**OBJECTIVES:** To provide a knowledge and understanding of the laws which form a background to the operation of insurance and of the system within which these laws operate.

### THE NATURE AND SOURCES OF LAW

<table>
<thead>
<tr>
<th>Knowledge rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Classification of law and distinctions between public and private, criminal and civil law.</td>
</tr>
<tr>
<td>1</td>
<td>Characteristics of the legal system in operation.</td>
</tr>
<tr>
<td>2</td>
<td>Sources of law, including common law, equity, custom and legislation.</td>
</tr>
<tr>
<td>2</td>
<td>Delegated legislation and statutory interpretation.</td>
</tr>
<tr>
<td>2</td>
<td>Effect of supra-national legislation on national systems (eg, EC law).</td>
</tr>
<tr>
<td>2</td>
<td>Courts and the system of precedent.</td>
</tr>
</tbody>
</table>

### LEGAL PERSONALITY

<table>
<thead>
<tr>
<th>Knowledge rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Status and capacity of natural legal persons and corporations (juristic persons).</td>
</tr>
<tr>
<td>2</td>
<td>Procedures for the formation and dissolution of corporations.</td>
</tr>
<tr>
<td>2</td>
<td>Unincorporated associations.</td>
</tr>
<tr>
<td>2</td>
<td>Comparison of corporations and unincorporated associations.</td>
</tr>
</tbody>
</table>

### AGENCY

<table>
<thead>
<tr>
<th>Knowledge rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nature of agency.</td>
</tr>
<tr>
<td>2</td>
<td>Relationships between principal, agent and third parties.</td>
</tr>
<tr>
<td>2</td>
<td>Creation of agency.</td>
</tr>
<tr>
<td>2</td>
<td>Nature of an agent’s rights, responsibilities, authority and duties.</td>
</tr>
<tr>
<td>2</td>
<td>Termination of agency and the effects of termination.</td>
</tr>
<tr>
<td>2</td>
<td>Application of the law of agency to insurance.</td>
</tr>
</tbody>
</table>

### THE LAW OF TORTS

<table>
<thead>
<tr>
<th>Knowledge rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Nature and classification of torts.</td>
</tr>
<tr>
<td>2</td>
<td>Characteristics of the main torts.</td>
</tr>
<tr>
<td>2</td>
<td>Defences in tort.</td>
</tr>
<tr>
<td>2</td>
<td>Limitation of actions in tort.</td>
</tr>
<tr>
<td>2</td>
<td>Remedies in tort.</td>
</tr>
</tbody>
</table>

### THE LAW OF CONTRACT

<table>
<thead>
<tr>
<th>Knowledge rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Nature of contractual liability and classification of contracts.</td>
</tr>
<tr>
<td>2</td>
<td>Rules governing the formation of a contract.</td>
</tr>
<tr>
<td>2</td>
<td>Classification of contract terms.</td>
</tr>
<tr>
<td>2</td>
<td>Matters affecting the validity of contracts.</td>
</tr>
<tr>
<td>2</td>
<td>Discharge of contract.</td>
</tr>
<tr>
<td>2</td>
<td>Remedies for breach of contract.</td>
</tr>
<tr>
<td>1</td>
<td>Privity of contract.</td>
</tr>
<tr>
<td>1</td>
<td>Assignment of contractual rights and duties.</td>
</tr>
<tr>
<td>2</td>
<td>Assignment in relation to insurance.</td>
</tr>
<tr>
<td>2</td>
<td>Construction (interpretation) of contracts.</td>
</tr>
</tbody>
</table>

### FORMATION OF THE INSURANCE CONTRACT

<table>
<thead>
<tr>
<th>Knowledge rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>General principles governing the formation of insurance contracts.</td>
</tr>
<tr>
<td>2</td>
<td>The nature of insurable interest.</td>
</tr>
<tr>
<td>2</td>
<td>Development of the law of insurable interest.</td>
</tr>
<tr>
<td>2</td>
<td>Creation of insurable interest.</td>
</tr>
<tr>
<td>2</td>
<td>The application of insurable interest in life and general insurance.</td>
</tr>
</tbody>
</table>

