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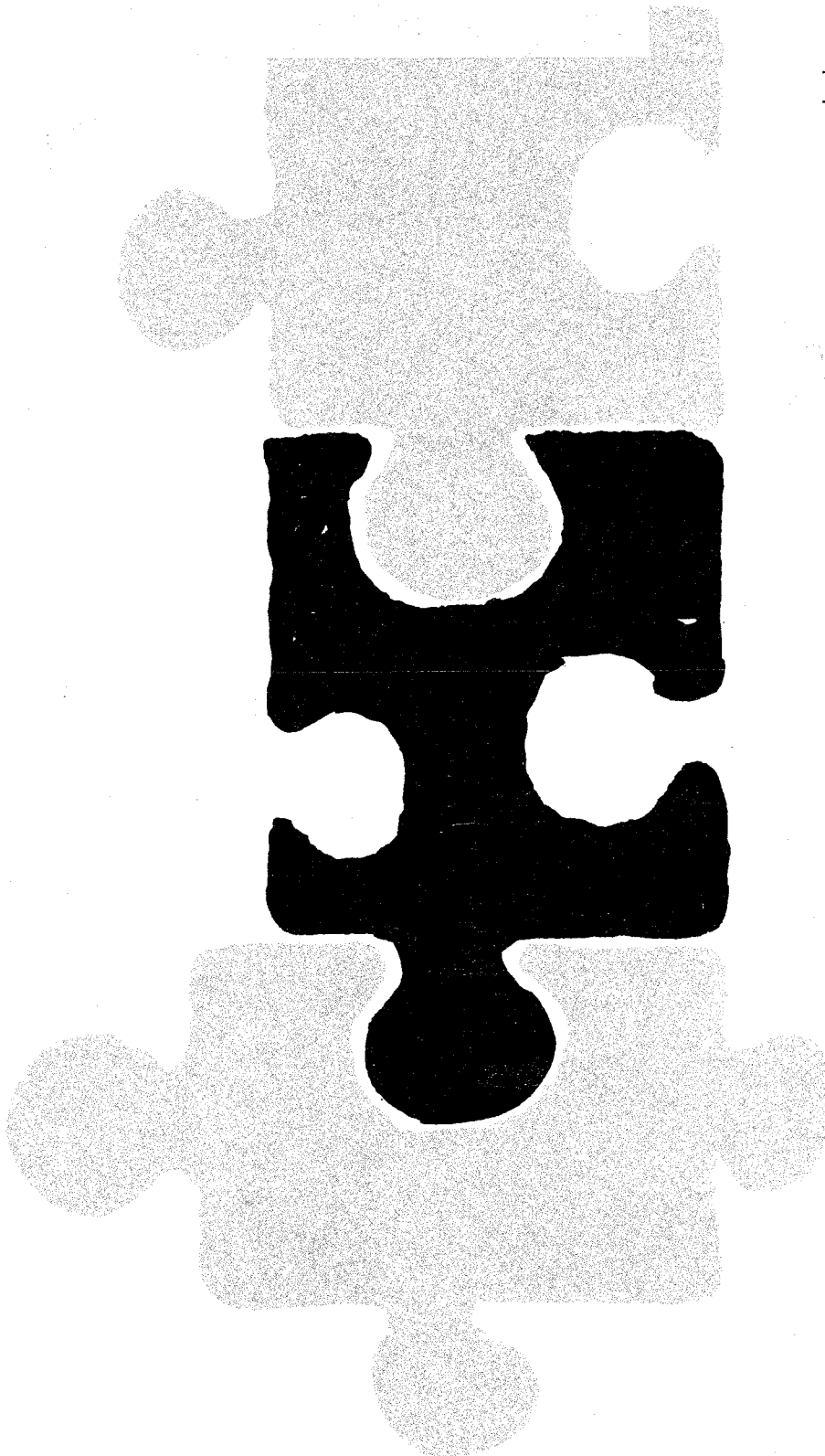
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# XAMINATION LABUSES '96

REFERENCE ONLY

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Certificate of  
Insurance Practice



THE CHARTERED INSURANCE INSTITUTE

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## P01 INSURANCE PRACTICE

### RISK AND INSURANCE

The nature of risk, its identification and analysis.

The responses to risk, including insurance as a risk transfer mechanism.

The nature of insurable risks.

The different classes of insurance.

The range of compulsory insurances in the UK.

### THE MARKET PLACE

The structure of the insurance market.

