



Chartered
Insurance
Institute

I10

Certificate in Insurance

Unit 10 – Insurance broking fundamentals

Based on the 2023 syllabus
examined from 1 January 2023 until 31 December 2023

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Contents

Introduction to Examination Guide	3
I10 Syllabus	7
Specimen Examination	10
Specimen Examination Answers and Learning Outcomes Covered	26

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Unit 10 – Insurance broking fundamentals

Based on the 2023 syllabus examined from 1 January 2023 until 31 December 2023

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.

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/
- 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. **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 2023 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 2023 until 31 December 2023.

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.

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 brokers.	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 2023 until 31 December 2023.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
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- 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
 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

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 brokers.

- 5.1 Explain the different monies held by an insurance brokers.
- 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. 4th 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 its 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.

Insurance day. London: Informa. Daily except weekends. Articles searchable online at www.insuranceday.com.

Insurance times. London: Newsquest Specialist Media. Weekly. Contents searchable online at www.insurancetimes.co.uk.

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

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

Post magazine. London: Incisive Financial Publishing. Monthly. Contents searchable online at 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.

Data Protection Act 1998. Available via 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 (ciigroup.org/login). 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.

* Also available as an eBook through eLibrary via www.cii.co.uk/elibrary (CII/PFS members only).

SECTION A

1. Where a retail broker uses a wholesale broker to place business, who has a duty of care to the insured?
 - A. It is shared equally between the brokers.
 - B. It remains with the retail broker.
 - C. It solely depends on the terms of business agreed between the brokers.
 - D. It transfers from the retail broker to the wholesale broker.

2. How much commission does an insurance broker receive on placement of an insurance policy with a premium of £500 plus Insurance Premium Tax and a 20% commission rate?
 - A. £88
 - B. £100
 - C. £112
 - D. £120

3. One of the **key** roles of an insurance broker is to
 - A. act as an intermediary between the insurer and the regulator.
 - B. calculate the insurance premium.
 - C. conduct insurance mediation on behalf of insurers.
 - D. provide independent, impartial advice to clients.

4. How does the use of an insurance broker benefit an insurer?
 - A. All material circumstances will always be declared by the broker to the insurer.
 - B. It enables the insurer to easily cross-sell insurance policies for other classes of business to an existing insured.
 - C. It reduces the time spent by the insurer in explaining and administering a policyholder's insurance requirements.
 - D. The responsibility for the payment of Insurance Premium Tax is passed to the broker.

5. What type(s) of insurance broker is able to offer Lloyd's policies to its clients?
 - A. Aggregators only.
 - B. Lloyd's brokers only.
 - C. Wholesale brokers only.
 - D. All types of insurance broker.

6. The back office function within a firm of insurance brokers will **NOT** include
 - A. compliance.
 - B. marketing.
 - C. placement of risks.
 - D. settlement of insurer accounts.

7. Insurance brokers are **least likely** to be involved in placing which type of insurance?
- A. Construction.
 - B. Extended warranty.
 - C. Marine cargo.
 - D. Motor fleet.
8. Under a contract of insurance, what is brokerage?
- A. The commission paid to the broker by the insurer, which is included in the premium.
 - B. The commission rebated by the insurer to the insured in cases with limited broker involvement.
 - C. A fee paid by the insured directly to the broker.
 - D. A fee paid by the insured directly to the insurer, in addition to the premium.
9. When a Lloyd's broker agrees to place business on behalf of a broker who is **NOT** a Lloyd's broker, the Lloyd's broker is operating as a
- A. consolidator.
 - B. producing broker.
 - C. retail broker.
 - D. wholesale broker.
10. What is the role of reinsurance brokers?
- A. Aggregators.
 - B. Loss adjusters.
 - C. Market placement specialists.
 - D. Risk surveyors.
11. An insurer is concerned that it stands to suffer financially from future claims. How can a reinsurance broker best assist the insurer?
- A. By advising the insurer's clients on risk reduction.
 - B. By advising the insurer regarding warranties and exclusions.
 - C. By helping the insurer to withdraw from the market.
 - D. By spreading the risk in the market.
12. Who is **normally** the client of a wholesale insurance broker?
- A. The insurer.
 - B. The proposer.
 - C. The reinsurer.
 - D. The retail broker.

