IF1 Insurance, legal and regulatory principles 2026

Chartered Insurance Institute
Standards. Professionalism. Trust

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Learning Outcome		Assessment Criteria		Indicative Content	
1 **9** **questions**	**Understand the nature and main features of risk within the insurance environment.**	**1.1**	Describe the concepts of risk and risk perception.	**1.1.1**	Definitions of risk.
				1.1.2	Alternative meanings of risk.
				1.1.3	Risk and uncertainty.
				1.1.4	Attitude to risk.
		1.2	Explain the risk management function and process.	**1.2.1**	Definition.
				1.2.2	Stages - risk identification, analysis and control.
				1.2.3	Insurers' role in loss prevention and control.
				1.2.4	Examples of risk management tools used by insurers.
				1.2.5	Professionals and industry bodies relevant to risk management.
		1.3	Describe the various categories of risk.	**1.3.1**	Financial and non-financial definitions.
				1.3.2	Pure and speculative.
				1.3.3	Particular and fundamental.
				1.3.4	Benefit policies.
				1.3.5	Relationship between risks.
		1.4	Explain the types of risk that can be insured and the types of risk that cannot.	**1.4.1**	Requirements for insurability - fortuitous event, insurable interest, public policy, homogeneous exposures.
				1.4.2	Examples of risks that can and cannot be insured.
		1.5	Describe the components of risk.	**1.5.1**	Uncertainty.
				1.5.2	Level of risk.
				1.5.3	Peril and hazard.
				1.5.4	Frequency and severity.
				1.5.5	Risk factors for insurers and the way they model risk.
		1.6	Understand the relationship between frequency and severity and how they are applied.	**1.6.1**	Define the relationship.
				1.6.2	Common examples to illustrate the concept.
		1.7	Explain the difference between a peril and hazard as they relate to insurance.	**1.7.1**	Definition of peril.
				1.7.2	Definition of hazard.
				1.7.3	How the two interact with some common examples.

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2 **2 questions**	**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.	**2.1.1**	Indicative examples and outcomes.
				2.1.2	Physical and moral hazards.
				2.1.3	Application across home, motor, commercial and pet insurance.
3 **8 questions**	**Understand the main features of insurance.**	**3.1**	Explain the need for insurance.	**3.1.1**	Define what is meant by risk transfer mechanism.
				3.1.2	Peace of mind.
				3.1.3	Macro and micro economic stability.
		3.2	Explain the basis of insurance as a risk transfer mechanism.	**3.2.1**	What is risk transfer.
				3.2.2	Law of large numbers and the pooling of risks.
				3.2.3	Equitable premiums.
		3.3	Describe how insurance benefits policyholders and society in general.	**3.3.1**	Examples of how insurance benefits individual consumers.
				3.3.2	Examples of how insurance protects businesses.
				3.3.3	Examples of how insurance benefits the economy.
		3.4	Explain the term co-insurance and how this is used in two distinct ways in the insurance market.	**3.4.1**	Where an insured covers a percentage of a risk.
				3.4.2	Where more than one insurer covers a percentage of a risk.
				3.4.3	Define the impact of franchises, excesses and deductibles.
				3.4.4	Explain why sharing of risks may benefit insurers and insureds.
		3.5	Describe what is meant by dual insurance and self-insurance.	**3.5.1**	Define dual insurance and how it is different from coinsurance.
				3.5.2	Define self-insurance.
				3.5.3	Distinguish between co-insurance, dual insurance and self-insurance.
		3.6	Describe the main classes of insurance.	**3.6.1**	Define each class of insurance including property insurance, pecuniary insurance, motor insurance, liability insurance, marine and aviation insurance, health and combined or package policies.
				3.6.2	Detail the main elements of cover for each class of business.
		3.7	Explain the purpose of Insurance Premium Tax and the current rates	**3.7.1**	Describe purpose (solely to collect revenue) for government.
				3.7.2	State current rates and how they differ - (1) Standard rate currently 12% and which policies (2) Higher rate of 20% and which policies (3) Exempt policies.

