Chartered Insurance Institute

E66

Diploma in Insurance

Examination element of M66 Delegated authority

Based on the 2019/2020 syllabus
examined from 1 May 2019 until 30 April 2020

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The Chartered Insurance Institute
42-48 High Road, South Woodford, London E18 2JP
Telephone: 020 8989 8464
Fax: 020 8530 3052
Email: customer.serv@cii.co.uk

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E66 – Examination element of M66 Delegated authority

Based on the 2019/2020 syllabus examined from 1 May 2019 until 30 April 2020

Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute (CII) to assist students in their preparation for the E66 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their E66 studies before attempting the specimen examination. Students should allow themselves one hour 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. The examination must be successfully passed within 18 months of enrolment on M66.

Although the specimen examination in this guide is typical of an E66 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 M66 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/diploma-in-insurance-qualification/unit-delegated-authority-p66/**
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 M66 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 CII 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.

Skill Specification

The examination syllabus categorises M66 learning outcomes into attainment levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The syllabus requires that candidates have the ability to understand the subject matter. Each learning outcome begins with one of these cognitive skills:

Understanding - Candidates 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 E66 examination is 50 multiple choice questions (MCQs). One hour is allowed for this examination.

The M66 syllabus provided in this examination guide will be examined from 1 May 2019 until 30 April 2020.

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.

E66 examinations test the Financial Conduct Authority and Prudential Regulation Authority rules and regulations.

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

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.

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, in 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.

Chartered Insurance Institute

Delegated authority

Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of delegated underwriting authority from the perspective of all participants, including the setting up, successful management and development of business.

Assumed knowledge

It is assumed that the candidate already has knowledge of the fundamental principles of insurance as covered in IF1 Insurance, legal and regulatory, or equivalent examinations.

Summary of learning outcomes		Number of questions in the examination*
1.	Understand the business benefits and risks for the use of delegated authorities.	7
2.	Understand the legal and regulatory framework related to delegated authorities.	9
3.	Understand the setting up of delegated authorities.	8
4.	Understand contracts of delegation and contracts of insurance.	7
5.	Understand the management of underwriting by the coverholder/managing general agent (MGA).	4
6.	Understand the management of claims by the coverholder/MGA.	4
7.	Understand key business support functions within the coverholder/MGA.	5
8.	Understand the monitoring and auditing of the delegated authority by the insurer.	6

*The test specification (relevant to the M66 multiple choice question examination only) 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:**
  Mixed assessment consisting of two components, both of which must be passed. One component is a coursework assignment and one is a multiple choice question (MCQ) examination. The details are:
  1. **an online coursework assignment using RevisionMate consisting of 10 questions which sequentially follow the learning outcomes. This must be successfully completed within 6 months of enrolment; and**
  2. **an exam at one of the CII's online centres (paper-based MCQs are available in April and October for those sitting outside the UK). The MCQ exam consists of 50 MCQs. 1 hour is allowed for this exam. This exam must be successfully passed within 18 months of enrolment.**
- **This syllabus will be examined from 1 May 2019 until 30 April 2020.**
- **Candidates will be examined on the basis of English law and practice unless otherwise stated.**
- **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/learning/qualifications/diploma-in-insurance-qualification/**
  2. **Select the appropriate qualification**
  3. **Select your unit on the right hand side of the page**

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1. Understand the business benefits and risks for the use of delegated authorities

1.1 Explain the purpose and main types of delegated authorities.

1.2 Explain the nature and roles of the parties involved with delegated authorities.

1.3 Explain the types of activities that could be delegated.

1.4 Explain the benefits and risks to all parties involved in delegated authorities.

1.5 Explain the management of conflicts of interest.

2. Understand the legal and regulatory framework related to delegated authorities

2.1 Explain the legal framework in which delegated authorities operate.

2.2 Explain the UK regulatory requirements.

2.3 Explain Lloyd's specific regulatory requirements.

2.4 Explain the importance of considering international legal and regulatory requirements.

2.5 Explain the management of compliance.

3. Understand the setting up of delegated authorities

3.1 Examine the key considerations for an insurer when deciding to delegate authority.

3.2 Explain the due diligence process when assessing a potential coverholder.

3.3 Explain the role of the broker in setting up delegated underwriting arrangements.

3.4 Explain ways in which coverholders/managing general agents (MGA) may be remunerated.

3.5 Examine the key components of a delegated authority strategy and a delegated authority business plan for all parties involved.

