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PRACTICE QUESTIONS

Chartered Insurance Institute (CII)

PW8VTVPB

EP2 London Market insurance essentials (EPA)

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

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Before you begin

What this is

9 practice questions for Chartered Insurance Institute (CII) `PW8VTVPB`, 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, `PW8VTVPB`
- the question number
- the email address on your order

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

QUESTION 1 MULTIPLE CHOICE

Which of the following are core participants typically found in a Lloyd's of London syndicate transaction? (Choose two.)

A The Lloyd's broker

B The underwriting member (Names or corporate members)

C The policyholder's bank

D The Lloyd's managing agent

ANSWER **B · D**

WHY The underwriting member (Names or corporate members) provide the capital that backs the risk, and the Lloyd's managing agent runs the syndicate on their behalf and underwrites business. A Lloyd's broker is the broker placing business at Lloyd's, and the policyholder's bank is not a participant in a syndicate transaction.

QUESTION 2 MULTIPLE CHOICE

When placing a risk in the London Market, which two statements correctly describe the broker's role? (Choose two.)

A The broker represents the insured and negotiates cover with insurers or underwriters

B The broker underwrites the risk and fixes the premium

C The broker prepares the slip and circulates it to market

D The broker acts as agent for the insurer in collecting premiums

ANSWER **A · C**

WHY The London Market broker acts for the client (insured) and is responsible for preparing the slip — the document of contract — and circulating it to insurers/underwriters to negotiate terms. Brokers do not underwrite or fix premiums; premium collection is handled through the bureau (Xchanging Ins-sure Services at Lloyd's) rather than the broker acting as the insurer's agent for that purpose.

QUESTION 3 SINGLE CHOICE

Which of the following is most commonly associated with the London Market as a centre of expertise?

A Domestic household insurance

B **Marine, aviation and large commercial / specialist risks**

C Standard private motor

D Pet insurance

ANSWER **B**

WHY The London Market is internationally recognised for writing specialist, large and complex risks — marine, aviation, energy, political risk, terrorism, satellite, fine art and similar — rather than high-volume personal lines such as pet, motor or household cover.

QUESTION 4 SINGLE CHOICE

What is the primary purpose of a 'slip' in the London Market?

A A claim form used to notify underwriters of a loss

B **A working document setting out the risk and the terms offered to underwriters**

C A schedule of reinsurance recoveries

D A yearly premium renewal notice

ANSWER **B**

WHY The slip is a short document, prepared by the placing broker, that records the risk, the insured, the class, the perils covered, sums insured, deductible, premium rate and the underwriters who have signed lines. It is the working instrument of contract until the full policy wording is produced.

QUESTION 5 SINGLE CHOICE

In a London Market subscription placement, what does it mean when an underwriter 'follows' the leading underwriter?

A The following underwriter pays all claims on the risk

B The following underwriter writes the same terms, wording and conditions as the leading underwriter

C The following underwriter takes over the broker's role

D The following underwriter reinsures the leading underwriter's share

ANSWER B

WHY In subscription business, the leading underwriter sets the wording, terms, conditions and premium rate. A following underwriter signs the slip on those same agreed terms, taking a percentage line of the risk. The leader does not pay all claims, and the broker is not replaced by a follower.

QUESTION 6 SINGLE CHOICE

Which statement correctly distinguishes Lloyd's from the London company market?

A Lloyd's is a regulated insurance company; the company market is a society of individuals

B Lloyd's is a market place for syndicate underwriters backed by members' capital; the company market is made up of regulated insurance companies

C Lloyd's only writes reinsurance; the company market only writes direct insurance

D Lloyd's and the company market are the same thing with different branding

ANSWER B

WHY Lloyd's is not itself an insurance company — it is a market in which underwriting members (Names and corporate members), grouped into syndicates managed by managing agents, underwrite insurance. The London (or 'company') market is made up of regulated insurance companies that write insurance directly. Both sit within the wider London Market.

QUESTION 7 SINGLE CHOICE

In the London Market, a slip is often signed 'Subject to reinsurance'. What does this expression signal to underwriters?

A The insurer will not pay any claim until reinsurance is collected

B The underwriter agrees subject to their own reinsurance protections being arranged

C The insured must arrange their own reinsurance

D Reinsurance is not applicable to the risk

ANSWER B

WHY The phrase 'Subject to reinsurance' means the underwriter's commitment on the slip is conditional on the underwriter's own reinsurance protections being put in place. It does not affect the insured's claim rights, and it is not the insured who arranges reinsurance.

QUESTION 8 SINGLE CHOICE

What is required for a firm to act as a Lloyd's broker?

A Membership of the Lloyd's Brokers' Association only

B Authorisation and registration by Lloyd's, in addition to Financial Conduct Authority authorisation

C Approval by the Prudential Regulation Authority alone

D Approval by the British Insurance Brokers' Association only

ANSWER B

WHY Lloyd's brokers must be authorised by Lloyd's itself (which involves meeting Lloyd's minimum standards) and must also hold the appropriate Financial Conduct Authority authorisation to conduct insurance mediation activity. Approval by the PRA alone, or membership of a trade body alone, is not sufficient.

QUESTION 9 SINGLE CHOICE

Which organisation is responsible for the central processing of premiums and claims at Lloyd's?

A The Lloyd's Brokers' Association

B Xchanging Ins-sure Services (XIS), acting as Lloyd's central settlement facility

C The Financial Conduct Authority

D The Bank of England

ANSWER **B**

WHY Premium and claims processing at Lloyd's is handled centrally by the Corporation of Lloyd's through its central settlement facility, historically operated as Xchanging Ins-sure Services (XIS). The LBA is a trade body, the FCA is a regulator and the Bank of England has no operational role in market settlement.