



Chartered  
Insurance  
Institute

# I10

## Certificate in Insurance

### Unit 10 – Insurance broking fundamentals

Based on the 2022 syllabus  
examined from 1 January 2022 until 31 December 2022

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## Unit 10 – Insurance broking fundamentals

Based on the 2022 syllabus examined from 1 January 2022 until 31 December 2022

### Introduction

This examination guide has been produced by the Qualifications and Assessment Department at the Chartered Insurance Institute to assist students in their preparation for the I10 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their studies before attempting the specimen examination. Students should allow themselves two hours 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.

Although the specimen examination in this guide is typical of an I10 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 I10 reading list, which is located on the syllabus in this examination guide and on the CII website at [www.cii.co.uk](http://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/learning/qualifications/unit-insurance-broking-fundamentals-i10/](http://www.cii.co.uk/learning/qualifications/unit-insurance-broking-fundamentals-i10/)
- 2) Select 'exam guide update' 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 I10 syllabus is published on the CII website at [www.cii.co.uk](http://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 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.

Supporting information for the syllabus which contains a detailed overview of the areas covered can be found on the unit page. Select Supporting information for the 2022 syllabus on the right-hand side of the page.

## Skill Specification

The skill level tested in each examination question is determined by the syllabus. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested. Learning outcomes for I10 begin with *understand*. Different skill levels lead to different types of question, examples of which follow.

*Understand* - To answer questions based on understanding, the candidate 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 I10 examination is 65 multiple choice questions (MCQs) and 2 case studies, each comprising 5 MCQs. 2 hours are allowed for this examination.

The I10 syllabus provided in this examination guide will be examined from 1 January 2022 until 31 December 2022.

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.

Section A consists of 65 multiple choice questions. 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.

Section B contains two case studies each followed by five questions. **Four** options follow each question. The options are labelled A, B, C and D. Only **one** of these options will be correct or best. 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.

While no questions involve complex calculations, candidates are permitted to use calculators during the examination. 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, under any circumstances, to remove any papers relating to the examination from the examination room.

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## 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 fundamentals

## Objective

To provide knowledge and understanding of the roles and responsibilities of insurance broking organisations, including:

- their interaction with insurers;
- their interaction with clients;
- regulatory and financial issues affecting them; and
- conduct issues.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the insurance broking market.	12
2. Understand the role and responsibilities of the insurance broker in the provision of insurance products and services.	20
3. Understand contract and agency in relation to insurance brokers and their client.	6
4. Understand the key legal and regulatory issues affecting insurance brokers.	15
5. Understand the key financial issues affecting insurance broker.	12
6. Understand issues relating to the conduct and culture of insurance broking business.	10 case study related questions

\* 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: 65 multiple choice questions (MCQs) and 2 case studies, each comprising 5 MCQs. 2 hours are allowed for this exam.
  - This syllabus will be examined from 1 January 2022 until 31 December 2022.
  - 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/qualifications](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit from the list provided
  4. Select qualification update on the right hand side of the page
  5. This PDF document is accessible through screen reader attachments to your web browser and has been designed to be read via the speechify extension available on Chrome. Speechify is a free extension that is available from <https://speechify.com/>. If for accessibility reasons you require this document in an alternative format, please contact us on [ukcentreadministration@cii.co.uk](mailto:ukcentreadministration@cii.co.uk) to discuss your needs.

## **1. Understand the insurance broking market.**

- 1.1 Explain the rationale for insurance brokers in the insurance market.
- 1.2 Describe and understand the role of different types of non-life insurance brokers in the insurance market.
- 1.3 Describe the services offered by insurance brokers and the different ways they are remunerated.
- 1.4 Explain the various roles within an insurance broking organisation.

## **2. Understand the role and responsibilities of the insurance broker in the provision of insurance products and services.**

- 2.1 Explain the role of the insurance broker in meeting client needs by providing insurance products and services.
- 2.2 Explain the role of the insurance broker in negotiating and placing insurance contracts.
- 2.3 Explain the role of the insurance broker in selecting insurers.
- 2.4 Explain the role of the insurance broker in the design and operation of insurance programmes.
- 2.5 Describe the role of the insurance broker in the claims process.
- 2.6 Describe the role of the insurance broker in supplying additional services.
- 2.7 Explain the role and responsibilities of the insurance broker in relation to delegated authority agreements.

