



## AD1 ADVANCED DIPLOMA - SYLLABUS

# Advanced Diploma Syllabus

## AD1 – Application of the Principles of Insurance

Candidates will be required to **thoroughly understand** the appropriate processes of the investigation, management, quantification, validation and resolution of claims, applying the appropriate principles of insurance including disclosure, insurable interest, indemnity, proximate cause, contribution and subrogation under the following policy covers:



### Typical modern Domestic and Commercial Perils based policies

The Perils that must be **thoroughly understood** are: Fire, Lightning, Explosion, Escape of Water, Flood, Theft, Impact, Malicious Damage, Riot, Accidental Loss, Subsidence, Heave and Landslip. The candidate is required to **thoroughly understand** the legal definition of these Perils and will be required to explain the definitions using Statute Law, Case Law and by reference to Financial Ombudsman Service decisions.

It should be noted that this requires knowledge of the Peril but not schemes to remedy the effects of Perils. For example, candidates will be required to understand the Subsidence peril definition, but are NOT required to have knowledge of subsidence remedy schemes.



### Typical modern Domestic and Commercial All Risk based policies

The candidate is required to **thoroughly understand** the scope of cover and typical exclusions under these policies.

## AD1 – Application of the Principles of Insurance (continued)



Candidates must also **thoroughly understand**:

- 1 Warranties, the effect of a breach of a warranty and the following typical warranty wordings: Fat Fryer Warranty, Alarm Warranty, Security Warranty, Stillage Warranty, Waste Removal Warranty and Unoccupancy Warranty.
- 2 The principle of Subrogation, including the Common Law position, typical policy conditions amending the Common Law position, the principle of distribution of recovered monies and appropriate consideration of uninsured losses. In addition, candidates are required to **thoroughly understand** the gathering and recording of evidence to support a recovery, evidencing the extent of loss and the appropriate involvement and management of experts to support the recovery.
- 3 Validation of the extent of loss and the Policyholder's responsibilities.
- 4 The principles of Ethics and Treating the Customer Fairly, including declaration of possible conflicts of interest and the CILA Guide to Professional Conduct.



In addition, candidates are required to **understand**:

- 1 The legislation as detailed in DP1 and DP2.
- 2 Legal entities: Private Individuals, Partnerships, Limited Liability Partnerships, Limited Companies, PLCs, Charities and Chartered Bodies. This includes understanding how to evidence the existence of the legal entity so that insurable and other interests may be handled appropriately.
- 3 Stock Declaration Insurance, First Loss policies, Blanket policies and Declared Value policies.
- 4 Application of Excess, Deductible and Franchise to a claim settlement and how they affect the distribution of monies recovered under subrogation.
- 5 The following typical Policy extensions: Trace and Access, Seasonal Sum Insured, Alternative Accommodation, Sprinkler Leakage, Frozen Food, Contents Temporarily Removed, Loss of Rent and Alternative Accommodation.

## AD1 – Application of the Principles of Insurance (continued)

6 The application of Average, the pro rata Condition of Average and the 85% Condition of Average (note that in the examination only 85% will be used but other percentages may exist).

7 Typical covers available for Cyber Risks. The candidate is required to **understand** the typical cover available, only including:

- Assistance following a cyber-attack
- Costs incurred to keep the business operational or return it to its operational state
- Loss of revenue, income and turnover
- Costs incurred to recreate/restore data and information
- Legal costs and damages from claims alleging privacy breach or network security failure.

The candidate is only required to explain typical covers and is NOT required to understand methods or processes undertaken to resolve the loss.

8 Contribution arising out of Alternative Accommodation on Domestic policies, Travel policies and duplicate cover whether arranged deliberately or otherwise.

9 Dispute resolution process of the Financial Ombudsman Service, including the obligations of the policyholder and the insurer, and the binding effects of the FOS decision.

10 Fraud: the legal definition and the ethical and appropriate use of fraud indicators.

11 Diminution in market value and indemnity settlements, market value, deductions for wear and tear – in relation to penalties for underinsurance and as a method of settlement.

## AD1 – Application of the Principles of Insurance (continued)

You are reminded of the following definitions:



### Subjects that you must **thoroughly understand**

This requires an in-depth knowledge of the topic including an up to date understanding of the law and the ability to demonstrate the application of the knowledge across a wide range of subjects and situations.



### Subjects that you must **understand**

This requires an overall knowledge of the facts of the topic and sufficient knowledge to enable reasoned argument to be presented on the subject in various situations.