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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)

JGLW6KXE

LM2 - London Market insurance principles and practices

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for Chartered Insurance Institute (CII) **JGLW6KXE** , 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, **JGLW6KXE**
- 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 organisation is responsible for the central administration of Lloyd's, including the collection of premiums and the payment of claims?

- ☒ **A The Lloyd's Corporation**
- ☐ B Lloyd's Market Association (LMA)
- ☐ C London Market Group (LMG)
- ☐ D The Insurance Fraud Bureau

ANSWER A

WHY The Lloyd's Corporation is the central administrative body of Lloyd's. It provides the market's infrastructure, including the central settlement of premiums and claims through the Lloyd's central accounting system. The LMA represents managing agents' interests, and the LMG is an industry-wide body that promotes the London Market – neither carries out central settlement.

QUESTION 2

SINGLE CHOICE

A risk requiring specialist underwriting expertise is referred to the Lloyd's Market. Which Lloyd's participant is responsible for deciding the acceptance and rating of the risk on behalf of the underwriting members?

- ☐ A The Lloyd's broker
- ☒ **B The managing agent**
- ☐ C The members' agent
- ☐ D The Lloyd's broker's coverholder

ANSWER B

WHY The managing agent is the firm appointed by the members' agent to underwrite insurance business on behalf of the syndicate's members. It takes the underwriting decision (whether to accept, decline or rate the risk). A coverholder binds business only within delegated authority granted by the managing agent.

QUESTION 3

SINGLE CHOICE

At Lloyd's, when a premium is processed, which fund is it credited to before being distributed to underwriting members?

- ☐ A The Members' Trust Fund
- ☐ B The Central Fund
- ☒ C The Premium Trust Fund
- ☐ D The Special Reserve Fund

ANSWER C

WHY Premiums received from policyholders are paid into the Premium Trust Fund, which is held by the Lloyd's Corporation. After deductions for brokerage, commissions and other charges, the net premiums are then distributed to the underwriting members. The Central Fund is a separate fund used to meet any deficiencies in the Funds at Lloyd's.

QUESTION 4

SINGLE CHOICE

A London Market broker places a large aviation fleet risk on behalf of a multinational client. The broker approaches several Lloyd's syndicates and company market underwriters to obtain competitive terms. This activity describes the broker's role as:

- ☐ A Coverholder
- ☒ B Slip producer / risk presenter
- ☐ C Lloyd's correspondent
- ☐ D Underwriting agent

ANSWER B

WHY The London Market broker typically prepares a slip setting out the risk details and approaches underwriters (Lloyd's syndicates and/or company market insurers) to obtain terms. The broker leading this process is described as the slip producer or risk presenter. A coverholder binds business on behalf of insurers under delegated authority, which is a different arrangement.

QUESTION 5

SINGLE CHOICE

On a Lloyd's slip, what does a 'signed line' represent?

- ☐ A The percentage of the risk the lead underwriter has offered
- ☒ B The proportion of the risk that an underwriter has agreed to underwrite
- ☐ C The order in which underwriters must pay claims
- ☐ D The amount of premium the broker will earn

ANSWER B

WHY A signed line is the portion of the risk (as a percentage or monetary amount) that an underwriter has agreed to underwrite, evidenced by their signature (or initialled agreement) on the slip. It is the underwriter's commitment to that share of the risk, not the lead's offered percentage or claim-payment order.

QUESTION 6

SINGLE CHOICE

Which term best describes a third party authorised by a Lloyd's managing agent to issue, administer and sometimes handle claims on insurance documents, without the broker needing to approach the Lloyd's market for each risk?

- ☒ A Coverholder
- ☐ B Lloyd's broker
- ☐ C Lloyd's correspondent
- ☐ D Members' agent

ANSWER A

WHY A coverholder is an organisation granted delegated authority by a Lloyd's managing agent (or, in the company market, by an insurer) to bind risks, issue documents and often handle claims within agreed criteria. This avoids the need for each risk to be individually underwritten through the broker/Lloyd's chain.

QUESTION 7

SINGLE CHOICE

Which UK regulator is primarily responsible for the prudential supervision of insurers and reinsurers operating in the London Market?

- ☐ A The Financial Conduct Authority (FCA)
- ☒ B The Prudential Regulation Authority (PRA)
- ☐ C The Financial Services Compensation Scheme (FSCS)
- ☐ D The Bank of England's Financial Policy Committee (FPC)

ANSWER B

WHY The Prudential Regulation Authority (PRA), part of the Bank of England, is the prudential regulator responsible for the safety and soundness of insurers (and banks). The FCA focuses on conduct regulation and market integrity. Lloyd's itself is authorised and prudential regulated by the PRA and regulated for conduct by the FCA.

QUESTION 8

TRUE FALSE

In the London Market, the Lloyd's and company markets compete against each other for the same classes of business, but business cannot be brought simultaneously to both because of the rules of Lloyd's.

- ☐ A True
- ☒ B False

ANSWER B

WHY False. A London Market broker may place the same risk across both the Lloyd's market and the company market at the same time. It is common for slips to attract lines from both Lloyd's syndicates and company market underwriters. There is no rule preventing simultaneous placement in both parts of the market.

QUESTION 9

SINGLE CHOICE

Which Lloyd's participant appoints a managing agent to run a syndicate and provides the capital that underpins the syndicate's underwriting?

- ☐ A Lloyd's broker
- ☐ B Coverholder
- ☒ C Members' agent
- ☐ D Managing agent

ANSWER C

WHY A members' agent represents underwriting members (Names and corporate members) and appoints managing agents to run syndicates on their behalf, providing the capital required to support underwriting. Lloyd's brokers introduce business, coverholders are delegated to issue cover, and managing agents run syndicates but do not provide the members' capital.