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4 **14 questions**	**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.	**4.1.1**	Define buyers and detail sub buyers.
				4.1.2	Role of insurers.
				4.1.3	Role of intermediaries.
				4.1.4	Role of comparison websites (aggregators).
				4.1.5	Role of reinsurers.
		4.2	Describe the main categories of insurer in terms of ownership.	**4.2.1**	Proprietary companies.
				4.2.2	Mutual companies.
				4.2.3	Captive companies including protected cell companies.
				4.2.4	Lloyd's.
				4.2.5	Composite companies.
				4.2.6	Specialist insurers.
		4.3	Explain the structure of the Lloyd's market and main features.	**4.3.1**	What is Lloyds and how does it differ from the rest of the market.
				4.3.2	Who invests and owns Lloyd's.
				4.3.3	Role of the different stakeholders in Lloyd's syndicates, managing agents, members agent, Council of Lloyds.
				4.3.4	Transacting business - Lloyds brokers and Market Reform Contracts and how a contract is made.
				4.3.5	Access to the Lloyds Market.
				4.3.6	Main focus of cover provided.
		4.4	Describe the London Market.	**4.4.1**	Definition of the London Market.
				4.4.2	Describe the purpose of this market nationally and internationally.
				4.4.3	The key stakeholders in the London Market.
		4.5	Describe the distribution channels used for the selling of insurance.	**4.5.1**	Explain role of intermediary.
				4.5.2	Agents.
				4.5.3	Brokers.
				4.5.4	Lloyd's Brokers.
				4.5.5	Role of authorised persons and appointed representatives.
				4.5.6	Direct insurance.

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		4.6	Explain the purpose of reinsurance.	**4.6.1**	Benefits and purpose of reinsurance.
				4.6.2	Smoothing peaks and troughs.
				4.6.3	Protecting portfolio of business.
				4.6.4	Improving product range.
		4.7	Describe the key roles of professionals in insurance.	**4.7.1**	Explain the role examples of - underwriters, claims personnel, loss adjusters, loss assessors, surveyors and those providing forensic services, actuaries, risk managers and compliance officers.
		4.8	Explain the main functions of the principal market organisations.	**4.8.1**	Association of British Insurers. British Insurance Brokers' Association. International Underwriting Association of London. London Market Regional Committee. London and International Insurance Brokers Association. Lloyd's Market Association. Managing General Agents' Association. Chartered Insurance Institute. Chartered Institute of Loss Adjusters. Institute and Faculty of Actuaries. Institute of Risk Management. Association of Insurance and Risk Managers in Industry and Commerce. Motor Insurers' Bureau.

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5 9 questions	**Understand contract and agency.**	**5.1**	Describe the essential elements of a valid contract.	**5.1.1**	Offer and acceptance.
				5.1.2	Consideration.
				5.1.3	Intention to create legal relations.
				5.1.4	Capacity to contract.
				5.1.5	Consensus ad idem.
				5.1.6	Legality of purpose.
				5.1.7	Possibility of performance.
				5.1.8	Contract certainty of terms.
				5.1.9	Parties to a contract.
				5.1.10	Evidence of the contract.
		5.2	Explain conditional and unconditional acceptance of a contract.	**5.2.1**	Define conditional acceptance.
				5.2.2	Define unconditional acceptance.
		5.3	Describe consideration which supports the contract.	**5.3.1**	Definition of consideration.
				5.3.2	Examples of where there is and is not consideration.
				5.3.3	Impact of no consideration in a contract.
		5.4	Explain how contracts can be cancelled or terminated.	**5.4.1**	Cancellation and method.
				5.4.2	Insured and insurers rights at cancellation.
				5.4.3	Fulfilment.
				5.4.4	Voidable contracts.
				5.4.5	Breach of warranty.
				5.4.6	Fraud.
		5.5	Describe methods of creating an agent/ principal relationship.	**5.5.1**	Agency by consent and Terms of Business Agreements.
				5.5.2	Agency by necessity.
				5.5.3	Agency by ratification.
		5.6	Describe the duties of an agent and the duties of a principal.	**5.6.1**	Agent - compliance with instructions.
				5.6.2	Personal performance.
				5.6.3	Due care and skill.
				5.6.4	Good faith.
				5.6.5	Accountability.
				5.6.6	Principal - remuneration.
				5.6.7	Indemnity.