3.6 Examine the key activities that all parties would undertake when setting up a delegated authority.

3.7 Explain the Lloyd's specific requirements for setting up a coverholder/MGA.

3.8 Explain the rules on employees working away from a coverholder's approved location.

3.9 Explain why Lloyd's syndicates might use the service company model.

4. Understand contracts of delegation and contracts of insurance

4.1 Explain the difference between contracts of delegation and contracts of insurance.

4.2 Explain the key content of typical contracts of delegation, including underwriting guidelines.

4.3 Explain the legal position of each party in a contract of delegation.

4.4 Explain the importance of contract certainty and the implications of a poorly constructed contract.

4.5 Explain cancellation, non-renewal, and run-off.

5. Understand the management of underwriting by the coverholder/managing general agent (MGA)

5.1 Explain why certain classes of business are most commonly underwritten within delegated authority.

5.2 Examine how a delegated underwriting function and portfolio is assessed and managed by the coverholder/MGA.

5.3 Explain how aggregate exposures can be managed.

5.4 Explain the underwriting process including where risks fall outside authority.

6. Understand the management of claims by the coverholder/MGA

6.1 Examine the different approaches to claims management under delegated authorities, including the use of third party administrators.

6.2 Explain good claims handling practice and key claims issues by the coverholder/MGA.

6.3 Explain the role, benefit and purpose of loss funds.

7. Understand key business support functions within the coverholder/MGA

7.1 Explain ways in which business can be marketed and developed.

7.2 Explain policy documentation processes and procedures.

7.3 Explain the handling of premiums and claims monies.

7.4 Explain the reporting requirements under delegated authorities.

7.5 Explain the importance of good IT systems and processes to support the management of coverholders/managing general agents.

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8. Understand the monitoring and auditing of the delegated authority by the insurer

8.1 Explain the indicators of good and poor coverholder/MGA financial performance and operational controls.

8.2 Explain the ways/methods that performance can be monitored, including how to ensure ongoing quality and managing underperformance.

8.3 Explain how audits are conducted and the benefits to all parties of regular audits.

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/PFS members can access most of the additional study materials below via the Knowledge Services webpage at https://www.cii.co.uk/knowledge-services/.

New resources are added frequently - for information about obtaining a copy of an article or book chapter, book loans, or help finding resources , please go to https://www.cii.co.uk/knowledge-services/ or email knowledge@cii.co.uk.

CII study texts

Delegated authority. London: CII. Study text M66.

Insurance, legal and regulatory. London: CII. Study text IF1.

Books

Drafting insurance contracts: certainty, clarity, law and practice. Christopher Henley. London: Leadenhall press, 2010.

Bowstead and Reynolds on agency. Peter Watts & FMB Reynolds. 21th ed. London: Thomson Reuters, 2017.

Reputational risk management in financial institutions. Thomas Kaiser, Petra Merl (eds.) London: Risk Books, 2014.

Reference materials

Contract certainty: an Airmic guide for risk managers and insurance buyers. AIRMIC. 2009. Available via www.airmic.com (register your details to access).

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010. Also available online through Discovery via www.cii.co.uk/discovery (CII/PFS members only).

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

Journals and magazines

Insurance age. Incisive media. Monthly. Contents searchable online at www.insuranceage.co.uk.

Post magazine. London: Incisive Financial Publishing. Monthly. Contents searchable online at www.postonline.co.uk.

The Journal. London: CII. Six issues a year. Archive available online at https://www.thepfs.org/search-results/?q=the+journal (CII/PFS members only).

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Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the MCQ exam component.

These are available on the CII website under the unit number before purchasing the unit. They are available under the following link www.cii.co.uk/qualifications/diploma-in-insurance-qualification.

These exemplar papers are also available on the RevisionMate website www.revisionmate.com after you have purchased the unit.

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London (IIL) holds a lecture on revision techniques for CII written exams approximately three times a year. The slides from their most recent lectures can be found at www.cii.co.uk/iilwrittenrevision (CII/PFS members only).

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1. In what **main** way does a master policy differ from an affinity programme?

A. Cover is provided under a master policy for a wide range of contingencies.
B. Insurance under a master policy is not subject to statutory regulation.
C. Security under a master policy is provided by just one insurer.
D. Underwriting under a master policy is not delegated.

2. Under a lineslip, authority is delegated to

A. an insurance broker.
B. an insurer that is part of the arrangement.
C. a service company.
D. a third party administrator.

