

THE CHARTERED INSURANCE INSTITUTE



E81

Examination element of M81 Insurance broking practice

**Based on the 2017/2018 syllabus
examined from 1 May 2017 until 30 April 2018**

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Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute (CII) to assist students in their preparation for the E81 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their E81 studies before attempting the specimen examination. Students should allow themselves one hour to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time. The examination must be successfully passed within 18 months of enrolment on M81.

Although the specimen examination in this guide is typical of an E81 examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry by reading the periodicals listed in the M81 reading list, which is located on the syllabus in this examination guide and on the CII website at **www.cii.co.uk**.

Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

- 1) Visit **www.cii.co.uk/qualifications**
- 2) Select the appropriate qualification
- 3) Select your unit on the right hand side of the page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

Syllabus

The M81 syllabus is published on the CII website at www.cii.co.uk. **Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the CII tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

Skill Specification

The examination syllabus categorises M81 learning outcomes into attainment levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The syllabus requires that candidates have the ability to understand the subject matter. Each learning outcome begins with one of these cognitive skills:

Understanding - Candidates must be able to link pieces of information together in cause and effect relationships. Typically questions may ask 'Why'. Questions set on an understand learning outcome can test either knowledge or understanding or both.

Examination Information

The method of assessment for the E81 examination is 50 multiple choice questions (MCQs). One hour is allowed for this examination.

The M81 syllabus provided in this examination guide will be examined from 1 May 2017 until 30 April 2018.

Candidates will be examined on the basis of English law and practice unless otherwise stated.

The general rule is that legislative and industry changes will not be examined earlier than 3 months after they come into effect.

E81 examinations test the Financial Conduct Authority and Prudential Regulation Authority rules and regulations.

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct response. Each question will contain only one correct or best response to the problem posed.

One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.

Candidates are permitted to make rough notes. Candidates are not permitted, in any circumstances, to remove any papers relating to the examination from the examination room.

Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

Insurance broking practice

Purpose

To provide knowledge and understanding of the wide range of technical skills required by a professional insurance broker with specific reference to client care.

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	Number of questions in the examination*
1. Understand key aspects of the regulatory and legal environment within which insurance brokers operate.	17
2. Understand the role of the insurance broker in meeting client needs.	7
3. Understand the role of the insurance broker in the negotiation and placing of insurance contracts.	10
4. Understand the role of the insurance broker in selecting insurers.	4
5. Understand the role of the insurance broker in the design and operation of insurance programmes.	4
6. Understand the role of the insurance broker in the claims negotiation, collection and payment process.	5
7. Understand the range of services that may be available from insurance brokers and their benefit to clients.	3

*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

Important notes

- **Method of assessment:**
Mixed assessment consisting of two components, both of which must be passed. One component is a coursework assignment and one is a multiple choice examination. The details are:
 1. an online coursework assignment using RevisionMate consisting of 10 questions which sequentially follow the learning outcomes. This must be successfully completed within 6 months of enrolment; and
 2. a multiple-choice question (MCQ) exam at one of the CII's online centres (paper based MCQs are available in April and October for those sitting outside the UK). The MCQ exam consists of 50 MCQs. 1 hour is allowed for this examination. This exam must be successfully passed within 18 months of enrolment.
- This syllabus will be examined from 1 May 2017 until 30 April 2018.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- 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/updates
 2. Select the appropriate qualification
 3. Select your unit on the right hand side of the page

1. Understand the key aspects of the regulatory and legal environment within which insurance brokers operate

- 1.1 Describe how the law of agency applies to insurance brokers in respect of the various roles they could undertake.
- 1.2 Describe the key insurance and non-insurance statutory and contract law applicable to insurance brokers, including key policy documentation.
- 1.3 Define the scope of the Financial Conduct Authority (FCA) and key relevant regulatory definitions.
- 1.4 Explain how the FCA's objectives and principles translate into rules and guidance.
- 1.5 Explain the elements of the Insurance: Conduct of Business Sourcebook (ICOBS).
- 1.6 Explain the importance of treating customers fairly.
- 1.7 Describe the main approach to the regulation of intermediaries in the European Union and elsewhere.