13. An insurance broker is approached for a quotation by the owner of an engineering business. The broker obtains a number of quotations, helps the proposer to formulate a business continuity plan and then places the risk. The new insurer arranges a survey. Which of these elements is an added value service?
- A. Assisting with the business continuity plan.
 - B. Obtaining the quotations.
 - C. Placing the risk.
 - D. Surveying the risk.
14. Under a delegated underwriting authority agreement, when would a coverholder **normally** declare bound risks by completing a bordereau and submitting it to the insurer?
- A. Immediately the risk is bound.
 - B. Weekly.
 - C. Monthly.
 - D. Annually.
15. 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.
16. Which document will an insurance broker **normally** use to establish the demands and needs of a potential client who requires professional indemnity insurance?
- A. A proposal form.
 - B. A statement of fact.
 - C. A suitability statement.
 - D. A Terms of Business Agreement.
17. A Lloyd's broker will prepare a Market Reform Contract to
- A. detail the monthly risks under a delegated authority agreement.
 - B. identify a client's demands and needs.
 - C. notify an insurer of a claim.
 - D. provide underwriting information to an insurer.
18. Whom **must** a Lloyd's broker **initially** notify under an insurance policy placed with a Lloyd's underwriter when a catastrophe claim is reported by a client?
- A. The Council of Lloyd's.
 - B. The leading underwriter only.
 - C. Xchanging Claims Services.
 - D. All underwriters who have insured the risk.

19. A retail insurance broker has a fully-owned managing general agency (MGA). When considering delegated authority agreements, how does this arrangement affect the broker's relationship with the delegating insurers?
- A. The MGA must be used in separately defined market areas to those of the owning broker.
 - B. The MGA must have lower authority limits than the owning broker.
 - C. The MGA provides the owning broker with increased capacity on separately negotiated terms.
 - D. All delegated authority business must be placed with the MGA.
20. The Insurance Act 2015 emphasises what role for brokers with regard to material circumstances?
- A. To ensure all material circumstances are supplied to enable accurate presentation of the risk.
 - B. To explain to the proposer that any misrepresentation will be treated as deliberate or reckless.
 - C. To explain to the proposer that failure to disclose a material circumstance is an offence under the Act.
 - D. To verify the accuracy of all information supplied by the proposer.
21. What is one of the benefits to the client where an insurance broker provides a detailed underwriting submission to an insurer?
- A. A faster quotation will always be obtained.
 - B. Fewer exclusions and warranties.
 - C. Increased probability of more favourable terms.
 - D. Wider cover will always be offered.
22. What should an insurance broker check before approaching a UK insurer to underwrite a risk?
- A. That the insurer is a member of the Association of British Insurers.
 - B. That the insurer is regulated to underwrite the required class of insurance.
 - C. The amount of the insurer's claim reserves.
 - D. The insurer's underwriting profit.
23. Where a broker operates a no service claims-handling arrangement, what action **must** be taken when a claim is notified by a client?
- A. Advise the client that the broker can only become involved if there are problems with the claim.
 - B. Advise the client that they have a duty to notify the insurer and the broker has no involvement.
 - C. Advise the insurer that a claim is being made but also tell the client to deal directly with the insurer.
 - D. Advise the insurer that the broker will forward the initial paperwork but that the insurer must then respond directly to the client.
24. Whom should an insurance broker inform if he suspects that a claim may be fraudulent?
- A. The claimant.
 - B. The insurer.
 - C. The police.
 - D. The regulator.

25. An insurance broker suggests to a client that risk control measures are introduced to limit the extent of any physical damage if a loss occurs. This is known as
- A. risk avoidance.
 - B. risk elimination.
 - C. risk minimisation.
 - D. risk prevention.
26. An insurance broker's risk survey has identified the potential for small, high-frequency claims. The same risk also results in occasional significantly higher claim values. What is **likely** to be the **most appropriate** recommendation from the broker based on this information?
- A. Advise the client to self-insure in respect of this entire risk.
 - B. Exclude this risk from cover.
 - C. Make this risk subject to a warranty.
 - D. Set an excess to eliminate the smaller claims.
27. When a multi-national business places insurance, which party is **normally** responsible for designing its insurance programme?
- A. The insurance broker.
 - B. The insurer.
 - C. The policyholder.
 - D. The reinsurance company.
28. What should an insurance broker do when there is increased capacity in the insurance market?
- A. Encourage clients to increase excess levels to maintain current premiums.
 - B. Encourage clients to invest in additional risk management.
 - C. Recommend clients remain with existing insurers despite increasing premiums.
 - D. Search the market for more competitive terms for clients.
29. Why may a client use an insurance broker's rent-a-captive facility in preference to establishing its own captive insurance company?
- A. Administrative costs are reduced because a number of facilities are collectively managed by the broker.
 - B. It requires less insurance premium to fully fund the calculated risk.
 - C. There will be more funds available to settle claims.
 - D. To avoid conflicts of interest.
30. How is an insurance broker **normally** remunerated for supplying additional risk management services to a client?
- A. As a first charge on any claim payment.
 - B. As a separate negotiated fee.
 - C. As part of the total insurance premium.
 - D. It is automatically included within the commission payment.

