

# Commercial property and business interruption insurances

## Purpose

At the end of this unit, candidates should be able to understand commercial property and business interruption insurances.

## Assumed knowledge

It is assumed that the candidate already has knowledge of the fundamental principles of insurance as covered in IF1 Insurance, legal and regulatory or equivalent examinations.

### Summary of learning outcomes

1. Understand the risk and control of fire, theft and other contingencies to property and business interruption.
2. Understand the cover provided by and main practices of property insurance.
3. Understand the cover provided by and main practices of business interruption insurance.
4. Understand the underwriting of property and business interruption insurance.
5. Understand how property and business interruption insurance claims are handled.

## Important notes

- Method of assessment: Part I 14 compulsory questions (140 marks). Part II 2 questions selected from 3 (60 marks). Total of 200 marks. Three hours are allowed for this exam.
- The syllabus is examined on the basis of English law and practice unless otherwise stated.
- The general rule is that the exams are based on the English legislative position six months before the date of the exams.
- 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](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page

## **1. Understand the risk and control of fire, theft and other contingencies to property and business interruption**

- 1.1 Explain the causes of fire.
- 1.2 Explain the inception and propagation of fire, including their relationship.
- 1.3 Explain the relative fire hazards of trade processes and materials used in business.
- 1.4 Explain the relative fire hazards of building construction.
- 1.5 Explain the methods of fire detection, protection and control.
- 1.6 Explain the definitions of theft.
- 1.7 Explain the inherent risk features of theft.
- 1.8 Explain the main methods of protecting property including money against theft.
- 1.9 Explain the hazards arising from other contingencies and the methods of controlling these.
- 1.10 Examine risk, control of fire and other contingencies in relation to relevant scenarios.
- 1.11 Apply the principles and practices of risk and control of fire, theft and other contingencies to property and business interruption to various scenarios.

## **2. Understand the cover provided by and main practices of property insurance**

- 2.1 Explain the cover provided by property insurance policies.
- 2.2 Explain the clauses commonly used in property insurance policies.
- 2.3 Explain the provision of terrorism cover.
- 2.4 Explain the cover provided in respect of money, fidelity guarantee, goods in transit and commercial all risks.
- 2.5 Apply the principles and practices of property insurance cover to various scenarios.

## **3. Understand the cover provided by and main practices of business interruption insurance**

- 3.1 Explain the cover provided by business interruption insurance policies.
- 3.2 Explain how the sum insured and maximum indemnity periods are selected.
- 3.3 Explain the clauses commonly used in business interruption insurance policies.
- 3.4 Explain the importance of business continuity planning with relation to business interruption insurance.
- 3.5 Apply the principles and practices of business interruption insurance cover to various scenarios.

## **4. Understand the underwriting of property and business interruption insurance**

- 4.1 Explain the use and content of survey reports in the underwriting process.
- 4.2 Explain the importance of and the factors used to calculate an estimated maximum loss (EML).
- 4.3 Explain the risk and pricing criteria used in underwriting property and business interruption insurance.
- 4.4 Describe the key underwriting considerations in managing a property and business interruption insurance portfolio.
- 4.5 Explain the importance of reinsurance and co-insurance with specific reference to property and business interruption.
- 4.6 Explain the application of warranties, excesses, deductibles and franchises.
- 4.7 Apply the principles and practices of underwriting of property and business interruption insurance to various scenarios.

## **5. Understand how property and business interruption insurance claims are handled**

- 5.1 Explain how property and business interruption claims are handled.
- 5.2 Calculate the settlement of property and business interruption claims.
- 5.3 Apply the principles and practices of property and business interruption insurance claims to various scenarios.

## Reading list

The following list provides details of various publications which may assist with your studies.

**Note: The examination will test the syllabus alone.**

The reading list is provided for guidance only and is not in itself the subject of the examination.

The publications will help candidates keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/Personal Finance Society members can borrow most of the additional study materials below from Knowledge Services.

CII study texts can be consulted from within the library. For further information on the lending service, please go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge).

