

01	A	B	C	D	E
02	A	B	C	D	E
03	A	B	C	D	E
04	A	B	C	D	E
05	A	B	C	D	E
06	A	B	C	D	E
07	A	B	C	D	E
08	A	B	C	D	E
09	A	B	C	D	E
10	A	B	C	D	E
11	A	B	C	D	E
12	A	B	C	D	E
13	A	B	C	D	E

14	A	B	C	D	E
15	A	B	C	D	E
16	A	B	C	D	E
17	A	B	C	D	E
18	A	B	C	D	E
19	A	B	C	D	E
20	A	B	C	D	E
21	A	B	C	D	E
22	A	B	C	D	E
23	A	B	C	D	E
24	A	B	C	D	E
25	A	B	C	D	E
26	A	B	C	D	E

27	A	B	C	D	E
28	A	B	C	D	E
29	A	B	C	D	E
30	A	B	C	D	E
31	A	B	C	D	E
32	A	B	C	D	E
33	A	B	C	D	E
34	A	B	C	D	E
35	A	B	C	D	E
36	A	B	C	D	E
37	A	B	C	D	E
38	A	B	C	D	E
39	A	B	C	D	E

PRACTICE QUESTIONS

Chartered Insurance Institute (CII)

AAGYZ52L

I10 - Insurance broking fundamentals

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for Chartered Insurance Institute (CII) AAGYZ52L , 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, AAGYZ52L
- the question number
- the email address on your order

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

QUESTION 1

SINGLE CHOICE

Which of the following best describes the primary role of an insurance broker in the UK insurance market?

- ☐ A To act as the legal underwriter of risk on behalf of insurers
- ☒ B To represent the insured and arrange insurance cover with suitable insurers on their behalf
- ☐ C To set premium rates and policy terms that insurers must follow
- ☐ D To settle claims directly on behalf of the insurer

ANSWER B

WHY An insurance broker acts as the agent of the customer (the insured), not the insurer. The broker's role is to advise the client, identify suitable cover and place the risk with an appropriate insurer. Brokers do not underwrite risk, set premium rates or settle claims, which are functions performed by insurers and their claims staff.

QUESTION 2

SINGLE CHOICE

Which type of insurance intermediary is legally appointed by, and acts on behalf of, the insurer rather than the customer?

- ☐ A Insurance broker
- ☒ B Tied agent
- ☐ C Independent financial adviser
- ☐ D Loss adjuster

ANSWER B

WHY A tied agent (sometimes called a 'tied' intermediary) represents and is appointed by a single insurer (or a small panel of insurers) and sells that insurer's products. By contrast, a broker owes a duty to the customer. Loss adjusters handle claims on the insurer's behalf but are not selling intermediaries.

QUESTION 3 SINGLE CHOICE

Under UK regulation, who is responsible for the commercial and professional conduct of an insurance broking firm?

- ☐ A The Appointed Representative only
- ☐ B The customer of the firm
- ☐ C The firm's principal controller or compliance officer alone
- ☒ D The firm itself, through its governing body and senior management

ANSWER D

WHY Responsibility for the conduct of a regulated firm rests with the firm itself, exercised through its governing body and senior management under the Financial Conduct Authority's (FCA) Senior Managers and Certification Regime. The firm cannot delegate this responsibility to a single individual such as the appointed representative or compliance officer.

QUESTION 4 SINGLE CHOICE

For a risk to be insurable, which one of the following sets of conditions must generally be satisfied?

- ☐ A The loss must be certain, large in value, and caused deliberately by the insured
- ☒ B There must be a large number of similar exposures, the loss must be fortuitous, and the potential loss must be calculable
- ☐ C Only one insurer must be willing to write the risk and the premium must be voluntary
- ☐ D The insured must be able to choose the size of the claim they submit

ANSWER B

WHY The classic requirements of an insurable risk are: a large number of similar exposure units to allow the law of large numbers to operate; the loss must be fortuitous (accidental and not certain); the loss must be definite in time and amount so it can be calculated; and the loss must be economically significant. Certain or deliberate losses cannot be insured.

QUESTION 5

SINGLE CHOICE

Under the doctrine of utmost good faith (uberrima fides) that applies to insurance contracts, what must the insured do when arranging cover?

- ☐ A Pay the premium on the policy start date only
- ☒ B Disclose every material circumstance that would influence a prudent insurer's decision to accept or rate the risk
- ☐ C Provide a written statement that is guaranteed to be true in every detail
- ☐ D Notify the insurer of any claim within 30 days of inception

ANSWER B

WHY Utmost good faith requires both parties to an insurance contract to act honestly towards each other. For the insured this means disclosing every material circumstance before the contract is concluded. The duty is not a guarantee of absolute accuracy, nor does it relate to premium timing or claims notification (which are separate conditions).

QUESTION 6

SINGLE CHOICE

Which of the following types of insurance is most likely to be classified as a long-term (life) insurance contract rather than a general (non-life) insurance contract?

- ☐ A Private motor insurance
- ☐ B Household buildings insurance
- ☒ C Term assurance life cover
- ☐ D Commercial public liability insurance

ANSWER C

WHY Term assurance is a long-term insurance contract because it pays a benefit on the death (or sometimes critical illness) of the life assured and typically runs over a number of years. Motor, household and commercial liability insurances are general (non-life) insurance contracts that usually run for 12 months and indemnify against accidental loss.

QUESTION 7

SINGLE CHOICE

What is the purpose of differentiating premium rates between policyholders who present different levels of risk?

- ☐ A To maximise the broker's commission income
- ☒ B To reflect the insurer's expected claims cost and ensure each policyholder pays a fair price for the risk they present
- ☐ C To comply with the Association of British Insurers' maximum premium rules
- ☐ D To allow insurers to refuse renewal at any time

ANSWER B

WHY Differential rating exists so that the premium charged broadly reflects the expected cost of providing cover for that individual risk. This ensures equity between policyholders and that the insurer's overall book is financially viable. It is not a commission mechanism, is not driven by ABI rules and does not in itself give the right to refuse renewal.

QUESTION 8

SINGLE CHOICE

Which one of the following best describes the principle of indemnity in a property insurance contract?

- ☐ A The insurer will always pay the sum insured in full, regardless of the actual loss
- ☒ B The insured is entitled to be placed, as nearly as possible, in the same financial position after a loss as they were in immediately before it, no better and no worse
- ☐ C The insurer may replace the property with a more modern equivalent regardless of cost
- ☐ D The insured may choose any amount of cover they wish and the insurer must accept it

ANSWER B

WHY Indemnity is the fundamental principle that an insured should not profit from a loss. It aims to restore the insured to the position they were in immediately before the loss, subject to the sum insured and any policy limits. Paying the sum insured in full, ignoring actual loss, or providing better-than-new replacement would breach this principle.

QUESTION 9

SINGLE CHOICE

An insurance broker in the UK typically acts in relation to which party in the insurance transaction?

- ☐ A The insurer, under a binding authority granted by the insurer
- ☒ B The insured (customer), arranging cover on the customer's behalf
- ☐ C The Financial Conduct Authority, reporting transactions on its behalf
- ☐ D The Claims Bureau, settling claims on its behalf

ANSWER B

WHY An insurance broker acts on behalf of the customer (the prospective insured), helping them arrange suitable cover with one or more insurers. Acting for the insurer would describe an appointed agent, not a broker. The FCA is the regulator, not a principal, and there is no 'Claims Bureau' party in the contractual relationship.