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		5.7	Explain the consequences of an agent's actions on the principal.	**5.7.1**	Explain when a principal is bound by the acts of an agent.
				5.7.2	Actual authority (express and implied).
				5.7.3	Apparent authority.
				5.7.4	Consequences for both the agent and the principal for actions that have not been agreed.
		5.8	Describe what should be included in a Terms of Business Agreement (TOBA) between insurers and intermediaries.	**5.8.1**	General requirements • Clear and succinct. • Reflect business relationship. • Define responsibilities and rights. • Regulatory and statutory compliance.
				5.8.2	Status.
				5.8.3	Commission.
				5.8.4	Material information.
				5.8.5	Premiums and credit.
				5.8.6	Claim money.
				5.8.7	Broker/client relationship.
				5.8.8	Direct administration.
				5.8.9	Claims.
				5.8.10	Termination.
				5.8.11	Regulatory requirements.

	Learning Outcome		Assessment Criteria		Indicative Content
6 **5** **questions**	**Understand the principle of insurable interest.**	**6.1**	Define insurable interest and its components.	**6.1.1**	Definition of insurable interest.
				6.1.2	Explanation of components • Subject matter. • Legal relationship. • Financial value.
		6.2	Explain the timing of insurable interest.	**6.2.1**	Describe in general the importance of timing of insurable interest for different classes of business.
		6.3	Explain how insurable interest can arise.	**6.3.1**	Explain three methods insurable interest can arise from • Common law. • Contract. • Statute.
		6.4	Explain the application of insurable interest to property and liability insurance contracts.	**6.4.1**	Property • Part or joint owners. • Agents. • Bailees. • Tenants (all with examples) liability - examples of liability under common law and contract.

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7 **11 questions**	**Understand the principle of good faith.**	**7.1**	Explain the principle of good faith and how this applies to contracts of insurance.	**7.1.1**	Definition of good faith.
				7.1.2	How this is applied.
		7.2	Explain how the duty of fair presentation operates in insurance policies and how it can be altered in terms of the policy.	**7.2.1**	Definition of fair presentation.
				7.2.2	Circumstances when this may be modified by policy.
				7.2.3	Changes to material circumstances.
		7.3	Define material circumstances.	**7.3.1**	Definition of material circumstances.
				7.3.2	Current legislation.
		7.4	Identify and distinguish between physical and moral hazards in relation to a proposal.	**7.4.1**	Explanation of physical and moral hazards.
				7.4.2	Application of these concepts.
		7.5	Explain an insurer's right to information.	**7.5.1**	Explain why insurers have a right to information.
				7.5.2	Material circumstances definition and application in insurance.
				7.5.3	Waiving of rights to information.
		7.6	Explain material circumstances that do not require disclosure.	**7.6.1**	Explain what information does not need to be disclosed to an insurer and why • Facts of law. • Facts of public knowledge. • Facts that lessen the risk. • Facts where insurer has waived right. • Facts on a survey. • Facts outside knowledge of insured. • Facts outside scope of specific questions. • Facts covered by policy terms. • Spent convictions.
		7.7	Explain the consequences of non-disclosure or a breach of the duty of fair presentation.	**7.7.1**	Voiding, avoiding ab initio and repudiating the claim.
				7.7.2	Impact of Financial Conduct Authority rules.
				7.7.3	Impact of Financial Ombudsman Service approach.
				7.7.4	Where the insurer cannot act on the breach.

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8 **2 questions**	**Understand the doctrine of proximate cause and its application to non-complex claims.**	**8.1**	Explain the meaning of proximate cause.	**8.1.1**	Define proximate cause.
		8.2	Apply proximate cause to scenarios that relate to non-complex claims.	**8.2.1**	Provide simple scenarios.
9 **7 questions**	**Understand the principle of indemnity and how this is applied to contracts of insurance.**	**9.1**	Define the principle of indemnity.	**9.1.1**	Illustrate the definition and meaning of indemnity.
		9.2	Explain the settlement options available to insurers which will provide the insured with the necessary indemnity.	**9.2.1**	Cash payment.
				9.2.2	Repair.
				9.2.3	Replacement.
				9.2.4	Reinstatement.
		9.3	Identify and distinguish between indemnity and benefit policies.	**9.3.1**	Define indemnity policy.
				9.3.2	Define benefit policy.
				9.3.3	Explain how calculation of payments under each policy differ.
		9.4	Explain what is meant by agreed value policies, first loss policies and new for old cover.	**9.4.1**	Explain and give examples of claim scenarios for agreed value policies.
				9.4.2	First loss policies.
				9.4.3	New for old cover.
		9.5	Calculate a non-complex claim payment, subject to the pro rata condition of average.	**9.5.1**	What is underinsurance.
				9.5.2	What is average.
				9.5.3	Why it is applied.
				9.5.4	How it is calculated with the relevant formula and examples.