## **3. Understand contract and agency in relation to insurance brokers and their client.**

- 3.1 Describe the duties of an insurance broker as an agent.
- 3.2 Explain how conflicts of interest could arise in relation to insurance broking business and how to deal with them.
- 3.3 Describe the items that should be included in a Terms of Business Agreement (TOBA) between insurance brokers and insurers, and between insurance brokers and their clients.

## **4. Understand the key legal and regulatory issues affecting insurance brokers.**

- 4.1 Describe the role of the Financial Conduct Authority in the regulation of insurance brokers.
- 4.2 Explain the importance of achieving positive customer outcomes and the fair treatment of customers.
- 4.3 Describe the purpose of the Insurance: Conduct of Business sourcebook (ICOBS) and the application to insurance brokers.
- 4.4 Explain the importance of training and competence within insurance broking organisations.
- 4.5 Explain the responsibilities of insurance brokers in relation to sanctions checking, money laundering, bribery, corruption and with regards to the Employers' Liability Tracing Office (ELTO).

- 4.6 Explain the responsibilities of insurance brokers as required by data protection legislation.

## **5. Understand the key financial issues affecting insurance broker.**

- 5.1 Explain the different monies held by an insurance broker.
- 5.2 Explain the importance of the impact of the Insurance Distribution Directive 2018 in relation to handling money.
- 5.3 Explain the importance of retaining clients and finding new business for insurance brokers.

## **6. Understand issues relating to the conduct and culture of insurance broking business.**

- 6.1 Explain the importance of good conduct in relation to dealing with insurers and clients.
- 6.2 Explain the impact of culture on the way that business is conducted by an insurance broking organisation.
- 6.3 Describe how insurance brokers handle complaints.
- 6.4 Explain how errors and omissions occur and are reported and handled in insurance broking organisations.
- 6.5 Explain the issues relating to mis-selling of insurance products.



## Reading list

The following list provides details of further reading 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 resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

### **CII study texts**

Insurance broking fundamentals. London: CII. Study text I10.

### **Books and eBooks**

'Claims against insurance brokers'. Chapter 16 in Insurance claims. 4<sup>th</sup> ed. Alison Padfield. Tottel, 2016.

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

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

The law of insurance contracts. Malcolm A Clarke. 6th ed. London: Informa, 2009.

Winning client trust : the retail distribution review and the UK financial services industry's battle for their clients' hearts and minds. Chris Davies. London: Ecademy Press, 2011.\*

### **Journals and magazines**

Insurance age. Incisive media. Monthly. Contents searchable online at [www.insuranceage.co.uk](http://www.insuranceage.co.uk).

Insurance day. London: Informa. Daily except weekends. Articles searchable online at [www.insuranceday.com](http://www.insuranceday.com).

Insurance times. London: Newsquest Specialist Media. Weekly. Contents searchable online at [www.insurancetimes.co.uk](http://www.insurancetimes.co.uk).

Financial adviser. London: FT Business. Weekly. Available online at [www.ftadviser.com](http://www.ftadviser.com).

Money marketing. London: Centaur Communications. Weekly. Available online at [www.moneymarketing.co.uk](http://www.moneymarketing.co.uk).

Post magazine. London: Incisive Financial Publishing. Monthly. Contents searchable online at [www.postonline.co.uk](http://www.postonline.co.uk).

### **Reference materials**

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

Consumer Insurance (Disclosure and Representations) Act 2012. London: HMSO, 2012. Available via [www.legislation.gov.uk](http://www.legislation.gov.uk).

Data Protection Act 1998. Available via [www.legislation.gov.uk](http://www.legislation.gov.uk).

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

## Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate ([www.revisionmate.com](http://www.revisionmate.com)). Details of how to access Revisionmate are on the first page of your study text. It is recommended that you only study from the most recent version of the examination guide.

## Exam technique/study skills

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

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\* Also available as an ebook through eLibrary via [www.cii.co.uk/elibrary](http://www.cii.co.uk/elibrary) (CII/PFS members only).

