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37	A	B	C	D	E
38	A	B	C	D	E
39	A	B	C	D	E

PRACTICE QUESTIONS

Chartered Insurance Institute (CII)

HRX6UWJE

E81 - Insurance broking practice

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for Chartered Insurance Institute (CII) **HRX6UWJE**, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, **HRX6UWJE**
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1 SINGLE CHOICE

Under the Financial Services and Markets Act 2000 (FSMA), an individual who arranges insurance contracts on behalf of clients in the UK must be authorised by which body?

- ☐ A The British Insurance Brokers' Association (BIBA)
- ☒ B The Financial Conduct Authority (FCA)
- ☐ C The Prudential Regulation Authority (PRA)
- ☐ D The Financial Services Compensation Scheme (FSCS)

ANSWER B

WHY Under FSMA 2000, the regulation of insurance mediation activity (which includes arranging insurance contracts) is the responsibility of the Financial Conduct Authority (FCA). Firms and individuals carrying on such regulated activities must be authorised by the FCA (or, where applicable, exempt). The PRA regulates prudential matters for insurers and banks, not broker authorisation. BIBA is a trade association and the FSCS provides compensation to eligible claimants, neither of which grants authorisation.

QUESTION 2 SINGLE CHOICE

Under ICOBS, when is a broker required to provide a client with an adequate explanation of the main features of an insurance contract?

- ☐ A Only when the client requests it in writing
- ☐ B Only for policies with a premium exceeding £10,000
- ☒ C Before the client buys a policy or, where appropriate, before any variation is concluded
- ☐ D Within 30 days of the policy inception date

ANSWER C

WHY ICOBS requires that adequate explanations of the main features of an insurance contract are provided to clients before the conclusion of the contract (or variation), so they can understand what they are buying. The timing is not contingent on the client's written request, premium size, or a 30-day post-sale window.

QUESTION 3

SINGLE CHOICE

An insurance broker acting for a client is generally regarded in law as what?

- ☐ A An agent of the insurer
- ☒ B An agent of the client
- ☐ C A dual agent of both insurer and client
- ☐ D An independent contractor with no fiduciary duty

ANSWER B

WHY An insurance broker is, in legal terms, the agent of the client (the proposer), not the insurer. This is a fundamental principle of insurance broking law and gives rise to the broker's duty of care when placing cover and presenting risk information. A broker is not a dual agent; brokers owe duties to the client, while insurance intermediaries can sit on either side.

QUESTION 4

SINGLE CHOICE

A business owner insures another person's property without their knowledge or consent. The policy is most likely to be void due to a breach of which principle?

- ☐ A Indemnity
- ☒ B Insurable interest
- ☐ C Proximate cause
- ☐ D Contribution

ANSWER B

WHY A person insuring property must have an insurable interest in that property — a legal relationship to the subject matter such that they benefit from its preservation and suffer loss from its damage. Insuring someone else's property without their knowledge or consent typically means the policyholder has no insurable interest, rendering the contract void or unenforceable. Indemnity, proximate cause and contribution address different aspects of claims settlement.

QUESTION 5

SINGLE CHOICE

A proposer fails to disclose a material fact when applying for insurance. Under the Marine Insurance Act 1906, the insurer may treat the contract as:

- ☐ A Automatically null and void from inception with no liability for any claim
- ☒ B Voidable at the insurer's option, provided the fact was material
- ☐ C Valid but with the claim reduced proportionately to the premium paid
- ☐ D Subject only to a regulatory fine but otherwise enforceable

ANSWER B

WHY Section 17 of the Marine Insurance Act 1906 codifies the duty of utmost good faith, and Section 18 provides that where a material fact is not disclosed, the insurer may avoid the contract. Avoidance is at the insurer's option and renders the contract voidable, not automatically void. In non-marine business the duty is implied through the Consumer Insurance (Disclosure and Representations) Act 2012 and the Insurance Act 2015, but the underlying principle — that non-disclosure of a material fact can give the insurer the right to avoid — is the same.

QUESTION 6

SINGLE CHOICE

Which of the following is the most appropriate rating basis for a commercial combined property and liability policy covering a manufacturing business?

- ☐ A Annual mileage for commercial vehicles
- ☒ B Wages or turnover, depending on the cover section
- ☐ C Number of bedrooms for the premises
- ☐ D Age of the youngest driver only

ANSWER B

WHY Commercial combined policies commonly use wages (for employers' liability and public/products liability sections) and turnover or sums insured (for property and business interruption sections). Mileage is a motor rating basis, bedrooms relate to household/let property, and a single-driver age factor is not a recognised basis for a manufacturing combined policy. The correct rating basis depends on the section of cover, with turnover or sums insured used for property and wages used for liability.

QUESTION 7

SINGLE CHOICE

Following a loss, the role of the insurance broker in claims handling typically includes which of the following?

- ☐ A Adjudicating the claim and authorising payment on the insurer's behalf
- ☒ B Acting as the client's advocate in presenting the claim and liaising with the insurer
- ☐ C Replacing the loss adjuster appointed by the insurer
- ☐ D Paying the claim from broker funds pending insurer reimbursement

ANSWER B

WHY Brokers do not adjudicate claims, do not replace loss adjusters and do not pay claims from their own funds. The broker's role is to support the client by advising on procedure, helping present the claim fully and fairly, and liaising with the insurer and any appointed loss adjuster on the client's behalf. Claims decisions and payments are made by the insurer.

QUESTION 8

SINGLE CHOICE

Which of the following best distinguishes 'pecuniary loss' insurance from indemnity insurance?

- ☒ A Pecuniary loss insurance pays a fixed sum on the occurrence of an uncertain event, whereas indemnity insurance compensates for an actual financial loss
- ☐ B Pecuniary loss insurance always covers motor vehicles, whereas indemnity insurance covers buildings only
- ☐ C Pecuniary loss insurance is regulated by the PRA only, whereas indemnity insurance is unregulated
- ☐ D Pecuniary loss insurance is only available to commercial clients, whereas indemnity insurance is only for consumers

ANSWER A

WHY Pecuniary loss insurances (such as loss of profits, business interruption, or fixed-sum accident cover) respond to specified financial losses or events and may pay fixed sums, while indemnity insurances (such as property or motor damage cover) aim to put the insured back in the position they were in immediately before the loss. The other options are factually incorrect descriptions.

QUESTION 9

MULTIPLE CHOICE

Which of the following are typically included as standard cover sections within a commercial combined policy? (Choose two.)

- ☐ A Property damage
- ☒ B Liabilities (employers', public/products)
- ☐ C Whole of life assurance
- ☐ D Marine cargo on a worldwide basis
- ☒ E Money and personal accident for employees

ANSWER B • E

WHY Commercial combined policies are designed to bundle the core insurances a typical commercial customer needs, commonly including property damage, business interruption, liabilities (employers' and public/products) and often money, personal accident and goods-in-transit extensions. Whole of life assurance is a life assurance product, not a commercial general insurance product, and worldwide marine cargo is a specialist class usually written separately. Property damage and liabilities are the two core building blocks.