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10 **4** **questions**	**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.	**10.1.1**	Definition of contribution and how it arises.
				10.1.2	Methods of calculating (rateable proportion and independent liability) contribution with examples.
		10.2	Explain the principle of subrogation and why it may or may not be pursued in simple circumstances.	**10.2.1**	Definition of subrogation.
				10.2.2	Who is impacted by insurance contract wording.
				10.2.3	Why it may not be pursued.
				10.2.4	Precluded subrogation rights • Insured has no rights. • Benefit policies. • Subrogation waiver. • Negligent fellow employees.
11 **15** **questions**	**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.	**11.1.1**	Purpose of compulsory insurance.
				11.1.2	Motor.
				11.1.3	Employers' liability.
				11.1.4	Other compulsory insurances.
		11.2	Explain the application of the Consumer Rights Act 2015 in relation to insurance contracts.	**11.2.1**	Importance of Consumer Rights Act 2015 in protecting consumers against unfair terms in a contract.
				11.2.2	When terms may be deemed to be unfair.
		11.3	Explain the Contracts (Rights of Third Parties) Act 1999 in relation to insurance contracts.	**11.3.1**	Explain privity of contract.
				11.3.2	Explain provisions of the Act and its purpose.
		11.4	Explain the role of the financial services regulators in the authorisation, supervision and regulation of insurers and intermediaries.	**11.4.1**	Explain role of regulators in authorising, supervising and regulating insurers and intermediaries.

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		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.	**11.5.1**	Financial Conduct Authority objectives.
				11.5.2	Prudential Regulation Authority objectives.
		11.6	Explain the importance of Consumer Duty and positive customer outcomes.	**11.6.1**	The importance of Consumer Duty and positive customer outcomes.
		11.7	Describe the consequences of non-compliance – discipline and enforcement.	**11.7.1**	Types of enforcement action and considerations for enforcement.
				11.7.2	When enforcement is applied.
		11.8	Explain the requirements for reporting, record keeping and training and competence.	**11.8.1**	Detail 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.	**11.9.1**	Application of ICOBS rules.
		11.10	Describe the solvency requirements for insurers and intermediaries and financial services regulatory risk-based capital requirements in broad outline.	**11.10.1**	Purpose and provisions of solvency requirements.
				11.10.2	Consequences for insurers where capital falls below required level.
12 **6** **questions**	**Understand consumer protection and dispute resolution.**	**12.1**	Describe the main provisions of the current data protection legislation.	**12.1.1**	Categories of data.
				12.1.2	Data Protection Act 2018 (from the General Data Protection Regulation) main provisions and purpose.
				12.1.3	Consequences of non-adherence.
		12.2	Describe the main provisions of the current Money Laundering Regulations and their application to insurers and intermediaries.	**12.2.1**	Criminal Justice Act 1993.
				12.2.2	Proceeds of Crime Act 2002.
				12.2.3	Serious Crime Act 2007 and 2015.
				12.2.4	Money Laundering Regulations 1993 and 2017.

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13 **4 questions**	**Know the main methods of preventing, handling and resolving consumer complaints.**	**13.1**	Describe the financial services regulatory requirements in relation to handling complaints.	**13.1.1**	Dispute Resolution: Complaints (DISP) sourcebook and requirements.
		13.2	Explain the services provided by the Financial Ombudsman Service.	**13.2.1**	Definition of complaint • Who are eligible complainants. • Prior consideration by insurers. • Powers of the Financial Ombudsman Service (FOS) and level of awards and on who they are binding. • Fees and who pays.
		13.3	Describe the main provisions of the Financial Services Compensation Scheme, including the range of activities falling within its scope.	**13.3.1**	Purpose of scheme. Limits of payouts for compulsory and non-compulsory insurance. How scheme is funded.
14 **4 questions**	**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.	**14.1.1**	List the five main principles and key provisions.
		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.	**14.2.1**	Application of common scenarios that are in insurance industry.