3. A coverholder under-reports claims by a significant amount to the insurer. From the insurer's perspective, it will **most likely** be exposed to a higher level of which type of risk?

A. Conduct.
B. Group.
C. Market.
D. Reserving.

4. Under which type(s) of delegated authority, will the coverholder have no authority to calculate any premium?

A. Full authority only.
B. Pre-agreed rates only.
C. Prior submit only.
D. Prior submit and pre-agreed rates.

5. Which party(ies) to a delegated authority agreement is **most likely** to arrange insurance to mitigate exposure to errors and omissions?

A. The broker only.
B. Both the broker and the insurer individually.
C. The broker and the insurer jointly.
D. The insurer only.

6. A coverholder issues documentation where the insurer's identity is **NOT** clearly visible to policyholders. A **key** challenge to the insurer in these circumstances is that of

A. conflict of interest.
B. a coverholder acting outside its authority.
C. the maintenance of a loss fund.
D. reputational management.

7. A delegated authority includes a profit share agreement. From the broker's perspective, this is **most likely** to increase the risk of

A. conflicts of interest.
B. customer complaints.
C. depletion of the loss fund.
D. regulatory intervention.

8. With what **minimum** frequency **must** a medium-sized authorised firm submit a client money and asset return (CMAR)?

A. Monthly.
B. Every three months.
C. Every six months.
D. Annually.

9. A **key** way for an insurer to obtain international risks is through the use of

A. a coverholder.
B. Lloyd's local country representatives.
C. an overseas reinsurer.
D. a third party administrator.

10. A contract of insurance is between which two parties?

A. The coverholder and the broker.
B. The insured and the coverholder.
C. The insured and the insurer.
D. The insurer and the coverholder.

11. A **key** role of the Lloyd's Franchise Board is to

A. be responsible for operating a central data capture system.
B. establish Lloyd's byelaws.
C. oversee the day-to-day running of the Lloyd's market.
D. regulate service companies.

12. Responsibility for the issuance of byelaws within Lloyd's which affect the administration of delegated underwriting agreements lies with the

A. Corporation of Lloyd's.
B. Council of Lloyd's.
C. Managing General Agents' Association.
D. Lloyd's Market Association.

13. Under the Lloyd's Code of Practice - Delegated Authority, due diligence of prospective coverholders is the responsibility of

A. the Council of Lloyd's.
B. Lloyd's brokers.
C. managing agents.
D. service companies.

14. A coverholder with binding authority agreements in force with Lloyd's underwriters is required by Lloyd's to complete a compliance return at what prescribed frequency?

A. Monthly.
B. Quarterly.
C. Half-yearly.
D. Annually.

15. Where a coverholder writes international risks, **ultimate** responsibility for compliance with regulatory requirements lies with the

A. coverholder only.
B. insurer only.
C. insurer and the coverholder jointly.
D. insurer and the local regulator jointly.

16. Which organisation is **solely** responsible for the regulation of Lloyd's coverholders?

A. The Corporation of Lloyd's.
B. The Council of Lloyd's.
C. The Financial Conduct Authority.
D. The Prudential Regulation Authority.

17. The **most likely** reason that an insurer will approach a coverholder to set up a new delegated authority would be the

A. coverholder's existing presence in a certain market.
B. coverholder being profitable across all its types of insurance.
C. insurer seeking to improve its regulatory reputation.
D. need to retain control of the underwriting function.

18. Under a prior submit contract arrangement, premium rates are set by the

A. coverholder only.
B. coverholder and the insurer jointly.
C. insurer only.
D. third party administrator.

19. By what means does Lloyd's assess an application for approval from an overseas coverholder?

A. Through ATLAS.
B. Through GABRIEL.
C. Through the local regulator's register.
D. Using the coverholder's business plan.

20. When a coverholder has claims authority included in its binding agreement and a profit commission arrangement is in place, this could result in the

A. coverholder having no incentive to write more business.
B. customer suffering detriment in relation to claims settlement.
C. insurer always paying more than under an ordinary commission arrangement.
D. insurer being liable to additional capital adequacy requirements.

21. An insurer is examining whether a proposed new coverholder will have appropriate controls in place to manage financial crime. To which document is the insurer **most likely** to refer?

A. Coverholder proposal form.
B. Coverholder business plan.
C. External audit report.
D. Terms of Business Agreement.

22. A Lloyd's underwriter intends to establish a binder with a new coverholder. What approval procedure, if any, **must** be followed?

