



Learning Outcome

Assessment Criteria

Indicative Content

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| 1 20 Questions | Understand the nature and main features of risk and insurance. | 1.1 | Explain the concept 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 how different risks are categorised. | 1.2.1 | Financial and non-financial definitions. |
| | | | | 1.2.2 | Pure and speculative. |
| | | | | 1.2.3 | Particular and fundamental. |
| | | | | 1.2.4 | Benefit policies. |
| | | | | 1.2.5 | The basic purpose of reinsurance. |
| | | | | 1.2.6 | Relationship between risks. |
| | | | | 1.2.7 | The types of risk that can and cannot be insured. |
| | | 1.3 | Explain the risk management function and process. | 1.3.1 | Stages – risk identification, analysis and control. |
| | | | | 1.3.2 | Insurers' role in loss prevention and control. |
| | | | | 1.3.3 | Examples of risk management tools used by insurers. |
| | | | | 1.3.4 | Professionals and industry bodies relevant to risk management. |
| | | 1.4 | Explain the components of risk. | 1.4.1 | Level of risk. |
| | | | | 1.4.2 | Frequency and severity. |
| | | | | 1.4.3 | Peril and hazard. |
| | | 1.5 | Apply the principles of risk to a given set of circumstances. | 1.5.1 | Apply to a given set of circumstances. |
| | | 1.6 | Explain the need for insurance. | 1.6.1 | What is meant by risk transfer. |
| 1.6.2 | Law of large numbers and the pooling of risks. | | | | |
| 1.6.3 | Equitable premiums. | | | | |
| 1.6.4 | How insurance benefits policyholders and society. | | | | |
| 1.7 | Explain what is meant by co-insurance, dual insurance and self-insurance. | 1.7.1 | The two different definitions of co-insurance. | | |
| | | 1.7.2 | Dual insurance and how it is different from coinsurance. | | |
| | | 1.7.3 | Self-insurance. | | |
| | | 1.7.4 | The difference between coinsurance, dual insurance and self-insurance. | | |



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| | | 1.8 | Explain the main classes of insurance in outline. | 1.8.1 | The main classes, including, property insurance, pecuniary insurance, motor insurance, liability insurance, marine and aviation insurance, health and combined or package policies. |
| 2 11 Questions | Know the structure and main features of the Hong Kong insurance market. | 2.1 | Explain the way in which the Hong Kong insurance market is structured and its role in the global insurance market. | 2.1.1 | Who purchases insurance. |
| | | | | 2.1.2 | The role of insurers. |
| | | | | 2.1.3 | The role of intermediaries. |
| | | | | 2.1.4 | The role of comparison websites (aggregators). |
| | | | | 2.1.5 | The role of reinsurers. |
| | | | | 2.1.6 | Other participants of the insurance market. |
| | | 2.2 | Explain the different types of insurers. | 2.2.1 | Proprietary companies. |
| | | | | 2.2.2 | Mutual Companies. |
| | | | | 2.2.3 | Captive Companies including protected cell companies. |
| | | | | 2.2.4 | Composite companies. |
| | | | | 2.2.5 | Specialist insurers. |
| | | 2.3 | Explain the unique structure and main features of Lloyd's. | 2.3.1 | What is Lloyd's and how does it differ from the rest of the market. |
| | | | | 2.3.2 | Role of the different stakeholders in Lloyd's including, syndicates, managing agents, members agent and the Council of Lloyd's. |
| | | | | 2.3.3 | Access to the Lloyd's Market. |
| | | | | 2.3.4 | Main focus of cover provided. |
| | | 2.4 | Explain the different distribution channels used for the selling of insurance. | 2.4.1 | Direct insurance. |
| 2.4.2 | Agents. | | | | |
| 2.4.3 | Brokers. | | | | |
| 2.4.4 | Lloyd's Brokers. | | | | |
| 2.4.5 | Authorised persons and appointed representatives. | | | | |
| 2.4.6 | Price comparison websites (aggregators). | | | | |



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| 3 11 Questions | Know the main functions of insurance professionals. | 3.1 | Explain the key roles within the insurance profession. | 3.1.1 | The main functions of underwriters. |
| | | | | 3.1.2 | The main functions of claims personnel. |
| | | | | 3.1.3 | The main functions of loss adjusters and loss assessors. |
| | | | | 3.1.4 | The main functions of actuaries. |
| | | | | 3.1.5 | The main functions of risk managers. |
| | | | | 3.1.6 | The main functions of compliance officers. |
| 4 42 Questions | Understand the main legal principles governing insurance contracts. | 4.1 | Explain the essentials of a valid contract of insurance. | 4.1.1 | Intention to create legal relations. |
| | | | | 4.1.2 | Capacity to contract. |
| | | | | 4.1.3 | Offer and acceptance, including conditional and unconditional acceptance. |
| | | | | 4.1.4 | Consideration. |
| | | | | 4.1.5 | Parties to a contract. |
| | | | | 4.1.6 | Evidence of the contract. |
| | | 4.2 | Explain how contracts of insurance can be terminated. | 4.2.1 | Cancellation by the insured. |
| | | | | 4.2.2 | Cancellation by the insurer. |
| | | 4.3 | Explain the creation of an agency and how it is binding. | 4.3.1 | Agency by consent. |
| | | | | 4.3.2 | Agency by necessity. |
| | | | | 4.3.3 | Agency by ratification. |
| | | | | 4.3.4 | Actual authority (express and implied). |
| | | | | 4.3.5 | Apparent authority. |
| | | 4.4 | Describe the duties of an agent and the duties of a principal. | 4.4.1 | Duties of the agent including compliance with instructions, personal performance, due care and skill and accountability. |
| | | | | 4.4.2 | Duties of the principal including remuneration and indemnity. |
| | | | | 4.4.3 | Duties of both - good faith. |
| | | | | 4.4.4 | The main content of a terms of business agreement. |
| | | 4.5 | Explain the requirements for insurable interest in insurance contracts. | 4.5.1 | How and when insurable interest can arise. |
| 4.5.2 | The subject matter and its relationship to the insured. | | | | |
| 4.5.3 | Insurable interest and liability. | | | | |



