Award in General Insurance

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

- Basic principles of insurance
- Main legal principles related to insurance contracts
- Main regulatory principles related to insurance business
- Key elements to protect consumers.

Summary of learning outcomes

<table>
<thead>
<tr>
<th>Number of Questions in the Examination*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Understand the nature and main features of risk and insurance</td>
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<tr>
<td>2. Know the structure and main features of the insurance market</td>
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<tr>
<td>3. Understand the main legal principles governing insurance contracts</td>
</tr>
<tr>
<td>4. Understand the main regulatory and legal principles applicable to the transaction of insurance business</td>
</tr>
<tr>
<td>5. Know key aspects of ethics, corporate governance and internal controls</td>
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</tbody>
</table>

*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

- This syllabus will be examined from 1 January 2013 until 31 December 2013.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- Candidates should refer to the CII update website www.cii.co.uk/qualifications for the latest information on changes to legislation and industry practice and when they will be examined.
1. Understand the nature and main features of risk and insurance

The nature and main features of risk
1.1 The concept of risk and risk perception;
1.2 How different risks are categorised;
1.3 The risk management function and process;
1.4 The relationship between frequency and severity of loss;
1.5 The types of risk that can be insured and the types of risk that cannot;
1.6 What is meant by a peril and a hazard and the difference between the two, as they relate to insurance;
1.7 How the principles defined in element 1.1 to 1.6 are applied to a given set of circumstances.

The nature and main features of insurance
1.8 The basis of insurance as a risk transfer mechanism;
1.9 How insurance operates by the pooling of risks;
1.10 How insurance benefits policyholders and society in general;
1.11 What is meant by co-insurance, dual insurance and self-insurance;
1.12 The main classes of insurance in outline.

2. Know the structure and main features of the insurance market

The insurance market
2.1 The way in which the insurance market is structured on a global and regional basis;
2.2 The main features of the different types of insurers;
2.3 The unique structure and main features of Lloyd's;
2.4 The main features and services of intermediaries in the insurance market;
2.5 The different distribution channels used for the selling of insurance;
2.6 The basic purpose of reinsurance.

The insurance profession
2.7 The main functions of underwriters;
2.8 The main functions of claims personnel;
2.9 The main functions of loss adjusters and loss assessors;
2.10 The main functions of actuaries;
2.11 The main functions of risk managers;
2.12 The main functions of compliance officers;
2.13 The functions of the Chartered Insurance Institute (CII).

3. Understand the main legal principles governing insurance contracts

Contract
3.1 The essentials of a valid contract of insurance;
3.2 How contracts of insurance can be terminated.

Agency
3.3 The methods of creating an agent/principal relationship;
3.4 The duties of an agent to his principal and the duties of a principal to his agent;
3.5 The consequences of an agent's actions on his principal;
3.6 Suggested content of business agreements or best practice between an insurer and intermediary.

Insurable interest
3.7 The requirements for insurable interest in insurance contracts.

Utmost good faith
3.8 How the principle of utmost good faith applies to contracts of insurance;
3.9 How the duty of disclosure operates in non-life insurance contracts, how it is modified by policy wordings and the contrast with life assurance contracts;
3.10 The definition of a material fact and examples of such facts in connection with non-life proposals and how insurers may limit their entitlement to information by their wordings;
3.11 The consequences of non-disclosure or misrepresentation of material facts.

Proximate cause
3.12 How the principle of proximate cause is applied to non-complex claims.

Indemnity
3.13 The definition of indemnity and which types of policy are policies of indemnity;
3.14 How the indemnity principle is applied to contracts of insurance;
3.15 What is meant by agreed value, new for old, reinstatement and first-loss policies;
3.16 How average is applied to non-complex cases of underinsurance.

Contribution
3.17 The principle of contribution and when and how it applies to the sharing of claim payments between insurers in straightforward property cases.

Subrogation
3.18 The principle of subrogation and why it may or may not be pursued in simple circumstances.
Reading list

The following list provides details of various publications which may assist with your studies. Periodicals and publications will be of value in ensuring candidates keep up to date with developments and in providing a wider coverage of syllabus topics. Any reference materials cited are authoritative, detailed works which should be used selectively as and when required.

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.

CII/Personal Finance Society members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library. For further information on the lending service, please go to www.cii.co.uk/knowledge/resources.

Award in General Insurance. London: CII. Coursebook W01.

Reference works


Periodicals

The Journal. London: The CII. Six issues a year. Also available online (CII/Personal Finance Society members only) at www.cii.co.uk/knowledge/resources.


Examination guides

You are strongly advised to study these before the examination. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements. You will also find advice at www.knowledge.cii.co.uk/careersupport (CII/Personal Finance Society members only).

4. Understand the main regulatory and legal principles applicable to the transaction of insurance business

Role of the regulator
4.1 The role of the regulator in the insurance industry;
4.2 The international standard setting body for the insurance industry, the IAIS;
4.3 The international standard setting body in relation to financial crime, the FATF;
4.4 The different types of regulatory approaches (including principles-based, risk-based and prescriptive-based regulation);
4.5 Prudential and market conduct regulation;
4.6 Tools used by regulators to supervise the industry.

Capital adequacy
4.7 The importance of establishing and maintaining capital adequacy;
4.8 The different approaches to capital adequacy;
4.9 The relationship between capital adequacy and solvency controls levels.

Anti money laundering and counter terrorism financing
4.10 The regional and global problem;
4.11 The FATF definition of money laundering;
4.12 Know your client: the main principles.

Fraud
4.13 The different types of fraud faced by insurers;
4.14 Fraud management by the insurer.

5. Know key aspects of ethics, corporate governance and internal controls

Ethical standards
5.1 The scope and operation of the CII ethical code of practice in broad outline.

Suitability
5.2 The objectives of ‘fit and proper’ requirements and the risks of unsuitability.

Internal control system
5.3 Risk management frameworks outlined;
5.4 The role of compliance and audit;
5.5 Establishing a customer complaints procedure.