# Insurance, legal and regulatory

## Objective

To provide knowledge and understanding of the basic principles of insurance, including the main legal principles related to insurance contracts, the main regulatory principles related to insurance business and the key elements to protect consumers.

| Summary of learning outcomes | | Number of questions in the examination* |
|---|---|---|
| 1. | Understand the nature and main features of risk within the insurance environment | 9 |
| 2. | Know how to apply the main features of risk and risk management to a given set of circumstances | 2 |
| 3. | Understand the main features of insurance | 8 |
| 4. | Know the structure and main features of the insurance market | 14 |
| 5. | Understand contract and agency | 9 |
| 6. | Understand the principle of insurable interest | 5 |
| 7. | Understand the principle of good faith | 11 |
| 8. | Understand the doctrine of proximate cause and its application to non-complex claims | 2 |
| 9. | Understand the principle of indemnity and how this is applied to contracts of insurance | 7 |
| 10. | Understand the principles of contribution and subrogation | 4 |
| 11. | Understand the main regulatory and legal requirements applicable to the transaction of insurance business | 15 |
| 12. | Understand consumer protection and dispute resolution | 6 |
| 13. | Know the main methods of preventing, handling and resolving consumer complaints | 4 |
| 14. | Understand the CII Code of Ethics and be able to apply the principles to non-complex scenarios | 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.

Published October 2026
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## Important notes

- Method of assessment: 100 multiple choice questions (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.


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## 1. Understand the nature and main features of risk within the insurance environment

1.1 Describe the concepts of risk and risk perception.

1.2 Explain the risk management function and process.

1.3 Describe the various categories of risk.

1.4 Explain the types of risk that can be insured and the types of risk that cannot.

1.5 Describe the components of risk.

1.6 Understand the relationship between frequency and severity and how they are applied.

1.7 Explain the difference between a peril and hazard as they relate to insurance.

## 2. Know how to apply the main features of risk and risk management to a given set of circumstances

2.1 Apply the main features of risk and risk management to different sets of circumstances/scenarios.

## 3. Understand the main features of insurance

3.1 Explain the need for insurance.

3.2 Explain the basis of insurance as a risk transfer mechanism.

3.3 Describe how insurance benefits policyholders and society in general.

3.4 Explain the term coinsurance and how this is used in two distinct ways in the insurance market.

3.5 Describe what is meant by dual insurance and self-insurance.

3.6 Describe the main classes of insurance.

3.7 Explain the purpose of Insurance Premium Tax and the current rates.

## 4. Know the structure and main features of the insurance market

4.1 Describe the structure of the insurance market and the five main groups of people.

4.2 Describe the main categories of insurer in terms of ownership.

4.3 Explain the structure of the Lloyd's market and main features.

4.4 Describe the London Market.

4.5 Describe the distribution channels used for the selling of insurance.

4.6 Explain the purpose of reinsurance.

4.7 Describe the key roles of professionals in insurance.

4.8 Explain the main functions of the principal market organisations.

## 5. Understand contract and agency

5.1 Describe the essential elements of a valid contract.

5.2 Explain conditional and unconditional acceptance of a contract.

5.3 Describe consideration which supports the contract.

5.4 Explain how contracts can be cancelled or terminated.

5.5 Describe methods of creating an agent/principal relationship.

5.6 Describe the duties of an agent and the duties of a principal.

5.7 Explain the consequences of an agent's actions on the principal.

5.8 Describe what should be included in a Terms of Business Agreement (TOBA) between insurers and intermediaries.

## 6. Understand the principle of insurable interest

6.1 Define insurable interest and its components.

6.2 Explain the timing of insurable interest.

6.3 Explain how insurable interest can arise.

6.4 Explain the application of insurable interest to property and liability insurance contracts.

## 7. Understand the principle of good faith

7.1 Explain the principle of good faith and how this applies to contracts of insurance.

7.2 Explain how the duty of fair presentation operates in insurance policies and how it can be altered in terms of the policy.

7.3 Define material circumstances.

7.4 Identify and distinguish between physical and moral hazards in relation to a proposal.

7.5 Explain an insurer's right to information.

7.6 Explain material circumstances that do not require disclosure.

7.7 Explain the consequences of non-disclosure or a breach of the duty of fair presentation.

## 8. Understand the doctrine of proximate cause and its application to non-complex claims

8.1 Explain the meaning of proximate cause.

8.2 Apply proximate cause to scenarios that relate to non-complex claims.

## 9. Understand the principle of indemnity and how this is applied to contracts of insurance

9.1 Define the principle of indemnity.

9.2 Explain the settlement options available to insurers which will provide the insured with the necessary indemnity.

9.3 Identify and distinguish between indemnity and benefit policies.

9.4 Explain what is meant by agreed value policies, first loss policies and new for old cover.

9.5 Calculate a non-complex claim payment, subject to the pro rata condition of average.

## 10. Understand the principles of contribution and subrogation

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

10.2 Explain the principle of subrogation and why it may or may not be pursued in simple circumstances.


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## 11. Understand the main regulatory and legal requirements applicable to the transaction of insurance business

11.1 Explain the reasons for compulsory insurance and describe the types of insurances which are compulsory in the UK.

11.2 Explain the application of the Consumer Rights Act 2015 in relation to insurance contracts.

11.3 Explain the Contracts (Rights of Third Parties) Act 1999 in relation to insurance contracts.

11.4 Explain the role of the financial services regulators in the authorisation, supervision and regulation of insurers and intermediaries.

11.5 Describe the financial services regulatory principles for businesses and the Financial Conduct Authority and Prudential Regulation Authority's regulation of individuals in broad outline.

11.6 Explain the importance of Consumer Duty and positive customer outcomes.

11.7 Describe the consequences of non-compliance – discipline and enforcement.

11.8 Explain the requirements for reporting, record keeping and training and competence.

11.9 Describe the scope and effect of the Insurance: Conduct of Business sourcebook (ICOBS) in broad outline.

11.10 Describe the solvency requirements for insurers and intermediaries and financial services regulatory risk-based capital requirements in broad outline.

## 12. Understand consumer protection and dispute resolution

12.1 Describe the main provisions of the current data protection legislation.

12.2 Describe the main provisions of the current Money Laundering Regulations and their application to insurers and intermediaries.

## 13. Know the main methods of preventing, handling and resolving consumer complaints

13.1 Describe the financial services regulatory requirements in relation to handling complaints.

13.2 Explain the services provided by the Financial Ombudsman Service.

13.3 Describe the main provisions of the Financial Services Compensation Scheme, including the range of activities falling within its scope.

## 14. Understand the CII Code of Ethics and be able to apply the principles to non-complex scenarios

14.1 Explain the five main principles in the CII Code of Ethics.

14.2 Apply the main principles in the CII Code of Ethics and identify positive and negative indicators of ethical behaviour to non-complex scenarios.

## 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

Insurance, legal and regulatory. London: CII. Study text IF1.

E-Learn, 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*.

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