31. A delegated authority agreement will **normally** be arranged between an insurance broker and
- A. the Financial Conduct Authority.
 - B. an insurer.
 - C. a policyholder.
 - D. a reinsurer.
32. What is the **maximum** time period after inception during which an insurance broker should send an insurance policy to a consumer to comply with the Contract Certainty Code of Practice?
- A. 5 days.
 - B. 7 days.
 - C. 10 days.
 - D. 14 days.
33. For what purpose does a firm of insurance brokers send a Terms of Business Agreement to a client?
- A. It contains the client's insurance quotation.
 - B. It details the services that the broker will provide to the client.
 - C. It provides a summary of the client's insurance coverage.
 - D. It states the client's insurance requirements.
34. What does the duty of obedience require an insurance broker to do when acting for a client?
- A. Act in the client's best interests at all times.
 - B. Avoid any conflict of interest.
 - C. Keep accurate records of monies handled.
 - D. Perform all of the client's lawful instructions in a timely manner.
35. Under the principle of tort, for what are insurance brokers legally responsible to their principal?
- A. To abide by all statutory requirements.
 - B. To achieve contract certainty.
 - C. To exercise reasonable care.
 - D. To maintain Continuous Professional Development records.
36. During the claim process, when may a conflict of interest occur at a firm of insurance brokers?
- A. When a claim payment is received from an insurer.
 - B. When a loss assessor and a loss adjuster are both involved in a claim.
 - C. When notifying an insurer of a claim.
 - D. When two or more clients are involved in the same claim.
37. Why might a conflict of interest arise if an insurance broker has a delegated authority agreement, which includes a profit commission, with an insurer?
- A. Business can only be placed with an insurer specifically requested by the client.
 - B. Business may be placed with other insurers who quote preferential terms.
 - C. Only good quality risks may be placed under the delegated authority.
 - D. Only sub-standard risks may be placed under the delegated authority.

38. In which document will an insurer detail the level of authority that is provided to an insurance broker?
- A. The demands and needs statement.
 - B. The policy wording.
 - C. The suitability statement.
 - D. The Terms of Business Agreement.
39. Which document will the Financial Conduct Authority require a firm of insurance brokers to regularly submit to provide evidence of compliance with its regulations?
- A. The annual reports and accounts.
 - B. The initial disclosure document.
 - C. A Retail Mediation Activities Return.
 - D. A suitability statement.
40. The Insurance: Conduct of Business sourcebook (ICOBS) states that an insurance broker, when explaining to a client why an insurer has been approached, **must**
- A. demonstrate that all insurers have been approached.
 - B. demonstrate that the quotations are reasonable based on the client's circumstances.
 - C. provide the client with a list of the leading insurers in the market sector and those which have been approached.
 - D. tell the client the basis of the broking procedure used.
41. In accordance with the Insurance: Conduct of Business sourcebook (ICOBS), what **must** an insurance broker disclose to a potential client regarding the premium to be paid?
- A. The amount of commission within the premium.
 - B. The full premium calculation, including loadings and discounts.
 - C. The premium with any fee shown separately.
 - D. The premium both with and without Insurance Premium Tax.
42. The Financial Conduct Authority's approach to supervision requires insurance brokers to
- A. deal only with insurers who are members of the Association of British Insurers.
 - B. identify and reduce risks which may affect its clients.
 - C. improve the level of qualifications of its team.
 - D. submit details of complaints on a monthly basis.
43. What type of insurance broker is the Financial Conduct Authority responsible for regulating?
- A. All overseas insurance brokers who place insurance risks with UK insurers.
 - B. Only those insurance brokers who conduct general insurance mediation activities.
 - C. Only those insurance brokers who conduct insurance mediation activities in the UK.
 - D. Only those insurance brokers who place consumer insurance.

