



*Chartered Insurance  
Institute of Nigeria*

*Chief Examiners' Report*

*April 2024*

*Post AllN - Insurance Broking Practice*

*Foundation (PF01)*

## GENERAL RELATED ISSUES TO WATCH OUT FOR IN FUTURE SITTINGS

DO'S	DONT'S
Start studying for the next diet early (from November/December for April diets and May for October diets)	Concentrate all your time and effort on Part 1 @ the detriments of Parts B & C (Diploma & Advanced)
Start each question on a fresh page	Write after invigilators have declared "time-up"
Read and follow instructions clearly (ensure you download and read the "students' instructions" from the website)	Write your name on any part of the answer scripts
Master the tricks of answering questions intelligently by following tips learnt before the exams and concentrating on questions that would fetch you more marks.	Nurture fear on any subject. There is no subject that distinction cannot be obtained.
Attend the Annual Students' Forum	Avoid the Annual Students' Forum
<p><b>CANDIDATES SHOULD VISIT &amp; UNDERSTAND THE CONTENTS, REGULATIONS AND GUIDELINES/MARKET AGREEMENTS ETC ON THE FOLLOWING SITES <a href="http://naicom.com">naicom.com</a> (NAICOM), <a href="http://nigeriainsurers.org">nigeriainsurers.org</a> (NIA); <a href="http://ncrib.net">ncrib.net</a> (NCRIB); <a href="http://nigeriailan.com">nigeriailan.com</a> (ILAN); <a href="http://clinigeria.com">clinigeria.com</a> (CIIN)</b></p>	
<p><b>INFRACTIONS ON ANY OF THE INSTRUCTIONS COULD LEAD TO STIFF SANCTIONS. DO NOT BE A CULPIT. ANY CANDIDATE CAUGHT AND/OR FOUND TO BE CHEATING/HAVE CHEATED, WILL BE BARRED FROM PARTICIPATING IN ANY OF THE INSTITUTE'S EXAMINATION ACTIVITY FOR TWO (2) YEARS AND THE EMPLOYER WILL BE DULY INFORMED OF ANY SUCH INCIDENCE(S).</b></p>	
<p><b>STOP WORKING HARD TO FAIL!!! START WORKING EFFORTLESSLY TO PASS OUTSTANDINGLY!!!</b></p>	

**PF01**

**CHARTERED INSURANCE INSTITUTE OF NIGERIA**

**POST AIIN - FOUNDATION**

**2023 OCTOBER EXAMINATION**

<p><b>SUBJECT - PF01</b></p> <p><b>INSURANCE BROKING PRACTICE</b></p>
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**All answers should be shaded on the answer form in accordance with the following instructions:**

- Two hours are allowed for this paper.
- Fill in the information requested on the answer form and attendance form.
- Handle the answer form with care and do not write notes on it.
- No marks are deducted for incorrect answers, so do not leave any questions unanswered.
- The answer form should be handed over personally by you to the invigilator before you leave the Examination Hall.
- Insert your candidate's number as given on your admission permit and any other particulars required on the answer form.
- Ensure that you write the full and correct candidate's number.
- If you bring a calculator into the examination room, it must be silent battery or solar powered non-programmable calculator. The use of programmable calculator is prohibited.
- No name should be written on the answer form.

**FAILURE TO ADHERE TO INSTRUCTIONS (WRITTEN AND VERBAL) WILL ATTRACT STATED SANCTIONS AS STATED IN THE APRIL 2024 DIET CANDIDATES' INSTRUCTIONS.**

# CHARTERED INSURANCE INSTITUTE OF NIGERIA

<p style="text-align: center;"><b>PF01 - FOUNDATION</b> <b>INSURANCE BROKING PRACTICE</b></p>
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## INSTRUCTIONS TO CANDIDATES

**READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS**

### **Section A**

The questions 1 – 60 in this paper are numbered and four options follow each question. The options are labeled a, b, c, d. Only one of these options is correct. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

#### **Example:**

The major role of a Broker in claims processing is to ...

- (a) pay the claim            (b) support the insurer            (c) support the insured  
(d) be the intermediary between the insurer and the insured

The correct option is (d).

### **Section B**

Questions 61 – 85 are to be answered as either True (T) or False (F). Select your chosen option and indicate it on the answer form by filling in the appropriate box.

