

Principles of property and pecuniary insurance

Objective: To provide knowledge and understanding of the principles and practices of commercial property, pecuniary, construction and engineering insurances, the cover available and the principles of claim settlement.

Knowledge ratings:

Each sub-topic has been designated a numerical knowledge rating as follow:

- 1 General background awareness necessary.
- 2 Requires a knowledge of the major elements of procedures or concepts and their uses.
- 3 Requires the ability to evaluate concepts, issues, policies and procedures, together with an understanding of associated aspects of these items and their application to various situations.

	<i>Knowledge rating</i>		<i>Knowledge rating</i>
Method of assessment: See page 7 in the 2004 Advanced Diploma in Insurance 'Information for candidates' brochure.		Other clauses commonly found in property policies: temporary removal, public authority and debris removal clauses, day one and other reinstatement bases, stock declarations, old or obsolete buildings, long-term undertakings, electrical, contract price, motor vehicle and metalworkers clauses.	3
Notes:		First loss, floating and blanket covers.	3
– The syllabus will be based on UK law and practice.		Use of average conditions, warranties, excesses, deductibles and franchises.	3
– The April session will test the legal position as of 31st August of the preceding year.		Extensions to theft policies including collusion, secretion and hold-up cover.	2
– The October session will test the legal position as of 28th February of the same year.		Risks and property covered and excluded, extensions to and general terms of other commercial policies.	2
		Renewal procedures and considerations.	1
Development and structure of property and pecuniary insurance		Pecuniary insurance – business interruption insurance	
Development of property and pecuniary insurances.	1	Need for and function of business interruption insurance.	2
Property and pecuniary insurance market.	1	Explaining what needs to be insured and not insured.	3
Market practices in relation to recommended policy wordings.	1	Distinction between accountants' and insurers' gross profit.	1
Justification for recommended wordings.	2	Definition of the 'difference' basis of gross profit.	3
EC directives relevant to property insurance.	2	Development of payroll coverage.	1
Application of value added tax.	2	Selection of the maximum indemnity period and rationale of choice.	3
Scope, terms and application of the Theft Act 1968, the Riot (Damages) Act 1886 and the Public Order Act 1986.	2	Calculation of gross profit sum insured from presented accounts.	2
		Standard and extra perils insured on interruption policies.	3
Property insurance cover		Additional clauses commonly added to policies including suppliers and customers extensions, public utilities, denial of access, loss of attraction and notifiable diseases cover and other specially requested clauses.	2
The standard and possible additional perils covered by the principal policies.	3	Variations from basic cover including increased cost of working only cover, gross revenue and advance profits policies.	2
Provision of terrorism cover.	3		
The types of property insured (including use of the all other contents clause).	3		
Principal policy terms, conditions and exclusions (and availability of 'buy backs' on 'all risks' policies).	3		

Book debts cover.	1
Awareness of special risks and occupations with special requirements.	1

Pecuniary insurance — fidelity guarantees and bonds, credit insurance

Coverage of fidelity insurance policies, including crime, specific, floating and blanket policies.	2
Distinction between fidelity guarantees and bonds.	2
Scope of cover of commercial guarantees, administration and court bonds, government bonds, bankruptcy and liquidation bonds, customs and excise bonds, local government bonds and contract guarantees.	2
Scope of cover provided by credit insurance policies.	2

Package policies and combined covers

Application of package policies to property and pecuniary insurance.	2
Relationship of package policies to other branches of insurance.	1
Development and operation of combined policies.	3

Risk assessment — property and pecuniary insurance

The tasks of the risk underwriter.	1
Presentation of risks for underwriting.	1
Essential information needed for a risk presentation.	2
Use of proposal and application forms in property and pecuniary insurance.	2
Distinction between physical and moral hazards with examples from all classes of property and pecuniary insurance.	2

Administration and account management

Financial aspects of the property and pecuniary portfolio.	2
Methods of establishing earned premiums.	2
Practices used in the calculation of reserves.	2
Comparison between expense ratios, claims analysis and assessment of underwriting performance.	2
Meaning of accumulation of risk and the application of IT.	2
Use of IT in monitoring risk exposure.	2
Data bank warnings on proposal forms.	1
IT uses in rate calculation for insurance schemes and delegated authority schemes.	2

Claims principles and procedures

Application of the principles of insurance relating to claims, including the effect of warranties.	2
Examples of market agreements and trends in their use.	1
Application of ABI Statement of General Insurance Practice.	2
Role of the Financial Ombudsman Service.	1
Relationship between underwriting and claims teams.	2
Claims notification and use and completion of claim forms.	1
Procedures for handling claims.	3
Use of loss adjusters and content of adjusters' reports.	3
Use of loss assessors.	1
Measurement of indemnity for various classes of property insured.	3
Distinction between indemnity and reinstatement settlements.	3