2. Understand the role of the insurance broker in meeting client needs

- 2.1 Describe the approach to demands and needs and suitability statements.
- 2.2 Describe the regulatory and other information brokers disclose to clients and the various forms this can take.
- 2.3 Explain the delivery of 'contract certainty' and dealing with subjectivities – surveys, proposal forms.
- 2.4 Explain how complaints are dealt with, the handling of errors and omissions, claims and various forms of compensation.

3. Understand the role of the insurance broker in the negotiation and placing of insurance contracts

- 3.1 Explain the broker's duty in the presentation of risk to insurers.
- 3.2 Explain the principles and objectives of good submission drafting, including the market reform slip.
- 3.3 Describe good practice in the presentation of quotation and contract information to clients.
- 3.4 Explain the duties when using sub-broking arrangements and the various forms of introducer.
- 3.5 Explain the legal duties of wholesale brokers – to the producing broker and to the insured.

4. Understand the role of the insurance broker in selecting insurers

- 4.1 Explain the main factors to be taken into account when selecting insurers and the importance of the broker in this process.
- 4.2 Explain the need for an insurer to be licensed to write a particular class of business in the UK.
- 4.3 Describe the FCA 'scope of service': single insurer, limited panel and 'Fair Analysis'.
- 4.4 Explain the general approach to assessing the security of an insurer.

5. Understand the role of the insurance broker in the design and operation of insurance programmes

- 5.1 Describe the general approach to the design and operation of insurance programmes including the involvement of self-insurance and captives.
- 5.2 Explain the detail behind complex programmes.
- 5.3 Explain the use of global markets, including the use of different markets at different stages of the insurance market cycle.
- 5.4 Describe the operation of schemes, lineslips and delegated authorities.
- 5.5 Explain post placement activity and administration.

6. Understand the role of the insurance broker in the claims negotiation, collection and payment process

- 6.1 Explain the duties of the broker in negotiating claims on behalf of clients and the impact of fraud.
- 6.2 Describe the different methods of dealing with claims.
- 6.3 Explain the duties of the broker in handling claims records including disease claims, and the market agreement on employers' liability records.
- 6.4 Explain the duty of a broker to deal with a claim when the client has been lost.

7. Understand the range of services that may be available from insurance brokers and their benefit to clients

- 7.1 Explain the fundamentals of risk/risk transfer and the broker's role in the management process.
- 7.2 Describe captive insurance company services.
- 7.3 Describe specialist risk consultancy services.

Reading list

The following list provides details of various publications which may assist you 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 you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

CII study texts

Insurance broking practice. London: CII. Study text M81.

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

Books (and ebooks)

Bowstead and Reynolds on agency. Peter Watts & FMB Reynolds. 20th ed. London: Thomson Reuters, 2014.

'Claims against insurance brokers'. Chapter: Insurance claims. 4th ed. Alison Padfield. Tottel, 2016.

Insurance brokers: an industry accounting and auditing guide. 5th ed. M Grice, S Ouarbya. London: CCH Wolters Kluwer, 2013.

'Intermediary responsibility'. Chapter: Insurance disputes. 3rd ed. Jonathan Mance et al. Informa, 2011.

'Lloyd's brokers and other agents of the assured'. Chapter in Lloyd's: law and practice. Julian Burling. Oxon: Informa Law, 2014.*

Pinsent Masons guide to insurance distribution. 2nd ed. Andrew Long. London: Kogan Page, 2009.

The law of insurance broking. 3rd ed. Christopher Henley. London: Sweet & Maxwell, 2016.

The role of agents in insurance business. Chapter – MacGillivray on insurance law: relating to all risks other than marine. 13th ed. Sweet & Maxwell, 2015.

Winning client trust. Chris Davies. London: Ecademy Press, 2011.