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**SECTION A**

1. One of the **main** differences between a wholesale broker and a retail broker, involved in the same placement, is that only the retail broker
  - A. acts on behalf of the principal.
  - B. deals directly with the proposer.
  - C. is remunerated from the overall commission available.
  - D. will have access to the Lloyd's market.
  
2. The principal of a reinsurance broker is the
  - A. insurance broker.
  - B. insured.
  - C. insurer.
  - D. reinsurer.
  
3. What is the benefit to an insurer of having an insurance policy placed through an insurance broker?
  - A. Full disclosure of the policyholder's material circumstances will always be made.
  - B. The insurance broker is responsible for paying the insurance premium in the event of non-payment by the policyholder.
  - C. The insurance broker will explain the technical aspects of the insurance policy to the policyholder.
  - D. The policyholder retention rate is always greater than that achieved for a direct placement.
  
4. What type of risks are placed by insurance brokers?
  - A. All types of risk.
  - B. Commercial risks only.
  - C. Global risks only.
  - D. Personal lines risk only.
  
5. Within an insurance brokerage, who is **usually** responsible for ensuring that mediation activities comply with the Financial Conduct Authority's requirements?
  - A. An account executive.
  - B. The compliance officer.
  - C. The data protection officer.
  - D. The finance director.
  
6. When a Lloyd's insurance broker uses the subscription market to place an insurance policy, this is a process of
  - A. co-insurance.
  - B. co-ordination.
  - C. consolidation.
  - D. contribution.

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7. A firm of insurance brokers which establishes a network will seek to attract members who are
- A. clients.
  - B. insurers.
  - C. other insurance brokers.
  - D. reinsurers.
8. An insurance broker obtains quotations from a number of insurers for a client. In what circumstances may the broker take into account the amount of commission that will be paid when deciding which insurer to recommend?
- A. Where no fee is charged in addition to the commission earned.
  - B. Where the approval of the regulator has been obtained.
  - C. Where the client's interests are not prejudiced.
  - D. Where the policy is placed via Lloyd's.
9. Why does an insurer use a reinsurance broker to place its property catastrophe worldwide reinsurance exposure?
- A. To provide an enhanced claims service.
  - B. To reduce its administration expenses.
  - C. To use the reinsurance broker's expertise to reinsure the exposure with one large reinsurer only.
  - D. To use the reinsurance broker's expertise to reinsure the exposure with a number of financially strong reinsurers.
10. Who instructs a wholesale insurance broker to place an insurance policy?
- A. An appointed representative.
  - B. An insured.
  - C. An insurer.
  - D. A retail insurance broker.
11. Which element of the amount payable by a client **must** an insurance broker show separately on an invoice?
- A. Commission.
  - B. Fee.
  - C. Insurance Premium Tax.
  - D. Work transfer fee.
12. How does an insurance broker who has a claims advocacy role assist and advise the client?
- A. It handles all aspects of the claim.
  - B. It assists the client when problems arise which cannot be resolved directly with the insurer.
  - C. When requested to by the insurer to expedite the claim process.
  - D. When specialist or complex risks are involved.

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13. When providing claims management support, to which party does the broker's **main** responsibility lie?
- A. The adjuster.
  - B. The insured.
  - C. The insurer.
  - D. The regulator.
14. What should be a major consideration for an insurance broker when designing a global insurance programme for a multinational client?
- A. Achieving the lowest possible insurance premium.
  - B. Avoiding gaps in insurance coverage.
  - C. Ensuring that the client discloses all material information.
  - D. Obtaining identical insurance coverage for each territory.
15. What action should an insurance broker **immediately** take upon realisation that it will be unable to fully meet a client's demands and needs?
- A. Inform the client of policy restrictions in coverage.
  - B. Insert any policy restrictions into the insurance policy.
  - C. Send the client a revised demands and needs statement.
  - D. Terminate the insurance placement.
16. A coverholder under a delegated authority agreement will be an employee of
- A. an insurance broker.
  - B. an insurer.
  - C. the policyholder.
  - D. the reinsurer.
17. If a proposer requests that an excess does **NOT** apply to his new insurance policy, the insurance broker should explain the
- A. consequent limitations on cover.
  - B. effect on premium levels.
  - C. imposition of warranties.
  - D. restrictions on the policy term.
18. Which document does a Lloyd's insurance broker use to place business with Lloyd's underwriters?
- A. A bordereau.
  - B. A certificate of insurance.
  - C. A Market Reform Contract.
  - D. A Terms of Business Agreement.