An outline knowledge of government supervision of insurance operations within the UK.

The development of consumer protection:

- an awareness of the relevant legislation
- the various insurance codes of practice.

### INSURANCE PROCEDURES

The purpose and use of proposal forms, slips, cover notes, policies and certificates of insurance.

The methods of underwriting and rating the main classes of insurance.

An outline knowledge of the reasons and methods used for reinsurance.

Renewal procedures and the rights and obligations which arise at renewal.

An outline knowledge of procedures for settling claims and the use of arbitration.

## P02 LONG-TERM INSURANCE PRACTICE

### THE MARKET PLACE

Structure of financial services and life assurance market.

Types of life office and other financial services organisations.

Marketing methods and distribution channels.

Market and trade associations.

An outline knowledge of State benefit schemes and their relationship to long-term insurance products.

### ORGANISATIONAL FUNCTIONS

The role of the actuary.

The role of the auditor.

Sales and marketing functions.

Information systems and technology.

Investment activities.

Service and administration.

### PRODUCTS

Characteristics of major life and pensions products.

With-profits and unit-linked contracts.

### NEW BUSINESS AND ADMINISTRATION

The issue of illustrations.

Completion of proposals.

An outline knowledge of underwriting procedures.

Premium collection.

Exercise of options and alterations.

Lapse procedures.

Loans, surrenders and paid-up policies.

## P03 LEGAL ASPECTS OF INSURANCE

### LEGAL BACKGROUND

An outline knowledge of the sources of English law and the differences between civil and criminal law.

An outline knowledge of the various classes of legal person.

An outline knowledge of the legal rights and responsibilities of an agent.

An outline knowledge of the principles and sources of tort.

### THE LAW OF CONTRACT

The essential elements of a valid contract and an outline knowledge of:

- the effect of conditions and warranties
- assignments
- discharge of a contract
- remedies for breach of contract.

### SPECIAL LEGAL PRINCIPLES APPLICABLE TO INSURANCE CONTRACTS

Insurable interest.

Utmost good faith and the duty of disclosure.

Indemnity and its corollaries:

- subrogation
- contribution.

Proximate cause.

Insurance conditions and warranties.

## P04 MODERN BUSINESS PRACTICE

### BUSINESS COMMUNICATION

The use of business English.

The varying communication needs within a business.

The construction and use of documents in business communication.

### ACCOUNTING PRACTICE

Basic accounting including:

- terminology;
- concepts;
- procedures.

Assembly and classification of accounting data.

The ways in which accounting information may be presented:

- verbally;
- numerically;
- graphically.

The principles of budgeting and budgetary control.

A basic knowledge of annual reports and accounts.

### INFORMATION TECHNOLOGY

An understanding of the terms relating to computer systems.

The applications of computer technology for:

- word processing
- spreadsheets
- desktop publishing
- computer-assisted learning
- expert systems
- electronic mail
- point of sale use.

The main requirements of the Data Protection Act 1984.

## **P10 AN INTRODUCTION TO COMMERCIAL GENERAL INSURANCES**

### **THE MARKET PLACE**

The structure of the market for commercial risks.

The role of the insurance market in risk improvement and loss prevention.

### **INSURANCE PRINCIPLES**

The application of insurance principles to property, business interruption liability and motor policies.

### **COVERS AVAILABLE**

An outline knowledge of the range of covers available for property, business interruption, liability and motor risks.

An outline knowledge of the various types of reinsurance applicable to commercial general insurances.

## **P11 AN INTRODUCTION TO PERSONAL GENERAL INSURANCES**

### **MARKETING**

The structure of the personal insurance market place.

The ways in which personal insurances are marketed.

### **POLICY COVER**

The scope of motor and non-motor policies written in the personal insurance market.

An outline knowledge of the various types of reinsurance applicable to personal general insurance.

### **LONG-TERM CONTRACTS**

An outline knowledge of:

- permanent health insurance
- life assurance
- pensions.

## **P12 AN INTRODUCTION TO LONG-TERM BUSINESS**

### **THE MARKET**

The structure of the market for the provision of financial advice and products.

The roles of intermediaries and direct salespersons.

The ways in which products and services are marketed.

An outline knowledge of the various types of reinsurance available.

### **THE LEGAL BACKGROUND**

The effect of consumer protection legislation including the Financial Services Act 1986.

### **INSURANCE PRINCIPLES**

The principles of insurance as they apply to life assurance, annuity, permanent health contracts and pensions.