Factfiles and other online resources

CII factfiles are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Covering general insurance, life and pensions and financial services sectors, the factfile collection includes key industry topics as well as less familiar or specialist areas with information drawn together in a way not readily available elsewhere. Available online via www.cii.co.uk/ciifactfiles (CII/PFS members only).

- Insurance accounting (general business). Ian Hutchinson, updated by Alex Barnes.
- Recent developments to Solvency II. Brad Baker.
- Risk transfer. Ian Searle.

- The professional liability of insurance brokers. Christopher Henley, updated by Simon Kemp and Michelle Radom.

The rise of online aggregators. ©Timetric Insight Report. July, 2014. Available for members at www.cii.co.uk/insightreports (CII/PFS members only).

Journals and magazines

Financial adviser. London: FT Business. Weekly. Also available online at www.ftadviser.com.

Insurance day. London: Informa. Daily except weekends. Also available online at www.insuranceday.com.

Insurance age. Incisive media. Monthly. Also available online at www.insuranceage.co.uk.

Insurance times. London: Newsquest Specialist Media. Weekly. Also available online at www.insurancetimes.co.uk.

Money marketing. London: Centaur Communications. Weekly. Also available online at www.moneymarketing.co.uk.

Post magazine. London: Incisive Financial Publishing. Monthly. Also available online at www.postonline.co.uk.

Further periodical publications are available at www.cii.co.uk/journalmagazines (CII/PFS members only).

Reference materials

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.*

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

Financial Conduct Authority (FCA) Handbook. Available at www.handbook.fca.org.uk/handbook.

Insurance broking practice and the law. Available within Informa i-law: an online database of legal knowledge. Available via www.cii.co.uk/lawdatabases (CII/PFS members only).

Insurance: Conduct of Business sourcebook (ICOBS). Available via www.handbook.fca.org.uk/handbook/ICOBS.

*Also available as an ebook through Discovery via www.cii.co.uk/discovery (CII/PFS members only).

Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the multiple-choice component.

These are available on the CII website under the unit number before purchasing the unit. They are available under the following link www.cii.co.uk/qualifications/diploma-in-insurance-qualification.

These exemplar papers are also available on the RevisionMate website www.revisionmate.com after you have purchased the unit.

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/iilrevision (CII/PFS members only).

1. The law of agency requires that an insurance broker should
 - A. account to the regulator for all monies he receives on the principal's behalf.
 - B. exercise reasonable skill and care in the performance of his principal's instructions.
 - C. make full disclosure to customers of his personal interest in any transaction.
 - D. perform all the agent's instructions personally in a timely fashion.

2. When a wholesale insurance broker places a risk with an insurer on behalf of a producing insurance broker, who is the principal of the producing insurance broker?
 - A. The insured only.
 - B. The insurer only.
 - C. The wholesale insurance broker only.
 - D. Both the insured and the wholesale insurance broker.

3. In what circumstances may a conflict of interest arise for an insurance broker who is placing business?
 - A. The insurance broker binds a risk on behalf of an insurer under a delegated underwriting authority.
 - B. The insurance broker conducts a joint risk survey with an insurer.
 - C. The insurance broker has a service level agreement in place with its client and a Terms of Business Agreement with an insurer.
 - D. The wholesale insurance broker places insurance business on behalf of a producing insurance broker.

4. What action does an insurance broker **normally** take to check that a client is **NOT** participating in money laundering activities?
 - A. Conduct a due diligence check on the client.
 - B. Ensure that no deliberate or reckless misrepresentation is made by the client.
 - C. Obtain a consumer credit rating on the client.
 - D. Require that the insurance premium is paid in instalments rather than as an annual amount.