19. What characteristics does a Lloyd's insurance broker look for in an insurer when selecting a leading underwriter to provide a quotation on a risk in the subscription market?
- A. The ability to always underwrite the largest proportion of the insurance risk.
  - B. The ability to provide the lowest premium quotation which is then supported by following insurers subject to different terms and conditions.
  - C. The capacity to underwrite 100% of the risk which is then automatically reinsured to following insurers.
  - D. Specialised knowledge of the class of business to provide a quotation which will be supported by following insurers.
20. A proposal form is being completed in respect of a professional indemnity risk. What is the broker's usual role in this process?
- A. To advise the client on what material circumstances to disclose on the form.
  - B. To complete the form and ask the client to verify its accuracy before signing it.
  - C. To complete those questions where the client is unsure of the meaning.
  - D. To verify the accuracy of the information provided by the client before asking the client to sign it.
21. Why might an insurance broker recommend a packaged insurance policy to a client?
- A. To cover a number of risks under one policy.
  - B. Long-term insurance coverage is guaranteed.
  - C. A lower excess is always available.
  - D. To provide an individually-designed insurance policy.
22. An insurance broker has regularly placed a certain type of risk with a leading insurer, but market trading conditions have changed. How should the broker approach the renewal?
- A. Maintain continuity with this insurer.
  - B. Negotiate improvements in terms and conditions with this insurer.
  - C. Review breadth of cover across the market sector.
  - D. Review capacity across the market sector leaders.
23. What factor **must** an insurance broker take into account when deciding which insurers to approach for a quotation?
- A. The amount of commission paid by the insurer.
  - B. The financial security of the insurer.
  - C. Whether a delegated authority agreement is in place with the insurer.
  - D. Whether the insurer offers monthly instalments for payment of the premium.
24. A recognised advantage to a client of using an insurance broker's risk survey service is that it can
- A. guarantee access to insurance at a competitive premium.
  - B. identify risks of which the client may otherwise be unaware.
  - C. provide certainty of a cost-effective management solution.
  - D. simplify the process of obtaining cover for otherwise uninsurable risks.

25. An insurance broker is reviewing an insurance programme for a client at a time of increasing competition for restricted capacity in the market. What should the broker recommend in order to maintain existing premium levels?
- A. Improvements to risk management.
  - B. Payment of the premium in instalments.
  - C. A reduction in sums insured.
  - D. The removal of warranties and exclusions.
26. An insurance broker underwrites risks on a full delegated authority basis. What duties does the broker perform?
- A. Accept the business and calculate the premium only.
  - B. Accept the business and issue the documentation only.
  - C. Calculate the premium and issue the documentation only.
  - D. Accept the business, calculate the premium and issue the documentation.
27. Which party under a delegated authority agreement will **normally** be responsible for underwriting risks?
- A. The coverholder.
  - B. The insurer.
  - C. The reinsurer.
  - D. The retail broker.
28. What can a broker incorporate into an insurance programme for a client who wishes to maintain rates and terms for a set period?
- A. Higher excesses.
  - B. A long-term agreement.
  - C. A packaged policy with a single insurer.
  - D. A risk management review.
29. What **must** an insurance broker include within a policyholder's suitability statement?
- A. A financial report on the insurer that is being recommended to the policyholder.
  - B. As many quotations as possible so that the policyholder can make an independent review of all possible insurance options.
  - C. The reasons why it is recommending an insurance policy and how the insurance coverage meets the policyholder's demands and needs.
  - D. Specific questions to establish the policyholder's demands and needs.
30. In order to comply with the Financial Conduct Authority's Contract Certainty Code of Practice, within how many days should an insurance broker issue full documentation to clients?
- A. 7 days for consumers and 14 days for commercial customers.
  - B. 7 days for consumers and 30 days for commercial customers.
  - C. 7 days for both consumers and commercial customers.
  - D. 30 days for both consumers and commercial customers.