44. When does an insurance broker's duty for the fair treatment of customers expire?
- A. When an insurance placement is completed.
 - B. At policy inception.
 - C. At policy termination only.
 - D. After policy termination when all claims have been settled.
45. What does the regulator require in order for firms of insurance brokers to demonstrate the competency of employees?
- A. Annual appraisals.
 - B. Continuing professional development.
 - C. Success in approved examinations.
 - D. The issuance of suitability statements.
46. In order to satisfy regulatory requirements, what is the **minimum** number of years for which an insurance broker **must** keep training records?
- A. 3 years.
 - B. 5 years.
 - C. 7 years.
 - D. 10 years.
47. Where an employee of a firm of insurance brokers suspects that a client may be involved in money laundering, what action **must initially** be taken?
- A. Cease any business transactions with the client.
 - B. Confront the client.
 - C. Freeze any assets held by the broker on behalf of the client.
 - D. Report the suspicion.
48. Why is an insurance broker required to check the sanctions list?
- A. To avoid placing business for a prohibited client.
 - B. To check a client's financial assets.
 - C. To establish in which territories a business client operates.
 - D. To verify the legal existence of a business client.
49. How may an insurance broker inadvertently receive a bribe from a client?
- A. By accepting a lunch invitation to discuss the renewal of a client's insurance programme.
 - B. By receiving a client request to conduct a risk management site inspection.
 - C. By receiving a gift for placing a client's insurance programme.
 - D. By receiving a request to speak at an international insurance conference.

50. A client telephones an insurance broker to request details of the data that is held about him. What data, if any, **must** the broker provide?
- A. Full details of the data must automatically be provided.
 - B. Full details of data following a check to confirm the client's identity.
 - C. A summary of the data.
 - D. Such data cannot be provided.
51. For how long may an insurance broker retain personal data about a UK policyholder?
- A. For the policy period only.
 - B. For a maximum of 10 years only.
 - C. Only for the time period that is required for its purposes.
 - D. Until the death of the policyholder only.
52. What type of proposer should an insurance broker treat as a consumer?
- A. A proposer who is a partner in a firm.
 - B. A proposer who is a sole trader.
 - C. A proposer who owns their business.
 - D. A proposer who requires insurance for their own possessions.
53. The Financial Conduct Authority's rules relating to identifying client needs, product information and claims handling are stated in the
- A. Consumer Insurance Act 2012.
 - B. Insurance: Conduct of Business sourcebook (ICOBS).
 - C. Insurance Mediation Directive 2012.
 - D. Terms of Business Agreement.
54. A firm of insurance brokers arranges a business interruption review for a client by an independent third party provider. Into which account will they pay the fee received from the client for this service?
- A. Broker funds.
 - B. Client assets.
 - C. Insurer funds.
 - D. Risk transfer.
55. Why **must** an insurance broker segregate client assets from broker funds?
- A. To allow claims payments to be made to clients.
 - B. To allow the offsetting of transactions against monies held for clients.
 - C. To ensure client monies are protected in the event of the failure of the broker.
 - D. To facilitate the addition of interest earned on balances held.

56. What money may be retained in an insurance broker's client asset account?
- A. Commission earned on insurance premiums.
 - B. Fees received from clients for insurance services.
 - C. Income received from investments.
 - D. Return premiums from insurers prior to payment to clients.
57. When a risk transfer arrangement is in place with an insurer, who is responsible for client funds if the money is lost due to the bankruptcy of an insurance broker?
- A. The client.
 - B. The Financial Conduct Authority.
 - C. The Financial Services Compensation Scheme.
 - D. The insurer.
58. What is the **principal** aim of the Insurance Distribution Directive?
- A. Consumer protection.
 - B. Data protection.
 - C. Prevention of bribery in insurance.
 - D. Prevention of money laundering.
59. What should a firm of insurance brokers consider to help maintain client retention levels?
- A. Ensure faster premium payments are made to insurers.
 - B. Increase the level of claims reserves.
 - C. Recruit and train quality employees.
 - D. Request increased commission levels from insurers.
60. How does an insurance broker obtain additional income by up-selling?
- A. By extending cover under an existing policy.
 - B. By providing insurance for a different class of business to an existing client.
 - C. By referrals from existing clients.
 - D. By targeting competitors' clients.
61. Broker X focuses on motor insurance and Broker Y on complex commercial risks. Both brokers offer high levels of customer service. Which broker, if either, would **normally** achieve ongoing renewal retention rates of above 95%?
- A. Neither broker.
 - B. Broker X only.
 - C. Broker Y only.
 - D. Both brokers.

62. Why is it important that an insurance broker with a high client retention level also focuses on attracting new clients?
- A. The client base will naturally erode.
 - B. Commission rates are always higher for new business.
 - C. Cross-sold business levels are always significantly lower than new client levels.
 - D. The regulator requires a balanced approach to business.
63. What is the **main** disadvantage to a firm of insurance brokers of placing policies on a loss-leader basis?
- A. Attraction of poor quality business in the early stages.
 - B. The need to increase the incentivisation of sales staff.
 - C. Significantly reduced profits in the early stages.
 - D. Such policies have a high claims ratio.
64. Why **must** an insurance broker have more than one bank account?
- A. The Financial Services Compensation Scheme limits the amount of compensation payable following financial failure.
 - B. To keep money owed to clients and insurers separate from income earned by the broker.
 - C. To separate insurance premiums received from domestic and international clients.
 - D. Terms of Business Agreements require that separate accounts operate for each insurer.
65. A firm of insurance brokers will use the insurer funds account for
- A. holding earned commission.
 - B. payment of insurer accounts statements.
 - C. payment of employees' salaries.
 - D. receipt of fees paid by clients for risk management services.