5. What effect has the Contracts (Rights of Third Parties) Act 1999 had in respect of insurance brokers?
 - A. It enables an insurance broker to pursue settlement of a claim against a negligent third party on behalf of an insurer.
 - B. It introduced the requirement that the insured is specifically identified and named in a contract where a producing insurance broker instructs a wholesale insurance broker to place business.
 - C. It introduced the requirement to state in all insurance policies the name of the loss payee if it is not the insured.
 - D. It requires that where the benefits have been assigned to another party, notification is made to the insurance broker.

6. Under which Act is a firm of insurance brokers vicariously liable for an employee who accepts a payment to enhance business relations, which does **NOT** form part of a fee for placing insurance?
- A. The Financial Services and Markets Act 2000.
 - B. The Proceeds of Crime Act 2002.
 - C. The Fraud Act 2006.
 - D. The Bribery Act 2010.
7. In accordance with data protection requirements, all firms of insurance brokers need to be aware of the data protection principles and ensure that
- A. customers' requests for details of information held on them are actioned within 30 days.
 - B. customers and all staff are always informed that calls may be recorded and monitored.
 - C. explicit consent is obtained from customers before collecting sensitive data.
 - D. a process is designed to enable customers to leave personal and sensitive data after hearing a recorded message.
8. What type of insurance contract is excluded from the Financial Conduct Authority's definition of general insurance contracts?
- A. Aircraft.
 - B. Credit.
 - C. Extended warranty.
 - D. Fidelity guarantee.
9. Which employees at a firm of insurance brokers **must** comply with the Financial Conduct Authority's regulations?
- A. All employees.
 - B. Only approved persons.
 - C. Only directors.
 - D. Only employees who are client facing.
10. Authorisation by the Financial Conduct Authority is a requirement for insurance brokers
- A. based in the UK only.
 - B. based within the EU, whether inside or outside the UK.
 - C. who place risks located in the UK, wherever the broker is based.
 - D. who place risks located in the EU, wherever the broker is based.

11. What has been the effect on insurance brokers of the Financial Conduct Authority's decision to focus on customer outcomes to be achieved?
- A. Every firm of insurance brokers can interpret the Financial Conduct Authority's principles in their own manner to achieve required outcomes.
 - B. Every firm of insurance brokers must follow the Financial Conduct Authority's prescribed rules to achieve required outcomes.
 - C. Insurance brokers are limited to only complying with the Financial Conduct Authority's principles.
 - D. Insurance brokers can interpret the Financial Conduct Authority's rules in accordance with their individual practices.
12. When should the division of commission between a producing insurance broker and a wholesale insurance broker be finalised?
- A. When a quotation is provided to the producing insurance broker.
 - B. When the producing insurance broker confirms to the wholesale insurance broker that it has a firm order to bind the risk.
 - C. At inception of an insurance policy.
 - D. Before conclusion of an insurance policy.
13. What type of insurance arrangement is **NOT** governed by the Insurance: Conduct of Business sourcebook (ICOBS)?
- A. A comprehensive motor insurance policy.
 - B. A high net worth household insurance policy.
 - C. A personal accident insurance policy.
 - D. A property reinsurance contract.
14. To which areas of an insurance broker's operation will the requirement for the fair treatment of customers be relevant?
- A. Contact at the point of sale only.
 - B. Contact at the point of sale and when processing claims only.
 - C. Contact at the point of sale, when processing claims and when dealing with complaints only.
 - D. All areas of the operation.
15. In accordance with the Insurance: Conduct of Business sourcebook (ICOBS), the system of fair analysis of the market relates to
- A. identifying client needs.
 - B. investigation of complaints.
 - C. negotiation of claims.
 - D. selecting insurers to provide quotations.