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- 31.** When incorrect documents are received from an insurer, in what circumstances, if any, can the insurance broker send them to the client to enable it to meet contract certainty timelines?
- A.** In all circumstances.
  - B.** In no circumstances.
  - C.** Only if the broker has manually amended the documents and kept a copy on file.
  - D.** Only if the broker has obtained the insurer's agreement to make any potential corrections.
- 32.** An insurance broker is appointing a loss adjuster to deal with a claim and will subsequently ask the insurer to make an offer in settlement. The broker is providing what level of claims service, if any?
- A.** No service.
  - B.** Claims advocacy.
  - C.** Delegated authority claims handling.
  - D.** Full claims service.
- 33.** Which document is used to detail each party's duties in the insurance placement process when a retail insurance broker and a wholesale insurance broker are both involved in placing an insurance policy?
- A.** A demands and needs statement.
  - B.** An initial disclosure document.
  - C.** An insurance policy.
  - D.** A Terms of Business Agreement.
- 34.** An insurance broker has two clients competing for limited market capacity. In order to manage a potential conflict of interest, what should the broker do?
- A.** Agree to receive a reduced fee or commission in respect of the placement of this business.
  - B.** Disclose the details to both clients and obtain their agreement on how to proceed.
  - C.** Disclose the details to potential insurers in order to negotiate increased capacity.
  - D.** Report the situation to the Financial Conduct Authority for a ruling.
- 35.** What type of task may an insurance broker outsource without seeking the client's permission?
- A.** An additional service for which the client has paid a fee.
  - B.** A service which requires a level of expertise outside the broker's skill set.
  - C.** One which requires no question of judgement or advice.
  - D.** One which requires the safekeeping of client monies.
- 36.** Which party(ies) may be the principal of an insurance broker when the broker is dealing with a claim?
- A.** The insurer only.
  - B.** The policyholder only.
  - C.** The third party only.
  - D.** Both the insurer and the policyholder.

37. What will be included in an insurance broker's Terms of Business Agreement with a client concerning the duty of disclosure?
- A. The broker confirms that all details disclosed by the insurer will be passed to the client.
  - B. The broker will always disclose the amount of commission to the client.
  - C. The client is assured that all material circumstances will be passed to the insurer.
  - D. The client is reminded of the potential consequences of non disclosure.
38. What will be warranted within the regulatory status section of a Terms of Business Agreement between an insurer and an insurance broker?
- A. If either party becomes insolvent, it will notify the other party.
  - B. The date on which the insurance broker became authorised to transact business.
  - C. Whether the broker is a member of the Financial Ombudsman Service.
  - D. Whether the insurer is a member of the Association of British Insurers.
39. A firm of motor insurance brokers receives notification of a motor claim in which two separate clients are involved, each insured with a different insurer. What should the claims handler consider?
- A. Whether it is necessary to notify each insurer of the incident.
  - B. Whether the terms of the agency agreement with the insurer are breached.
  - C. Whether there is a conflict of interest.
  - D. Which client is at fault and should therefore lose its no claims bonus entitlement.
40. The basis of how commission can be withdrawn by an insurance broker from an insurer's money account is **usually** detailed in
- A. a demands and needs statement.
  - B. a key features document.
  - C. the Client Assets Sourcebook.
  - D. a Terms of Business Agreement.
41. The Financial Conduct Authority's risk-based approach to the supervision of insurance brokers means that resources are directed to those firms
- A. believed to pose the greatest risk to commercial clients.
  - B. believed to pose the greatest risk to consumers.
  - C. underwriting catastrophe exposures only.
  - D. with a high risk of financial failure only.
42. Where an insurance broker carries out regulated activities without authorisation, this is
- A. acceptable provided it is a Lloyd's broker.
  - B. acceptable provided it only places reinsurance.
  - C. a civil offence.
  - D. a criminal offence.