### UTMOST GOOD FAITH

<table>
<thead>
<tr>
<th>Knowledge rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Misrepresentation.</td>
</tr>
<tr>
<td>2</td>
<td>The duty of disclosure.</td>
</tr>
<tr>
<td>2</td>
<td>Breach of good faith: nature and remedies.</td>
</tr>
<tr>
<td>1</td>
<td>The statements of insurance practice and proposed law reform.</td>
</tr>
</tbody>
</table>

### CONDITIONS AND WARRANTIES IN INSURANCE

<table>
<thead>
<tr>
<th>Knowledge rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Express and implied warranties in insurance contracts.</td>
</tr>
<tr>
<td>2</td>
<td>Conditions and other terms in insurance contracts.</td>
</tr>
<tr>
<td>2</td>
<td>Breach of warranty or condition.</td>
</tr>
<tr>
<td>1</td>
<td>Effect of the statement of insurance practice.</td>
</tr>
<tr>
<td>1</td>
<td>Special rules for compulsory insurances.</td>
</tr>
</tbody>
</table>

### VOID AND ILLEGAL INSURANCES

<table>
<thead>
<tr>
<th>Knowledge rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mistake in insurance.</td>
</tr>
<tr>
<td>2</td>
<td>Illegal insurance contracts.</td>
</tr>
</tbody>
</table>

### MAKING AN INSURANCE CLAIM

<table>
<thead>
<tr>
<th>Knowledge rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Principles governing notice and proof of loss.</td>
</tr>
<tr>
<td>2</td>
<td>Construction of insurance contracts.</td>
</tr>
<tr>
<td>2</td>
<td>The doctrine of proximate cause.</td>
</tr>
</tbody>
</table>

### MEASURING THE LOSS

<table>
<thead>
<tr>
<th>Knowledge rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>The nature of indemnity.</td>
</tr>
<tr>
<td>2</td>
<td>Measuring indemnity.</td>
</tr>
<tr>
<td>2</td>
<td>Methods of providing an indemnity.</td>
</tr>
<tr>
<td>2</td>
<td>Salvage and abandonment.</td>
</tr>
<tr>
<td>1</td>
<td>Effect of claim payments on policy cover.</td>
</tr>
</tbody>
</table>
## SUBROGATION AND CONTRIBUTION

<table>
<thead>
<tr>
<th>Topic</th>
<th>Knowledge Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>The nature of subrogation.</td>
<td>1</td>
</tr>
<tr>
<td>The operation of subrogation.</td>
<td>2</td>
</tr>
<tr>
<td>Source of subrogation rights.</td>
<td>2</td>
</tr>
<tr>
<td>Modification of subrogation rights.</td>
<td>2</td>
</tr>
<tr>
<td>The nature of double insurance and contribution.</td>
<td>1</td>
</tr>
<tr>
<td>How contribution arises at common law.</td>
<td>2</td>
</tr>
<tr>
<td>Operation of contribution at common law.</td>
<td>2</td>
</tr>
<tr>
<td>The effect of common contribution conditions.</td>
<td>2</td>
</tr>
<tr>
<td>The basis of contribution: maximum liability and independent liability methods.</td>
<td>2</td>
</tr>
<tr>
<td>The effect on contribution of market agreements.</td>
<td>2</td>
</tr>
</tbody>
</table>

### Knowledge ratings

Each sub-topic has been designated a numerical knowledge rating as follows:

1. General background awareness necessary.
2. Requires a knowledge of the major elements of procedures or concepts and their uses.
3. Requires the ability to evaluate concepts, issues, policies and procedures, together with an understanding of associated aspects of these items and their application to various situations.

### Study materials

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

#### Primary text

**Coursebook P03: Legal aspects of insurance.** The Chartered Insurance Institute.

#### Additional reading


#### Reference materials


#### Periodicals