apply the law to practical situations.
- 7. Understand the main legal principles governing the making of an insurance claim**
  - 7.1 Describe the parties who can claim on or benefit from an insurance contract and apply the law to practical situations.
  - 7.2 Explain the rules governing notice and proof of loss and apply the law to practical situations.
  - 7.3 Explain the insured's contractual duty to mitigate or prevent an insured loss and apply the law to practical situations.
  - 7.4 Explain the doctrine of proximate cause and apply it to practical situations.

## 8. Understand how losses are measured and how the principle of indemnity applies to insurance claims

- 8.1 Explain the principle of indemnity.
- 8.2 Explain the measure of indemnity in various classes of insurance and apply the law to practical situations.
- 8.3 Explain the factors which limit, reduce, extend or modify the principle of indemnity and apply the law to practical situations.
- 8.4 Explain the methods of providing indemnity and apply the law to practical situations.
- 8.5 Explain the doctrine of salvage and abandonment and apply the law to practical situations.
- 8.6 Explain the effect of claim payments on policy cover and apply the law to practical situations.

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

- 9.1 Explain the doctrine of subrogation in insurance.
- 9.2 Explain the source of subrogation rights and apply the law to practical situations.
- 9.3 Explain abandonment and salvage and apply the law to practical situations.
- 9.4 Explain how subrogation rights may be modified or denied and apply the law to practical situations.
- 9.5 Explain the nature of double insurance and operation of contribution.
- 9.6 Explain methods of ascertaining the ratio of contribution.
- 9.7 Apply the principle of contribution to the main lines of insurance and to practical situations.
- 9.8 Explain the effect of market agreements on rights of contribution.

## 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

Insurance law. London: CII. Study text M05.

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.

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

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

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

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

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.

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

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

### Factfiles

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.
- Civil procedure rules. Alan Peck.
- The regulatory framework. Simon Collins.

## 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.

## Reference materials

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.\*

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

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).

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

## Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the MCQ exam 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.

## 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).