43. Which body is responsible for the regulation of Lloyd's brokers?
- A. British Insurance Brokers' Association.
  - B. Council of Lloyd's.
  - C. Financial Conduct Authority.
  - D. Prudential Regulation Authority.
44. A commercial client renews its property owner's insurance policy and cancels the cover within 14 days as it has found a cheaper alternative. What premium refund, if any, is it **most likely** to receive?
- A. A full refund in all circumstances.
  - B. A full refund, providing no claims have been notified.
  - C. A pro-rata refund, providing no claims have been notified.
  - D. No refund will be received.
45. In which document does the Financial Conduct Authority require that an insurance broker discloses its address and authorisation status?
- A. demands and needs statement.
  - B. initial disclosure document.
  - C. insurance policy.
  - D. statement of facts.
46. One of the requirements that the Financial Conduct Authority places on a firm of insurance brokers to ensure competency of employees dealing with consumers, is that they **must**
- A. be supervised in their role for a period of no less than three months.
  - B. be supervised until they demonstrate the necessary level of competency to carry out the activity.
  - C. complete five hours of structured continuing professional development per month.
  - D. obtain an insurance qualification.
47. A copy of a client's passport has been obtained by an insurance broker for proof of identity checks. For what period of time, if any, should this be retained?
- A. It should not be retained as this would be a breach of data protection regulations.
  - B. 12 months.
  - C. 5 years.
  - D. For the as long as the policyholder remains the insurance broker's client.
48. What penalty could be imposed on an insurance broking firm if it is found to be working with a sanctioned entity?
- A. The loss of its Financial Conduct Authority authorisation only.
  - B. A large fine only.
  - C. A prison sentence only.
  - D. A large fine or a prison sentence.

49. What information does the Employers' Liability Tracing Office (ELTO) require an insurance broker to obtain from a commercial client?
- A. Claims experience.
  - B. Directors' names and addresses.
  - C. Employer reference number.
  - D. Name of insurer.
50. An insurance broker will maintain a gifts and hospitality register to comply with
- A. bribery legislation.
  - B. data protection legislation.
  - C. Financial Conduct Authority requirements.
  - D. money laundering requirements.
51. Under the Data Protection Act 2018, what is the **maximum** fine as a percentage of global turnover, that can be imposed on an insurance broker if there is a data breach?
- A. 2%
  - B. 4%
  - C. 5%
  - D. 10%
52. What action, if any, should an insurance broker take if requested by a policyholder for details of his personal data held within the broker's files?
- A. The data can be provided on the payment of a fee.
  - B. The data must be provided with no charge.
  - C. The policyholder must be asked to obtain permission from the Information Commissioner's Office.
  - D. There is no obligation to disclose the data.
53. Which body requires insurance brokers to maintain the competency of their employees?
- A. British Insurance Brokers' Association.
  - B. Council of Lloyd's.
  - C. Financial Conduct Authority.
  - D. Prudential Regulation Authority.
54. At what stage in the money laundering process might an insured request an early cancellation and a return of premium?
- A. Due diligence.
  - B. Integration.
  - C. Layering.
  - D. Placement.

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55. When does the Financial Conduct Authority require an insurance broker to comply with the fair treatment of customer requirements?
- A. At all times and in connection with all insurance customer operations.
  - B. Only when providing an insurance customer with advice.
  - C. Only when providing an insurance customer with advice, a quotation and after sales procedures.
  - D. Only when providing an insurance customer with a quotation and after sales procedures.
56. For what **main** reason, do **most** insurance brokers try to maintain service excellence to their clients?
- A. To encourage new business.
  - B. To increase commission payments
  - C. To reduce administrative expenses.
  - D. To retain client business at renewal.
57. With what **minimum** frequency **must** earned commission be taken from insurer's funds?
- A. Every 5 business days.
  - B. Every 14 business days.
  - C. Every 25 business days.
  - D. Every 90 business days.
58. From which bank account would an insurance broker pay a return premium to a client?
- A. Broker funds.
  - B. Client assets.
  - C. Contingency funds.
  - D. Insurer assets.
59. In what circumstances, if any, is an insurance broker permitted to retain a client's return premium?
- A. In all circumstances.
  - B. Only if the broker is registered with the regulator.
  - C. Only if the client agrees.
  - D. In no circumstances.
60. The requirements of the Insurance Distribution Directive 2018 enable the Financial Conduct Authority to regulate
- A. all insurance contracts.
  - B. Lloyd's brokers only.
  - C. the point of sale of consumer insurance products.
  - D. transactions relating to commercial insurance only.