Section B begins on the next page

SECTION B

Tim is an account executive in a firm of insurance brokers. He is handling a written complaint from a client who feels he has been mis-sold a policy which incorporates options for which he is ineligible. Tim follows correct regulatory procedures and informs the client he will keep him updated as to the progress of the investigation over the next few days.

After two weeks, the client informs Tim that he intends to refer the complaint to the Financial Ombudsman Service (FOS) immediately. Tim's firm is **NOT** yet able to give the client a final response.

The client then asks Tim what options he has if he disagrees with the FOS ruling.

After investigation, Tim discovers the client's requirements were **NOT** correctly recorded at inception.

66. Tim will **initially** classify this complaint as what type?
- A. Complex.
 - B. Formal.
 - C. Investigative.
 - D. Simple.
67. In what circumstances will the client's assertions regarding mis-selling be upheld?
- A. If errors were made in completing the demands and needs statement.
 - B. If less than five products were compared before making a recommendation.
 - C. If incorrect advice was given regardless of intent.
 - D. Only if incorrect advice was deliberately given.
68. In addition to supplying information to the client, to satisfy regulatory requirements Tim **must** also take what action before starting to investigate?
- A. Confirm the details of the complaint with the client within 24 hours.
 - B. Formally record the complaint in accordance with the firm's procedures.
 - C. Obtain a complaint reference number from the regulator.
 - D. Supply the client with a copy of the original Terms of Business Agreement.
69. How should Tim respond to the client's statement that the case will be referred to the FOS?
- A. The client has an immediate right of referral but the FOS may decide not to accept the case.
 - B. The FOS will accept the case immediately.
 - C. The firm has a maximum of six more weeks to investigate before the FOS will become involved.
 - D. The firm will send an immediate letter of referral to the FOS.

- 70.** With regard to the client's question concerning the FOS ruling, how should Tim reply?
- A.** A financial award can be challenged through the FOS.
 - B.** Both parties have 28 days to submit additional evidence for review by the FOS.
 - C.** Both parties may agree to arbitration through the FOS.
 - D.** The decision by FOS may be challenged by the client through the courts.

Stephanie is an account executive at a firm of insurance brokers. She is efficient at delegating, training and mentoring junior team members. She has a high business retention rate, which she attributes to making sure that her clients get the best customer service. To maintain standards, she insists that all work procedures are performed in accordance with the guidelines issued by the firm. This includes making sure that all clients' demands and needs are fully assessed and documented and that all clients are provided with sufficient information to make an informed decision regarding the insurance that they purchase.

She also tries to ensure that **he** is perceived as being honest and trustworthy in her dealings with insurers and that broking submissions are accurate and concise, with insurance premiums being paid promptly.

The insurance business that Stephanie's team provides sometimes involves business being sold in conjunction with the main insurance policy. There has been some pressure from within the firm to increase the amount of this additional coverage in order to enhance commission volumes.

71. How does Stephanie demonstrate good conduct in her business relationship with clients?

- A. By ensuring that key performance indicators are met.
- B. By meeting the regulatory requirements applicable to clients.
- C. By providing comprehensive insurance presentations.
- D. By providing excellent customer service.

72. Stephanie demonstrates good conduct in her business relationship with insurers by

- A. checking insurance policy documentation.
- B. ensuring that contract certainty is achieved.
- C. ensuring that insurance premiums are paid on time.
- D. producing extensive insurance presentations.

73. The type of corporate culture that Stephanie would like her team to use is

- A. client first.
- B. growth.
- C. innovation.
- D. sales.

74. Stephanie tries to avoid errors and omissions from occurring by

- A. insisting that Terms of Business Agreements are sent to all clients.
- B. personally training team members.
- C. recording all telephone conversations with clients.
- D. requiring work to be performed in accordance with the firm's guidelines.

75. How does Steve try to ensure that his team does **NOT** mis-sell additional insurance products to clients?
- A. By providing accurate policy documentation.
 - B. By providing concise underwriting submissions.
 - C. By providing prompt customer service.
 - D. By providing sufficient product information to make an informed decision.

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