

London Market insurance principles and practices

Objective

To provide a broader understanding of insurance process and practice across the London Market.

Summary of learning outcomes	Number of questions in the examination ^{*†}
1. Understand the business nature of the London Market	1
2. Understand the main classes of insurance written in the London Market	3
3. Understand reinsurance within the insurance market	3
4. Understand market security	3
5. Understand the regulatory and legal requirements applicable to the transaction of insurance business	6
6. Understand insurance intermediation in the London Market	6
7. Understand the underwriting function within the context of the London Market	7
8. Understand the way that business is conducted in the London Market	14
9. Understand the purpose, benefits and operation of delegated underwriting	4
10. Know the handling of claims in the London Market	4
11. Understand the main methods of resolving complaints	4

* 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.

† Plus 4 case studies comprising 5 questions each covering any of the learning outcomes

Important notes

- Method of assessment: 55 multiple choice questions (MCQs) and 4 case studies, each comprising 5 MCQs. 2 hours are allowed for this examination.
- This syllabus will be examined from 1 January 2027 to 31 December 2027.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- This PDF document has been designed to be accessible with screen reader technology. If for accessibility reasons you require this document in an alternative format, please contact us on online.exams@cii.co.uk to discuss your needs.

1. Understand the business nature of the London Market

- 1.1 Examine and explain the principal parties within the London Market and their relationships with each other and their clients.

2. Understand the main classes of insurance written in the London Market

- 2.1 Explain the importance of the London Market and why clients may decide to place their business within this market.
- 2.2 Examine and explain the main classes of insurance written in the London Market and their main features and describe the losses and liabilities which may give rise to claims under each of the main classes.
- 2.3 Describe how underwriters diversify their risks and manage their portfolios.

3. Understand reinsurance within the insurance market

- 3.1 Examine methods of reinsurance; treaty and facultative; proportional and non-proportional and the differences between them.
- 3.2 Calculate amounts ceded to re-insurers and claims recoverable.

4. Understand market security

- 4.1 Explain basic accountancy concepts including solvency margin calculations.
- 4.2 Explain the Lloyd's chain of security.
- 4.3 Explain the role of rating agencies.

5. Understand the regulatory and legal requirements applicable to the transaction of insurance business

- 5.1 Describe the reasons for compulsory insurance and the types of insurance that are compulsory in the UK.
- 5.2 Explain the impact of the Consumer Rights Act 2015 in relation to insurance contracts.
- 5.3 Explain the impact of the Contracts (Rights of Third Parties) Act 1999 in relation to insurance contracts.
- 5.4 Outline the EU solvency requirements for insurers and industry regulator risk-based capital requirements.
- 5.5 Explain the purpose and calculate the rates of UK Insurance Premium Tax (IPT).

6. Understand insurance intermediation in the London Market

- 6.1 Define the different categories of UK and international intermediaries and the services they provide.
- 6.2 Define and explain the roles of the various types of brokers within the London Market.
- 6.3 Describe the purpose and function of a generic Terms of Business Agreement (TOBA).
- 6.4 Explain broking remuneration including commissions and fees.
- 6.5 Describe the basic features of the law of agency.
- 6.6 Define the main EU and UK legislative provisions applicable to insurance intermediaries.

7. Understand the underwriting function within the context of the London Market

- 7.1 Explain how underwriting is conducted in London as opposed to elsewhere.
- 7.2 Explain the relationship between London Market brokers and underwriters.
- 7.3 Explain lead and follow underwriters within the context of the subscription market.
- 7.4 Describe the causes and effects of the market cycle.
- 7.5 Explain the concept of the modelling and management of exposures and losses.
- 7.6 Explain what is meant by reserving and why it is necessary to make provision for outstanding liabilities.
- 7.7 Explain the terms 'open years management' and 'reinsurance to close' within the Lloyd's Market.

8. Understand the way that business is conducted in the London Market

- 8.1 Describe the documentation used to present risks to insurers.
- 8.2 Explain the legal significance of quotations and renewals.
- 8.3 Describe the duty of fair presentation and the principle of good faith and the consequences of non-compliance.
- 8.4 Explain the legal principles essential to a valid contract.
- 8.5 Explain the purpose and content of the Market Reform Contract (MRC).
- 8.6 Explain the placing process for open MRCs and electronic MRCs.
- 8.7 Explain the operation of the General Underwriters' Agreement.
- 8.8 Explain how an underwriter will know they are on risk.
- 8.9 Identify and explain the various sections of an insurance policy.
- 8.10 Explain the purpose and effect of warranties, conditions and exclusions.
- 8.11 Explain what is meant by the term 'contract certainty'.
- 8.12 Explain the collection and processing of premiums.
- 8.13 Describe how contracts of insurance can be terminated.
- 8.14 Explain how conflicts of interest may arise and how they may be managed.

9. Understand the purpose, benefits and operation of delegated underwriting

- 9.1 Examine and explain the purpose of delegated underwriting/binding authorities.
- 9.2 Explain the controls that Lloyd's has placed on delegated underwriting/binding authorities.
- 9.3 Explain the operation of lineslips and consortium underwriting.

10. Know the handling of claims in the London Market

- 10.1 Explain the role and responsibilities of insurers and brokers in the processing of claims.
- 10.2 Explain the roles of claims personnel.
- 10.3 Explain the application of indemnity, subrogation, contribution, proximate cause principles, excesses and exclusions.

11. Understand the main methods of resolving complaints

- 11.1 Examine and describe the Financial Conduct Authority and Prudential Regulation Authority's regulation of individuals within firms.
- 11.2 Describe the industry regulator's requirements in terms of claims handling.
- 11.3 Describe the services provided by the Financial Ombudsman Service (FOS).
- 11.4 Explain the main requirements of the Financial Services Compensation Scheme (FSCS).

Additional resources

The following resources may assist you with your studies.

Note: The examination will test the syllabus alone.

Supporting information for the syllabus can be found on the unit page via the CII website. The resources found here: www.cii.co.uk/learning will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

Additional reading material can also be found referenced within the study text.

Learning support

London Market insurance principles and practices. London: CII. Study text LM2.

Key Facts Booklet and Knowledge Checker are included as part of Enrolment plus and can also be purchased separately.

Assessment information

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
2. Select the appropriate qualification
3. Select your unit from the list provided
4. Select qualification update on the right hand side of the page

Examination guide

The examination guide is available on the unit page via the CII website.

If you have a current study text enrolment, the current examination guide is included and is accessible via **RevisionMate** (www.cii.co.uk/login). Details of how to access RevisionMate are on the first page of your study text.

It is recommended that you study from the most recent versions of the examination guide.

Exam preparation

Exam preparation guidance and supporting exam documentation are available via the CII website: <https://www.cii.co.uk/learning/qualifications/assessment-information>.