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| | 4.6 Explain how the principles of disclosure and representation apply to contracts of insurance. | 4.6.1 The importance of disclosing relevant information. |
| | | 4.6.2 Information that should be disclosed. |
| | | 4.6.3 How disclosure and representation is modified by policy wordings. |
| | | 4.6.4 Factors that might limit and insurers entitlement to information. |
| | | 4.6.5 The consequences of non-disclosure or misrepresentation of relevant information. |
| | 4.7 Explain the definition of proximate cause and how it is applied to non-complex claims. | 4.7.1 Definition and application of proximate cause. |
| | 4.8 Explain the principle of indemnity and how it is provided under most insurance contracts. | 4.8.1 The definition and meaning of indemnity. |
| | | 4.8.2 Cash payment. |
| | | 4.8.3 Repair. |
| | | 4.8.4 Replacement. |
| | | 4.8.5 Reinstatement. |
| | 4.9 Explain how the principle of indemnity can be modified by insurance contracts. | 4.9.1 Agreed value policies. |
| | | 4.9.2 First loss policies. |
| | | 4.9.3 New for old cover. |
| | | 4.9.4 Benefit policies. |
| | 4.10 Explain underinsurance and average. | 4.10.1 What is underinsurance. |
| | | 4.10.2 What is average. |
| | | 4.10.3 How average is calculated. |
| | 4.11 Explain the basic principle of contribution and how it applies to the sharing of claim payments in straightforward property cases. | 4.11.1 Definition of contribution and how it arises. |
| | | 4.11.2 How contribution is calculated. |
| 4.12 Explain the principle of subrogation. | 4.12.1 Definition of subrogation. | |
| | 4.12.2 How it is impacted by insurance contract wording. | |
| | 4.12.3 Why it may not be pursued. | |
| | 4.12.4 Where subrogation does not apply. | |



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| 5 14 Questions | Understand the main regulatory and legal principles applicable to the transaction of insurance business in Hong Kong. | 5.1 | Explain the importance of the regulation of the Hong Kong insurance industry. | 5.1.1 | The purpose of regulation of the insurance industry. |
| | | | | 5.1.2 | Different regulatory approaches. |
| | | | | 5.1.3 | Consequences of non-compliance. |
| | | | | 5.1.4 | Tools used by regulators to supervise the industry. |
| | | | | 5.1.5 | The international standard setting body for the insurance industry, the IAIS. |
| | | 5.2 | Understand the importance of establishing and maintaining capital adequacy. | 5.2.1 | The different approaches to capital adequacy. |
| | | | | 5.2.2 | The relationship between capital adequacy and solvency controls levels. |
| | | 5.3 | Understand the importance of combating financial crime. | 5.3.1 | The international standard setting body in relation to financial crime, the FATF. |
| | | | | 5.3.2 | Definition of money laundering. |
| | | | | 5.3.3 | Definition of anti-terrorist financing. |
| | | | | 5.3.4 | The responsibility of the insurer to prevent financial crime. |
| | | 5.4 | Explain fraud and how it impacts the insurance industry. | 5.4.1 | The different types of fraud faced by insurers. |
| | | | | 5.4.2 | Fraud management by the insurer. |
| | | 6 2 questions | Know key aspects of ethics, corporate governance and internal controls. | 6.1 | Explain the functions of the Chartered Insurance Institute (CII). |
| 6.1.2 | The CII ethical code of practice. | | | | |
| 6.2 | Explain the importance of the fair treatment of customers and positive customer outcomes. | | | 6.2.1 | The importance of the fair treatment of customers and positive customer outcomes. |
| | | | | 6.3 | Understand the objectives of 'fit and proper' requirements and the risks of unsuitability. |
| 6.3 | Understand the objectives of 'fit and proper' requirements and the risks of unsuitability. | | | 6.3.1 | The risk of unsuitability. |
| | | | | 6.3.2 | General requirements. |
| | | | | 6.3.3 | Integrity. |
| | | | | 6.3.4 | Soundness of judgement. |
| | | | | 6.3.5 | Knowledge and experience. |
| 6.4 | Explain the importance of internal control systems. | | | 6.4.1 | Risk management frameworks outlined. |
| | | | | 6.4.2 | The role of compliance and audit. |
| | | | | 6.4.3 | Establishing a customer complaints procedure. |
| | | | | 6.4.4 | The holding and use of customer data. |