A. There is no need to follow an approval procedure.
B. The coverholder only must be approved before any business is written.
C. The coverholder only must be approved before the underwriter's next regulatory return.
D. The coverholder and the underwriter must both be approved before any business is written.

23. In respect of delegated authority agreements, the Service Company Code of Practice applies to

A. all coverholders approved by Lloyd's.
B. all members of the Managing General Agents' Association.
C. service companies established by all insurance companies.
D. service companies established by Lloyd's syndicates.

24. A lineslip is a contract arranged between

A. a coverholder and a customer.
B. a coverholder and an insurer.
C. an insurance broker and several insurers.
D. an insurance broker and a policyholder.

25. A **key** difference between a delegated authority and a contract of insurance, is that under a contract of insurance the documentation may be limited to only a

A. bordereau.
B. certificate.
C. policy schedule.
D. statement of demands and needs.

26. When comparing policies issued under a binder and in the open market, under a binder the terms of the policy may be varied by the

A. coverholder only.
B. insurer only.
C. coverholder and insurer jointly.
D. insurer and the insured jointly.

27. What is a **key** benefit to an insurer of having a prior submit delegated underwriting agreement with a coverholder?

A. It allows an insurer to increase a designated class of business.
B. It reduces administration.
C. The insurer benefits from faster premium settlements.
D. The insurer's business automatically grows.

28. What action will an insurer **most likely** take if it discovers infrequent errors in the insurance documentation issued by a coverholder?

A. Draw the errors to the coverholder's attention.
B. Immediately cancel the delegated authority.
C. Reissue the documentation directly to the affected policyholders.
D. Request immediate rectification from the coverholder.

29. In respect of the legal position of a broker in a delegated underwriting agreement, the broker may

A. only act as agent for the insured.
B. only act as agent for the insurer.
C. act as agent for both the insured and the insurer.
D. act as principal for both the insured and the insurer.

30. What is the effect, if any, on homeowners' buildings insurance risks bound under a delegated underwriting agreement if the agreement is **NOT** renewed at the anniversary date?

A. There is no effect.
B. The coverholder's authority to administer the bound risks ceases at the expiry of the delegated underwriting agreement.
C. The coverholder must transfer all policies to another insurer's delegated underwriting agreement from the expiry date of the delegated underwriting agreement.
D. The insurer will not provide any amendments to existing policies that are requested after the expiry date of the delegated underwriting agreement.

31. A delegated underwriting agreement is **most commonly** between which parties?

A. A broker and a claims administrator.
B. A broker and a consortium.
C. A coverholder and an insured.
D. A coverholder and an insurer.

32. A **key** benefit to an insurance underwriter when accepting risks under a delegated authority is that the risks tend to be of

A. small value and high volume.
B. small value and low volume.
C. large value and high volume.
D. large value and low volume.

33. Which method is **typically** used for continuous monitoring of an underwriting portfolio?

A. External audit.
B. Management evaluation.
C. Internal audit.
D. Policyholder survey.

34. Which activity, performed by an insurer, enables accurate measurement of the potential impact of a sequence of losses?

A. Assessing risk ratings.
B. Claims evaluation.
C. Exposure management.
D. Internal audit.

35. A coverholder is considering accepting a new business proposal. What is the **initial** consideration for the coverholder when deciding whether to accept it?

A. Level of deductible.
B. Level of premium rating.
C. Predicted claims record.
D. Capacity to provide a quotation.

36. The routine payment of claims under a delegated authority is **normally** facilitated by

A. cash calls.
B. a contingency fund.
C. deductions from new business premiums.
D. a loss fund.

37. As part of good claims handling, the claims process for smaller risks written by a coverholder should be prompt, local and

A. efficient.
B. in-house.
C. outsourced.
D. peer reviewed.

38. Following a claim notification, a coverholder decides to use a claims specialist to assist in settling the claim. This decision should be

A. agreed in advance with the policyholder only.
B. agreed in advance with the policyholder and the insurer.
C. clearly articulated in the claims file.
D. excluded from the claims file.

39. Which document details the amount that an insurer may need to pay to replenish a loss fund?

A. Binding authority.
B. Bordereau.
C. Code of Practice - Delegated Authority.
D. The Terms of Business Agreement.

40. To ensure transparency when marketing a new niche product to an affinity group, the coverholder should provide the policyholder with

A. a 24-hour telephone helpline number.
B. details of the insurer on quotations.
C. its service level agreement in respect of claims settlement.
D. a summary of cover at inception.