Calculation of claims involving the use of average conditions.	3
Apportionment of losses involving the principle of contribution.	1
Settlement of claims involving collective policies.	1
Use of policy 'formulae' to calculate business interruption claims settlements.	3
Importance of the material damage proviso.	2
Calculation of gross profit claims on interruption policies including the other circumstances clause and treatment of increase in cost of working, savings and underinsurance.	3
Settlement of claims on commercial guarantees and bonds.	1
Practical settlement of claims in event of dispute including arbitration and use of alternative dispute resolution.	2

Construction insurance (including erection 'all risks') — Development and structure

Development and need for construction insurance.	2
Legislation applicable to construction insurance.	3
Parties to construction contracts.	2
The construction market, including Home Foreign.	1
Construction and its potential effect on environmental issues.	2
Development and structure of other construction related insurances:	
– latent defects insurances;	2
– professional indemnity insurance;	2
– contract guarantee insurance;	2
– civil engineering completed risks.	2

Construction contracts (obligations of interested parties under insurance and indemnity clauses)

Joint Contract Tribunal (JCT), Institution of Civil Engineers (ICE), Government Contracts for Building and Civil Engineering Works (GC/Works/1), Contractors Plant Hire Association Model Conditions for Hiring of Plant (CPA Conditions), Engineering and Construction Contract (ECC).	3
International Conditions of Contract for Works of Civil Engineering Construction (FIDIC contract), Institution of Mechanical Engineers (IMechE), Institution of Chemical Engineers (ICHEME), European Crane Association (ECA).	2
Private Finance Initiative (PFI).	2

Policy cover

Non-admitted risks and differences in policy conditions.	2
Contract works.	3
Machinery erection risks.	3
Contractors' plant and equipment cover.	3
Employers' liability and public liability.	2
JCT 21.2.1.	2
Latent defects.	2
Professional indemnity.	2
Contract guarantee insurance.	2
Civil engineering completed risks.	2

Engineering insurance – Development and structure

Development of and need for engineering insurance.	2
Legislation applicable to engineering insurance.	2
Structure and organisation of engineering insurers.	3
EU standardisation and requirements for best practices.	2
The engineering market, including Home Foreign.	1

Policy cover

Inspected classes.	3
Computers.	2
Machinery movement.	2
Deterioration of stock.	2
Miscellaneous plant.	2

Business interruption relating to engineering and construction insurances – Development and structure

Development of and need for business interruption insurance.	2
Indemnity provided under business interruption policies.	3
The business interruption market including Home Foreign.	1
Application of reinsurance.	2

Engineering business interruption

Engineering business interruption policy cover.	3
Computer and miscellaneous risks.	3

Construction business interruption

Advance profits policy cover.	3
JCT clause 22D Insurance.	2
Business interruption covers for contractors following loss or damage to contract works for increased cost of working and additional cost of construction for unbuilt works.	2
JCT 25.4.3 insurance for contractors for loss of liquidated damages arising out of negligence.	2

Other business interruption covers

Business interruption covers following latent defects insurance.	2
Business interruption covers following civil engineering completed risks insurance.	2
Cover for fines and damages and contract overrun.	2
The nature of business interruption insurance under Private Finance Initiative.	2

Claims

Principles of claims handling.	3
Claims procedures, including legal procedures and notification procedures.	2
Determining the extent of liability and application of policy conditions.	3
Estimating claims reserves, including incurred but not reported (IBNR).	2

Reading list

The following list provides details of various publications which may assist with your studies. The primary text for this syllabus is shown in bold type. Periodicals and publications listed as additional reading will be of value in ensuring candidates keep up to date with developments and in providing a wider coverage of syllabus topics. Any reference materials cited are authoritative, detailed works which should be used selectively as and when required.

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.

Most of these additional study materials can be borrowed or purchased from CII Information Services at www.cii.co.uk/is

Primary text

Principles of Property and Pecuniary Insurance. London: **The CII. Coursebook 745.**

Additional reading and reference material

Fire Insurance: Theory and Practice. E. H. Gamlin and H. Francis. 7th ed. London: Buckley Press, 1991.

Claims and Theft, all Risks and Money policies. D. Cutter. London: Chartered Institute of Loss Adjusters, 1994.

Claims and Standard Fire Policies, Special Extensions and Special Perils. R. M. Walmsley. London: Chartered Institute of Loss Adjusters, 1993.

Riley on Business Interruption & Consequential Loss Insurance. 7th ed. D. Cloughton. London: Witherby's 1991.

Construction Insurance. J. D. Wright. London: Witherby, 1991.

Construction and Erection Insurance. Advanced Study Group Report No 208B of the Insurance Institute of London. London: IIL, 1999.

Health & Safety at Work etc Act 1974. London: HMSO, 1974.

Handbook of Insurance. Kluwer, chapters on engineering insurance.

Insurance Against Inherent Defects in Buildings. London: Advanced Study Group Report No 230 of the Insurance Institute of London, 1992.

Periodicals

The Journal. London: The Chartered Insurance Institute. Six issues a year.

Post Magazine. London: Timothy Benn. Weekly.

Construction News. London: EMAP Construct. Weekly.

Civil engineer international. London: EMAP Construct.

Examination guides

You are strongly advised to study these before the examination. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on 020 8989 8464.