16. Who is responsible for regulating insurance broking activities in the USA?
- A. The Federal Insurance Office.
 - B. The Insurance Commissioner for each individual state.
 - C. The National Association of Insurance Commissioners.
 - D. The National Confederation of Insurance Legislators.
17. It is important that an insurance broker manages conflicts of interest because it is a requirement of
- A. contract certainty.
 - B. the Data Protection Act 1998.
 - C. the Insurance Act 2015.
 - D. the law of agency.
18. When an insurance broker is providing a client with several insurance quotations, which document should contain reasons for the recommendations being made?
- A. A service level agreement.
 - B. A statement of fact.
 - C. A suitability statement.
 - D. A Terms of Business Agreement.
19. Why does a firm of insurance broker's Terms of Business Agreement **usually** contain a conflicts of interest provision?
- A. To describe the procedures that a firm will always take when a conflict of interests is notified to them.
 - B. To detail the procedure that a firm will take to deal with any conflict of interest as and when it arises.
 - C. To inform the client that in the event of a conflict of interest, services currently provided by the firm will be passed to an independent third party.
 - D. To reiterate that the firm will always continue to act for the client in the event of any conflict of interest.
20. When a firm of insurance brokers enters into a written agreement with a client, it will disclose remuneration, regulatory information, terms of business and
- A. the capital adequacy of the broker.
 - B. details of the service provided.
 - C. level of commission earned.
 - D. number of qualified employees.

21. An insurer agrees to provide coverage for an additional insured under a public liability insurance policy. A subjectivity is imposed that states the additional coverage is dependent on confirmation from the insured within 30 days that the additional insured has no known losses. What **must** the subjectivity also state?
- A. That coverage for the additional insured will automatically be terminated if the subjectivity is not fulfilled.
 - B. That the insurance policy will be terminated in accordance with the cancellation provisions if the subjectivity is not fulfilled.
 - C. The terms of coverage that will apply prior to the subjectivity being fulfilled and the consequences if it is not done.
 - D. The terms of coverage that will be applicable after the subjectivity has been fulfilled.
22. Sara has been given a statement of fact when purchasing insurance from her broker. This suggests that the insurance policy relates to
- A. employers' liability.
 - B. a large commercial risk.
 - C. a personal lines product.
 - D. a protection insurance product.
23. What action should an insurance broker take to seek to avoid a complaint becoming an errors and omissions claim?
- A. Document all activities in relation to the complaint.
 - B. Ensure that he always follows the firm's procedural guidelines.
 - C. Immediately notify the firm's errors and omissions insurer so that any potential claim can be defended.
 - D. Respond personally to the complaint within three business days.
24. With regard to complaints, a firm of insurance brokers **must**
- A. forward details of new complaints to the Financial Conduct Authority within 3 business days.
 - B. have a written complaints procedure.
 - C. report all complex complaints to the Financial Ombudsman Service.
 - D. resolve all complaints within 30 days.
25. A wholesale insurance broker has a duty of care directly to an insured when
- A. a catastrophe bond is being used to transfer the insurance risk to capital investors.
 - B. an insurance claim is being negotiated with an insurer.
 - C. coinsurance has been used to place an insurance risk.
 - D. the producing broker goes into liquidation.

26. When insurance is placed through a broker, who is responsible for disclosing material circumstances to an insurer?
- A. Only the broker at inception.
 - B. Only the proposer at inception.
 - C. Both the proposer and the broker have a continuing duty.
 - D. Only the broker has a continuing duty to check material circumstances with the proposer throughout the policy period.
27. Under the Consumer Insurance (Disclosure and Representations) Act 2012, an insurer is permitted to reduce a claim payment if the client has made a misrepresentation which is
- A. deliberate only.
 - B. deliberate or reckless only.
 - C. deliberate, reckless or careless.
 - D. reckless only.
28. What objective should an insurance broker try to achieve when preparing an underwriting submission for an insurer's quotation?
- A. The compilation of a comprehensive package of information regarding the risk and all available information about the proposer.
 - B. The compilation of a summary of the information provided by the proposer which the broker considers material.
 - C. Ensuring that all material circumstances in its possession are accurately stated and clearly presented.
 - D. Ensuring that only the material circumstances provided by the proposer are included in the submission.
29. When an insurance broker is drafting a Market Reform Contract, what should be omitted from the document?
- A. Abbreviations and ambiguous terms.
 - B. Contract subjectivities.
 - C. Post placement procedural arrangements.
 - D. Underwriting information provided by the client.
30. Contract certainty under an insurance policy means
- A. the meeting of the policyholder's demands and needs.
 - B. provision of a suitability statement by the broker.
 - C. provision of the policy wording after inception.
 - D. understanding and agreement between the insured and the insurer.