61. Under the Insurance Distribution Directive 2018, in what circumstances, if any, can the requirement for an insurance broker to disclose its commission to a client be waived?
- A. In no circumstances.
  - B. Where the client is a consumer.
  - C. Where the client is a professional customer.
  - D. Where the client is a small commercial business.
62. An insurance broker has a motor insurance portfolio with a high level of churn. What is the impact on its business?
- A. Its turnover is likely to decrease.
  - B. Its turnover is likely to increase.
  - C. It will be involved in a higher number of claims.
  - D. It will receive a higher level of commission.
63. What is represented by an insurance broker's renewal retention figure?
- A. The amount of commission the broker receives from renewed policies.
  - B. The number of clients that increase their premium on renewal.
  - C. The percentage of clients that remain with the same insurer.
  - D. The percentage of clients that renew their policies.
64. Who does an insurance broker **always** approach when obtaining new business by cross-selling?
- A. Commercial clients.
  - B. Consumers.
  - C. Existing clients.
  - D. New clients.
65. What action is an insurance broker **most likely** to take to generate new business?
- A. Increasing excesses on insurance policies.
  - B. Increasing commission levels.
  - C. Investing in marketing.
  - D. Outsourcing all claims functions.

**Section B begins on the next page**

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**SECTION B**

A firm of insurance brokers is concerned about conduct and cultural issues following several complaints from an insurer with which the firm regularly places business. The insurer alleges that it has discovered several instances where the firm's employees have failed to ensure that clients disclose all previous claims at inception. No delegated authority agreement exists.

The firm has an operating procedure manual and is taking remedial action to ensure full compliance with the prescribed practices following the insurer's allegations.

The firm recognises that the processes and procedures established to enhance its reputation and brand, although understood by employees, are **NOT** being followed. Suitable remedial action is being identified and communicated to employees with particular regard to good conduct with clients. The firm expects that the steps taken will avoid further allegations from insurers, whilst enhancing the client service excellence.

66. If previous claims are **NOT** being disclosed, what action is the insurer **most likely** to take affecting the firm's existing clients?
- A. Claims may be declined.
  - B. Commission will be reduced.
  - C. Cover will always be withdrawn.
  - D. Premiums may be reduced.
67. In what way could the firm of insurance brokers improve its delivery of service excellence to clients?
- A. Avoiding peer review to speed up the service.
  - B. Ensuring procedures are in place to reduce mistakes.
  - C. Ensuring the lowest premium is always quoted.
  - D. Ensuring the widest coverage is provided whether required or not.
68. Bearing in mind the insurer's allegations, in what **main** way may the firm have breached its operating procedures?
- A. Acting without skill, care and diligence.
  - B. Bringing the financial services industry into disrepute.
  - C. Failing to ensure knowledge and expertise is kept up to date.
  - D. Failing to ensure transparency in each transaction.
69. What steps should be taken by the firm of insurance brokers to **most appropriately** enhance its brand and reputation?
- A. Give higher rewards for successful achievement of sales targets.
  - B. Improve client communication and interaction.
  - C. Increase sales targets.
  - D. Offer restricted cover at a lower premium.

70. If the steps taken by the firm are successful, what is the outcome regarding the firm's relationship with the insurer?
- A. Enhancement of market share.
  - B. Recognition of an increased sales focus.
  - C. Reduced insurance premiums.
  - D. Restoration of confidence.

Greg is an account handler in a firm of insurance brokers. He has received a verbal complaint which was triggered by a recent claim from a client who is classed as a consumer. The claim was refused by the insurer due to non-compliance with a policy condition. The client is adamant that he did **NOT** understand the potential implications of non-compliance.

The firm always tries to resolve complaints quickly to avoid an errors and omissions claim. Greg is reviewing the client file and is concerned that a potential errors and omissions situation may exist owing to a failure by the broker to explain the terms and conditions in full. He is aware that the firm has stringent procedures for dealing with claims.