41. Under a consortium, the responsibility for regulatory reporting **usually** lies with

A. the lead insurer.
B. the coverholder.
C. all the coinsurers.
D. all the insurers jointly.

42. The Insurance Act 2015 has specific importance to which area of a binder's operation?

A. The flow of customer information between coverholders and insurers.
B. The premium levels under a pre-agreed rates agreement.
C. The submission frequency of bordereaux.
D. The use of third party administrators to settle claims.

43. A coverholder operates several binders across various product lines with different insurers. Each insurer has different reporting requirements. The coverholder should capture data to

A. the level required by the insurer with the lowest number of claims.
B. the level required by the insurer with the highest number of claims.
C. a number of levels based upon the reporting requirements of all the different insurers operating in the market.
D. a single level the coverholder deems suitable to meet all the insurers' reporting requirements.

44. A **key** function of a loss fund is that

A. it allows the coverholder to make claim payments directly to clients.
B. the claim payment process entirely lies with the insurer.
C. the client always receives an interim payment.
D. there is never a need to refer claims to the insurer for a decision.

45. As part of its ongoing quality monitoring of a binder, an insurer's audit has identified underperformance by the coverholder. What action is the insurer **most likely** to take?

A. Cancel the binder with immediate effect.
B. Increase the frequency of bordereaux submissions.
C. Reduce the size of the loss fund.
D. Undertake a further audit.

46. What is a **key** issue for an insurer when considering whether to include complaints as a service level for a binder relating to private motor business?

A. The coverholder is liable for all the redress costs of upheld complaints.
B. The coverholder is responsible for conduct risk in respect of managing complaints.
C. The number of complaints made will always have a higher financial cost to the coverholder than to the insurer.
D. The number of complaints is likely to be higher than under a commercial motor binder.

47. Under a binder, why is it difficult to establish good indicators of profitability for long-tail business?

A. The class of business is profitable for the coverholder only.
B. The insurer has no access to the coverholder's track record in the class of business.
C. The premium frequency cannot be accurately monitored.
D. The risk events may take many years to emerge.

48. The ACORD messaging format is designed to improve efficiency in which area of a binder's operation?

A. Exposure management.
B. Performance monitoring.
C. Referral of non-standard risks.
D. Third party claims payment.

49. An insurer is undertaking an audit as part of its monitoring of a binder's ongoing performance. Questions relating to the coverholder's use of branding, marketing and promotional materials would **usually** be contained under which part of the audit template?

A. Business continuity.
B. Compliance.
C. Financial crime.
D. Information technology.

50. As part of the monitoring of the ongoing performance of a binder where the coverholder outsources claims processing to a third party administrator, the insurer decides to undertake an audit. What **key** benefit does the audit provide?

A. The activities of all three parties are considered as part of the audit process.
B. The insurer's audit costs are automatically divided between all three parties.
C. The third party administrator can review the contents of the bordereaux.
D. The third party administrator is excluded from the audit process.

Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			**Learning Outcome 4**			**Learning Outcome 7**		
1	D	1.1	24	C	4.2	40	D	7.1
2	B	1.2	25	B	4.1	41	A	7.4
3	D	1.4	26	A	4.1	42	A	7.2
4	C	1.3	27	A	4.2	43	C	7.5
5	A	1.4	28	A	4.4	44	A	7.3
6	D	1.4	29	C	4.3	**5 Questions**		
7	A	1.5	30	B	4.5			
7 Questions			31	D	4.1	**Learning Outcome 8**		
			8 Questions			45	D	8.2
Learning Outcome 2						46	D	8.2
8	A	2.2	**Learning Outcome 5**			47	D	8.1
9	A	2.4	32	A	5.1	48	B	8.3
10	C	2.1	33	C	5.2	49	B	8.3
11	C	2.3	34	C	5.3	50	A	8.3
12	B	2.3	35	D	5.4	**6 Questions**		
13	C	2.3	**4 Questions**					
14	D	2.5						
15	B	2.4	**Learning Outcome 6**					
16	C	2.2	36	D	6.1			
9 Questions			37	A	6.2			
			38	C	6.2			
Learning Outcome 3			39	B	6.3			
17	A	3.1	**4 Questions**					
18	C	3.1						
19	A	3.7						
20	B	3.4						
21	B	3.5						
22	B	3.5						
23	D	3.7						
7 Questions								