31. A broker is informed by a proposer that she requires an insurance premium less than £500 and an excess which is no greater than £250. The broker receives three quotations as follows

Insurer	Premium	Excess
X	£480	£500
Y	£520	£250
Z	£500	£300

Which quotation, if any, should the broker recommend?

- A. The quote from insurer X only.
 - B. The quote from insurer Y only.
 - C. The quote from insurer Z only.
 - D. The broker should allow the proposer to make the decision.
32. When a policy is placed under a sub-broking arrangement, which party will deal directly with the insurer?
- A. The introducer.
 - B. The policyholder.
 - C. The producing broker.
 - D. The wholesale broker.
33. An appointed representative introduces a client to a producing broker and the business is placed via a wholesale broker. Which party is ultimately responsible for ensuring that the appointed representative is compliant?
- A. The appointed representative.
 - B. The insurer.
 - C. The producing broker.
 - D. The wholesale broker.
34. To whom, if anyone, does a wholesale broker **normally** have a duty of care?
- A. The policyholder only.
 - B. The producing broker only.
 - C. Both the policyholder and the producing broker.
 - D. The wholesale broker does not have a duty of care to any party.
35. Why does an insurance broker take an insurer's financial strength into consideration when considering which insurers to approach for a liability quotation?
- A. An insurer with a greater capital will remain solvent and be able to pay future claims.
 - B. An insurer with greater claims reserves will provide a better claims service.
 - C. To ensure that the insurer has the ability to pay long-tail claims.
 - D. To ensure that the insurer has a strong investment philosophy to maintain reserves.

36. One advantage to consumers of using an insurer authorised by the Financial Conduct Authority (FCA) is that
- A. the Association of British Insurers instructs all consumers to only use FCA-authorised insurers.
 - B. the FCA code of ethics is adhered to by all insurers under its remit.
 - C. they can take any complaints directly to the Financial Ombudsman Service.
 - D. they will have protection under the Financial Services Compensation Scheme.
37. In what circumstances will an insurance broker only approach one insurer for a quotation on behalf of a client?
- A. When seeking to obtain the lowest premium quotation available.
 - B. When coverage is required for a specialised class of insurance which is only provided by one insurer.
 - C. Where that insurer offers the longest premium payment period to reduce a client's negative cashflow.
 - D. Where that insurer offers a rate of commission above the market average.
38. What is an insurance broker's duty to the client with regard to the financial security of insurers?
- A. To ensure that insurers have adequate financial capital.
 - B. To exercise reasonable skill and care in the selection of insurers.
 - C. To guarantee the performance of insurers with whom insurance is placed.
 - D. To subscribe to an approved agency which provides security ratings on insurers.
39. What is one of the **main** advantages to a multinational organisation of consolidating its insurance arrangements into one global programme?
- A. The choice of insurers will be increased.
 - B. Consistency of cover will be achieved.
 - C. Legislative differences will always be removed.
 - D. Premium savings will always be obtained.
40. An insurance broker arranges a lineslip with a Lloyd's underwriter to reduce the administration for placing insurance risks. This facility is **most likely** to be used for the placing of insurance risks originating from
- A. consumers for standard personal lines insurance.
 - B. large manufacturers.
 - C. multi-national companies.
 - D. small manufacturing companies with no hazardous processes.