### **INVESTMENT PRODUCTS**

The nature, purpose and scope of life assurance annuities, pensions and other investments.

## **P13 AN INTRODUCTION TO MARINE AND AVIATION INSURANCE**

### **INTERNATIONAL TRADE**

An outline knowledge of economic and physical geography affecting major sea and air ports and major traffic routes.

Commercial practice in international trade.

### **THE LEGAL FRAMEWORK**

An outline knowledge of the principles and sources of tort.

An outline knowledge of UK law and international conventions regulating:

- the liability of owners and operators of ships and aircraft to the owners of goods, passengers and the public
- the responsibilities of carriers of goods by road and rail.

The Chicago Convention 1944 and international conventions relating to offences committed on board aircraft.

An outline knowledge of the Marine Insurance Act 1906.

# **P14 AN INTRODUCTION TO THE PROCESSING AND ACCOUNTING OF INSURANCE TRANSACTIONS**

## **BASIC ACCOUNTING PRACTICE**

An outline knowledge of the rules of accounting applicable to the insurance industry, including premium warranties, premium tax, instalments, treaty balances and reinstatements.

An introduction to specific market sector accounting practice, insurance companies, Lloyd's syndicates, reinsurers, intermediaries and Corporation of Lloyd's.

Bureau accounting.

## **RECORDING AND PROCESSING**

Origination and use of accounting documentation.

Accounting records in respect of:

### **a) premiums**

- by transaction type, eg, class of business (property, liability, pecuniary, contingency, marine, etc.);
- direct business;
- reinsurance business.

### **b) methods of underwriting**

- facultative, binding, authority, proportional treaty, excess of loss etc.

### **c) claims**

- as in (a).

### **d) reinsurance**

- as in (a) plus the need to deal with the recording and processing of reinsurance, costs claims and recoveries (and bad debt on recoveries); retention and release of proportional reserves.

Accounting practice in respect of accounts, reconciliations and pay-as-paid.

## **INTERNAL CONTROL TO ENSURE CORRECT PROCESSING**

### **CONTROL OF CASH FLOW**

Treatment of debtors and creditors, credit control, terms of credit and bad and doubtful debts.

Methods of payment, including banking services and treasury functions. Application of IT to the recording, processing and production of accounting information.

Distinction between cash and profit.

### **MULTI-CURRENCY ACCOUNTING**

An outline knowledge of foreign currency in profit and loss accounts and the implications of exchange/interest rate changes.

## **BASIC INSURANCE ACCOUNTING CALCULATIONS INCLUDING PREMIUM ADJUSTMENTS, AVERAGING, RETURN OF PREMIUMS, REINSTATEMENT PREMIUM, INDEXATION AND BURNING COST**

### **COMPANY FAILURES**

An awareness of why companies fail, liquidation and schemes of arrangements and the impact of company failures: run-off accounting, cut-offs and commutations.

# **P15 AN INTRODUCTION TO PRIVATE MEDICAL INSURANCE**

## **THE PMI MARKET**

The operation of the National Health Service and its inter-relationship with PMI provision (including a definition of primary care, and explanation of public health care in the UK).

The development of the PMI market, with particular reference to the role of provident and commercial insurers, current market size and structure.

The organisation and function of provident and commercial PMI providers.

An outline of the role of third party administrators and intermediaries.

The buyers of PMI — the individual market voluntary group markets and corporate/company group markets.

Techniques employed in marketing PMI business.

## **PRODUCT TYPES**

The principles underlying the basic medical expenses cover offered by PMI providers.

An overview of the main types of PMI policy available to individual and company/corporate buyers including comprehensive plans, budget plans, 6 week NHS plans, over 60s plans, international plans, trust plans.

## **TYPES OF PMI COVER**

Basic risk assessment principles in relation to PMI including rating factors, excesses, standard exclusions, limitations and conditions.

Methods of dealing with existing medical conditions, specifically the use of moratoriums, full medical underwriting, continued personal exclusions and medical history disregarded.

Definition of the terms acute, chronic and treatment in relation to PMI cover.

## **TAXATION**

Inland Revenue regulations for the self-employed.

Tax relief on over 60s plans.

PMI and insurance premium tax.

Taxation of benefits-in-kind in relation to PMI cover.

## **CLAIMS**

Principles and practice of dealing with claims arising under PMI policies.

## **P20 PERSONAL GENERAL INSURANCES UNDERWRITING AND CLAIMS**

### **RATING**

The ways in which statistical information is gathered.