The client has told Greg that he intends to take his complaint to the Financial Ombudsman Service (FOS) and demands compensation for his full loss of £3,000.

Greg recalls he had some involvement in placing the client's household insurance policy and believes that this affects his ongoing involvement in the complaint process.

Greg is also aware of similar instances within the firm in recent months, as well as complaints about the selling of legal expenses cover for additional premium.

71. In this situation, a potential errors and omissions claim could be pursued against the firm of insurance brokers if Greg's review shows that
- A. the firm's explanations to the client were not fully documented.
  - B. the firm had accepted the insurer's standard terms without challenging them.
  - C. the firm had tried to resolve the issue before referring it to the professional indemnity insurer.
  - D. the policy condition was clearly stated within the policy wording.
72. How does Greg's prior involvement in the case affect his ability to **initially** investigate and resolve this complaint within the regulator's guidelines?
- A. He may continue to investigate but must hand over the resolution process to a colleague.
  - B. He may continue to investigate and resolve the complaint providing the firm considers him competent.
  - C. He must be fully supervised during both the investigation and resolution.
  - D. He must take responsibility for resolving the complaint.
73. What action should the firm of insurance brokers take as a result of the complaint made against it?
- A. A consultation must take place with the firm's professional indemnity insurer to prevent ongoing risks.
  - B. A full report should be sent to the regulator detailing the circumstances.
  - C. A full review of the firm's procedures should be undertaken to identify remedial action.
  - D. A review must be requested from the FOS to identify areas of improvement.



- 74.** Greg's **initial** response to the client's verbal complaint should be to
- A.** explain that the case is being referred directly to the firm's professional indemnity insurer.
  - B.** explain the complaints procedure and ensure the client has a copy.
  - C.** insist that the client submits the full details of the complaint to the firm in writing.
  - D.** point out that a joint investigation with the client's insurer is necessary.
- 75.** What practice by the firm of insurance brokers could result in a mis-selling allegation?
- A.** Complaints handling being processed by account handlers.
  - B.** Lack of explanation of policy conditions.
  - C.** Non-payment of valid claims.
  - D.** The sale of legal expenses cover.

## Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
<b>Learning Outcome 1</b>			<b>Learning Outcome 3</b>			<b>Learning Outcome 5</b>		
1	B	1.2	33	D	3.3	56	D	5.3
2	C	1.2	34	B	3.2	57	C	5.1
3	C	1.1	35	C	3.1	58	B	5.1
4	A	1.1	36	D	3.1	59	C	5.1
5	B	1.4	37	D	3.3	60	C	5.2
6	A	1.2	38	A	3.3	61	C	5.2
7	C	1.2	39	C	3.2	62	A	5.3
8	C	1.3	40	D	3.3	63	D	5.3
9	D	1.2	<b>8 Questions</b>			64	C	5.3
10	D	1.2				65	C	5.3
11	B	1.3	<b>Learning Outcome 4</b>			<b>10 Questions</b>		
<b>11 Questions</b>			41	B	4.1			
			42	D	4.1	<b>Learning Outcome 6</b>		
<b>Learning Outcome 2</b>			43	C	4.1	66	A	6.1
12	B	2.5	44	C	4.3	67	B	6.1
13	B	2.5	45	B	4.3	68	A	6.1
14	B	2.4	46	B	4.4	69	B	6.2
15	A	2.1	47	C	4.5	70	D	6.2
16	A	2.7	48	D	4.5	71	A	6.4
17	B	2.1	49	C	4.5	72	B	6.3
18	C	2.2	50	A	4.5	73	C	6.4
19	D	2.3	51	B	4.6	74	B	6.3
20	A	2.2	52	B	4.6	75	D	6.5
21	A	2.1	53	C	4.4	<b>10 Questions</b>		
22	C	2.1	54	B	4.5			
23	B	2.3	55	A	4.2			
24	B	2.6	<b>15 Questions</b>					
25	A	2.6						
26	D	2.7						
27	A	2.7						
28	B	2.4						
29	C	2.3						
30	B	2.2						
31	D	2.2						
32	D	2.5						
<b>21 Questions</b>								