41. Why do insurance brokers enter into delegated authority agreements with insurers?
- A. Premium income and brokerage are enhanced as higher sums insured are always available for non-standard risks.
 - B. To facilitate the placement of risks and enhance earnings.
 - C. The widest insurance coverage is always available which increases insurance business.
 - D. There are no limits on the amount of insurance business that can be placed with a scheme insurer.
42. What is **commonly** sent by an insurance broker to a client after inception of an insurance policy?
- A. A premium invoice.
 - B. A suitability statement.
 - C. A Terms of Business Agreement.
 - D. Details of subjectivities applicable to the policy.
43. What can an insurance broker do to reduce the impact of insurance claims fraud?
- A. Advise an insurer of any insurance claim that it suspects may be inflated.
 - B. Ensure that all personal injury claims are paid directly to the claimant rather than the insured.
 - C. Insist upon direct claim notification by an insured to an insurer.
 - D. Remind an insured that all material circumstances must be disclosed to the insurer.
44. Where an insurance broker assumes a claims advocacy role, the broker will only
- A. become involved in claims negotiations if there are problems.
 - B. become involved in negotiations with third parties.
 - C. handle claims for commercial clients.
 - D. handle claims for personal lines clients.
45. As a consequence of the legal protocols which govern the handling of third party claims, it is **essential** that an insurance broker should
- A. establish procedures for dealing with conflicts of interest.
 - B. immediately notify the insurer of any new liability claim.
 - C. negotiate settlement of all claims on behalf of clients.
 - D. never charge a fee for handling a claim.
46. A firm of insurance brokers is providing the Employer Reference Number (ERN) for one of its clients to the insurer. The ERN relates to the
- A. client's Companies House registration number.
 - B. client's PAYE reference number.
 - C. current insurance policy number.
 - D. previous year's insurance policy number.

47. A broker receives notification of a claim from a client. Remuneration to the broker for the policy was by fee only. In which document will the broker's obligations regarding the handling of the claim be confirmed?
- A. The demands and needs statement.
 - B. The policy wording.
 - C. The schedule.
 - D. The service agreement.
48. An insurance broker is quantifying the effect that potential losses will have on a client's business. This is an example of risk
- A. avoidance.
 - B. evaluation.
 - C. minimisation.
 - D. prevention.
49. What is one of the **main** considerations when a company is deciding whether to establish a captive insurance company or use a rent-a-captive insurance company?
- A. How it will account for the captive operation in its financial returns.
 - B. Whether it has sufficient capital to establish a captive and fund the cost of the operation.
 - C. The premium that it will need to pay to meet anticipated insurance claims.
 - D. The scope of insurance coverage that the captive operation will be authorised to insure.
50. What service may an insurance broker provide to a manufacturing client when it is assessing the dependence on specific suppliers and customers?
- A. Business interruption review.
 - B. Disaster recovery planning.
 - C. A liability survey.
 - D. A property survey.

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			Learning Outcome 3			Learning Outcome 6		
1	B	1.1	25	D	3.5	43	A	6.1
2	A	1.1	26	C	3.1	44	A	6.1
3	A	1.1	27	C	3.1	45	B	6.2
4	A	1.2	28	C	3.2	46	B	6.3
5	B	1.2	29	A	3.2	47	D	6.4
6	D	1.2	30	D	3.3	5 Questions		
7	C	1.2	31	D	3.3			
8	C	1.3	32	D	3.4	Learning Outcome 7		
9	A	1.3	33	C	3.4	48	B	7.1
10	A	1.3	34	B	3.5	49	B	7.2
11	A	1.4	10 Questions			50	A	7.3
12	D	1.4				3 Questions		
13	D	1.5	Learning Outcome 4					
14	D	1.6	35	C	4.1			
15	D	1.5	36	D	4.2			
16	B	1.7	37	B	4.3			
17	D	1.1	38	B	4.4			
17 Questions			4 Questions					
Learning Outcome 2			Learning Outcome 5					
18	C	2.1	39	B	5.3			
19	B	2.2	40	D	5.4			
20	B	2.2	41	B	5.4			
21	C	2.3	42	A	5.5			
22	C	2.3	4 Questions					
23	B	2.4						
24	B	2.4						
7 Questions								