The factors involved in developing rating structures and underwriting policies.

### **UNDERWRITING**

The methods of rating and applying terms to individual risks for motor and non-motor proposals.

The role of the surveyor in relation to property risks.

Loss prevention and reduction methods.

### **CLAIMS**

The procedures for estimating and settling claims under motor and non-motor policies.

The terms of the main claims agreements to which insurers subscribe.

The role of the motor engineer claims adjuster and assessor.

## **P25 PROPERTY INSURANCE**

### **RANGE OF COVERS**

The scope of cover provided within the following classes:

- fire
- additional perils
- theft
- commercial
- all risks
- money
- goods in transit.

An outline knowledge of the scope of cover provided within the following classes:

- fidelity guarantee
- legal expenses
- contingency
- engineering
- livestock.

An outline knowledge of the role of the insurance market in the provision of bonds and other forms of financial guarantee.

### **FINANCIAL ASPECTS OF PROPERTY INSURANCE**

The basis of fixing sums insured and limits of indemnity including:

- first loss insurances
- application of average conditions.

Methods of assessing exposure including:

- estimated maximum loss.

Methods of premium calculations.

### **RISK SHARING**

Methods of risk sharing:

- co-insurance
- reinsurance.

## **P30 BUSINESS INTERRUPTION INSURANCE**

### **POLICY COVER**

The scope of cover provided by business interruption policies in relation to:

- fire
- additional perils
- theft
- all risks
- advance profits.

### **FINANCIAL ASPECTS OF BUSINESS INTERRUPTION INSURANCE**

Methods of assessing exposure including:

- estimated maximum loss.

The bases of fixing sums insured and limits of indemnity including:

- advance profits
- book debts
- declaration-linked
- the effect of under-insurance.

Methods of premium calculation for business interruption risks including:

- book debts.

### **RISK SHARING**

Methods of risk sharing:

- co-insurance
- reinsurance.

## **P35 MOTOR INSURANCE**

### **STATUTE LAW**

An outline knowledge of statute law relating to motor insurance.

### **UNDERWRITING AND POLICY COVER**

The principles of underwriting motor insurance and the methods of calculating premiums.

The scope of cover available for private car, motor cycle and commercial vehicle risks and the use of cover notes and certificates of insurance.

An outline knowledge of fleet ratings, coaches, special types, agricultural and forestry vehicles, and motor trade risks.

### **CLAIMS**

The methods of estimating and settling claims for own damage and third-party risks.



# P40 LIABILITY INSURANCE

## INSURANCE PRINCIPLES

An understanding of how insurance principles apply to liability covers.

## LEGAL LIABILITIES

The special liabilities of:

- bailees
- manufacturers and suppliers of goods
- hoteliers
- owners and occupiers of premises
- employers.

## RISK ASSESSMENT, CONTROL AND UNDERWRITING

The role of the insurance market in:

- surveying
- risk improvement
- loss prevention.

Methods of underwriting the following liability insurances:

- employers' liability
- public liability
- products liability.

The methods and application of reinsurance in relation to liability insurance.

## POLICY COVER AND CLAIMS

The covers required by individuals, groups, professions and businesses of all kinds.

The scope of employers' liability, public liability, products liability and professional indemnity policies.

The principles and practice of estimating and reserving for claims.

# P45 LIFE ASSURANCE

## LEGAL ASPECTS

The law relating to title to life assurance policies and annuities, including:

- devolution on death
- assignments.

An outline knowledge of the law relating to trusts.

Consumer protection legislation and, in particular, the Financial Services Act 1986.

## UNDERWRITING AND ADMINISTRATION

The principles of underwriting of lives proposed for assurance.

The administration of life assurance business.

The needs for, and methods of, reinsurance for long-term business.

## POLICIES AND TAX TREATMENT

The purpose and scope of the various long-term insurance policies available.

An outline knowledge of the general principles of income tax, capital gains tax, inheritance tax and social security.

## BASIC PRINCIPLES OF FINANCIAL ASPECTS

Premium bases including mortality, expense and investment considerations.

An outline knowledge of mortality tables, their general nature and characteristics and the uses of the more important ones.

The principles of calculating life assurance and annuity premiums.

# P50 PENSIONS

## LEGISLATION AND STATUTORY REQUIREMENTS

The main features of legislation in the UK affecting retirement and other benefit provision.

The statutory requirements for the approval of retirement and related benefit provision.