### CII study texts

Commercial property and business interruption insurances. London: CII. Study text P93

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

### Additional reading

Additional reading materials are available through the library or on the Knowledge Services website.

New materials are added frequently – for information about new books and articles in your area of interest, please visit [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

### Books (and ebooks)

Riley on business interruption insurance. 9th ed. Harry Cloughton. London: Sweet & Maxwell, 2011.

Claims and loss of profits insurance. RM Walmsley. London: CILA, 1994.

All-risks property insurance. 2nd ed. John Hanson and Christopher Henley. London: LLP, 1999

Insuring industrial and process machinery. Research study group 237. London: IIL, 2000.

Claims and standard fire policies, special extensions and special perils. RM Walmsley. London: Witherby, 1994.

Property insurance law and claims. Malcolm Hyde. London, CILA, 2010.

Fire insurance law and claims. R M Walmsley. London: CILA, 1997.

‘Cover: causes of loss: Personal accident’. Chapter – The law of insurance contracts. 6th ed. Malcolm A Clarke et al. London: Informa, 2009.

‘All-risks property insurance’. Chapter – Insurance disputes. Jonathan Mance, Iain Goldrein, Robert Merkin. 3rd ed. London: Informa, 2011.

Health and safety: risk management. 3rd ed. Tony Boyle. Wigston: IOSH Services, 2010.

Introduction to fire safety management. Andrew Furness and Martin Muckett. Oxford: Butterworth-Heinemann, 2010.

Fire risk minimisation: Code of Practice for the Food Industry. Insurers’ Fire Research Strategy Scheme, 2007.

‘Fire risk assessment’. Chapter – Practical Risk Assessment Handbook. 5th ed. Mike Bateman. London: LexisNexis, 2006.

The handbook of health and safety practice. Jeremy Stranks. 7th ed. Harlow: Pearson, 2005.

Smith’s law of theft. David Ormerod & David Williams. Oxford: Oxford University Press, 2007.

Security manual. 8th ed. David Brooksbank. Gower, 2007.

Drafting insurance contracts: certainty, clarity, law and practice. Christopher Henley. London: Leadenhall press, 2010.

The FT guide to mastering operational risk. Tony Blunden & Jon Thirlwell. Harlow: FT/Prentice Hall, 2010.

Intelligent internal control and risk management. Matthew Leitch. Aldershot: Gower, 2008.

Corporate risk management. 2nd ed. Tony Merna and Faisal F Al-Thani. Chichester: John Wiley, 2010.

Insurance theory and practice. Rob Thoitys. Routledge, 2010. Also available as an ebook via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

### Factfiles and other online resources

CII factfiles are written by subject matter experts within the insurance and financial services industry. They are updated annually, and interim update bulletins are included where necessary to take into account any major changes during the year. All are available online via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

- Business interruption insurance. Diane Jenkins.
- Risk control. Ian Searle.
- Risk identification. Ian Searle.

LBIA guide to business interruption. London: LBIA. Available online via [www.london-bia.org](http://www.london-bia.org).

Further articles and technical bulletins are available at [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII and Personal Finance Society members only).

### Journals and magazines

The Journal. London: CII. Six issues a year. Also available online (CII/Personal Finance Society members only) via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge).

Post magazine. London: Incisive Financial Publishing. Weekly.

Business insurance. Chicago: Crain Communications. Weekly. Also available online via [www.cii.co.uk/ebsco](http://www.cii.co.uk/ebsco)

### Reference materials

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004. Also available as an ebook via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/Personal Finance Society members only).

Insurance: Conduct of Business sourcebook (ICOBS). Available via [www.fshandbook.info/FS/](http://www.fshandbook.info/FS/).

## Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers.

You are strongly advised to study guides for the last two sittings. Please visit [www.cii.co.uk](http://www.cii.co.uk) to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Alternatively, if you have a current study text enrolment, the latest exam guides are available via [www.revisionmate.com](http://www.revisionmate.com).

Older guides are available (for members only) via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge).

## Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at [www.cii.co.uk/knowledge/iilrevision](http://www.cii.co.uk/knowledge/iilrevision) (CII/Personal Finance Society members only).