## CONSTITUTION AND DOCUMENTATION

The various ways in which schemes may be constituted, funded and operated.

The range of potential benefits and how the amount of benefits and contributions may be determined in relation to pension and related benefit schemes.

The documentation required in setting up and running a scheme.

## THE DIFFERENT TYPES OF POLICY

An outline knowledge of the different types of policy and principles of costing used for insured schemes.

The scope and application of personal pensions.

# P55 MARINE INSURANCE

## STATUTE LAW

An understanding of the Marine Insurance Act 1906 and the Marine Insurance (Gambling Policies) Act 1909.

## RISK ASSESSMENT AND UNDERWRITING

An outline knowledge of ship design and construction for different types of vessels and their trade and use.

The nature of cargoes, methods of packing and stowage and their susceptibility to loss or damage.

The principles of assessment and underwriting of marine risks.

The application of the various types of reinsurance available.

## POLICY COVER AND CLAIMS

Lloyd's and Institute of London Underwriters' marine policy forms and the major current Institute clauses.

The principles of adjustment and settlement of marine claims (including recoveries).

The functions of claims settling agents, salvage associations, average adjusters, hull and cargo surveyors.

## **P60 AVIATION INSURANCE**

### **AIRCRAFT CONSTRUCTION**

An outline knowledge of the principles of design and construction of the different types of fixed and rotary wing aircraft, including current developments.

The theory of flight.

### **RISK ASSESSMENT AND UNDERWRITING**

The principles of risk assessment and underwriting for aviation insurance.

The compilation and use of:

- statistics
- records
- information services.

An outline knowledge of the different types of reinsurance available.

### **POLICY COVERS AND CLAIMS**

The standard aviation policies and clauses in common use.

The presentation, adjustment and settlement of aviation claims (including recoveries).

The functions of loss assessors and the organisations available to assist aviation insurers in the investigation of claims.

## **P65 REINSURANCE**

### **PRINCIPLES OF REINSURANCE**

The principles of reinsurance as applied to classes of business other than life assurance and marine insurance.

The methods of reinsurance in current use.

The main clauses in current use.

### **PRACTICE OF REINSURANCE**

Factors involved in underwriting reinsurance business.

The methods of providing for outstanding claims and unearned premiums, and the setting up of premium and loss reserves.

### **THE MARKET PLACE**

An outline knowledge of market mechanisms in the exchanging and placing of reinsurance business.

## **P70 INSURANCE TECHNICAL ACCOUNTS AND THE ACCOUNTING FRAMEWORK**

### **MANAGEMENT ACCOUNTING**

Understanding of accounting principles, the development and application of information contained in:

- the balance sheet
- profit and loss account.

Construction of (simple) accounts from primary records.

Principal differences between insurance companies' accounting, Lloyd's syndicates' accounts and intermediaries' accounts.

Purpose and uses of accounts.

Integration of financial and costing information.

Business control by planning, comparison of analysed actual against plan and collation of actual expenditure.

How cost and financial information are produced from the same data.

### **RESERVE ACCOUNTING AND SOLVENCY**

Margins of solvency and guarantee funds and the issues associated with these requirements.

Understanding of the principles and practices of reserve setting; claims reserving; premium reserving; outstanding claims including IBNR, long-tail, short-tail liabilities, acceptable methods of aggregation and valuation, use of statistical methods etc; unearned premium provisions: 24ths and other methods of calculation; unexpired risk; funds 2/3 years; long-term business funds.

Fund accounting and the circumstances when it is used.

Awareness of accounting adjustments for the principal insurance technical provisions, what these represent, the uncertainty surrounding calculation and the general features to be considered in assessing the level and impact of incorrect assessments.

Safeguards for policyholders and clients of insurance companies, Lloyd's syndicates and intermediaries.

### **LEGAL AND REGULATORY ISSUES**

Responsibilities of directors/auditors.

Current EC and UK legislation relating to long-term insurance accounting practice and to general insurance accounting practice.

Taxation considerations, including VAT, insurance premium tax and DTI returns.

### **INVESTMENT TRANSACTIONS**

Collection and processing of investment income receivable, agreement of amounts received with amounts expected by reference to the product of nominal holding and rate of payment.

Processing of investment capital transactions:

- brokers notes and balances
- ex/cum dividend
- profits on disposal/part disposal.

### **COMPANY FAILURES**

Understanding of the reasons underlying company failures.

Liquidations and schemes of arrangement.

Understanding of the techniques and practices of run-off accounting.





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