#### **Example:**

The Insurance market consists of different categories of intermediaries.

The correct option is True (T).

### **Section C**

Questions 86 – 100. This section contains four (4) case studies each followed by some questions. The case studies are not numbered and appear at the top of the page. Each of the questions following a case study is numbered. Four options follow each question. The options are labelled, a, b, c, d. Only one of these options is correct or best. Select your answer for each question and indicate it on the answer form by filling in the appropriate box.

## SECTION A - ATTEMPT ALL QUESTIONS (Questions 1 – 60)

1. At common law, a person that acts on behalf of another person to create a legal relationship with a third party is a/an/the ...  
(a) principal (b) instructor (c) agent (d) facilitator
2. An entity to which an insurer can give delegated authority is called a/an ...  
(a) managing general agent (b) alternative risk holder  
(c) cover holder (d) wholesale broker
3. Insurance broker exists to assist clients in the following ways except ...  
(a) risk evaluation and assessment (b) prompt claims payment  
(c) meeting attendance with regulator (d) review of insurance portfolio
4. Insurance Brokers receive remuneration called ...  
(a) indemnity (b) brokerage (c) compensation (d) fees
5. The complexities of the remuneration process can be confusing for clients as it is for the insurer who makes the payment to the brokers from the premium. This has been the cause of potential ... to the brokers.  
(a) problem (b) conflict of interest  
(c) administrative problem (d) area of dispute
6. Using a broker reduces the chance of an unfavorable outcome for the insured, and brokers have a responsibility to ensure the client understand the product which they are contractually entering with the insurer. This is because of the broker's ...  
(a) independence (b) expert knowledge  
(c) relationship with insurer (d) matter of convenience
7. One of the main challenges to the insurer in a delegated authority agreement is  
(a) potential dependency on single market (b) loss of control  
(c) increased workload (d) potential conflict of interest
8. Nigerian Council of Registered Insurance Brokers formerly called The Nigerian Corporation of Insurance Brokers was established in which year?  
(a) 1952 (b) 1960 (c) 1962 (d) 1972
9. The NCRIB Act was enacted in the year ...  
(a) 2003 (b) 2005 (c) 2007 (d) 2008
10. The shared values, attitudes, standard and benefits that characterise members of an organisation and define its nature is referred to as ...  
(a) organization integrity (b) administrative system  
(c) corporate culture (d) corporate governance
11. The insurer in a delegated Authority agreement can delegate range of activities but not including ...  
(a) underwriting (b) credit control  
(c) document issuance and management (d) employees' assessment.
12. ... is an independent body representing the interest of insurance and reinsurance brokers who operate in the London and international markets.

- (a) LIMBA      (b) LMBC      (c) BIBA      (d) BIIBA
13. Which of these is not a requirement for the registration of corporate insurance brokers in Nigeria?  
 (a) Principal Officers      (b) Details of Director  
 (c) Statutory Deposit at CBN  
 (d) Submission of copy of Memorandum and Article of Association.
14. In a situation where a broker has no contact with the policyholder, but are rather engaged by another broker to assess a preferential market and policy coverage. Such an initial broker is referred to as a ... broker  
 (a) reinsurance      (b) retail      (c) consolidator      (d) wholesale
15. ... is not a statutory insurance policy in Nigeria.  
 (a) Marine Insurance      (b) Legal Liability Insurance  
 (c) Third Party Motor Insurance      (d) Group Life Assurance
16. The identification, analysis and economic control of those risk which threaten the assets or earning capacity of an enterprise is known as risk ...  
 (a) control      (b) avoidance      (c) management      (d) evaluation
17. When brokers work with their clients to identify the clients' exposure on the clients' businesses to internal and external threats, and how the clients can continue operations in the event of fire or supply chain interruptions. This value addition service from insurance brokers is regarded as ....  
 (a) risk survey      (b) liability survey  
 (c) business continuity planning      (d) environmental risk survey
18. A deliberate, reckless or negligent sale of product or service in the circumstance where the contract is either misrepresented or the product or service is unsuitable for the customer's needs is called ...  
 (a) cross selling      (b) poor selling      (c) mis-selling      (d) bad selling
19. The handling of some of the activities of a broking firm by another organisation on behalf of the broking firm is called ...  
 (a) risk transfer      (b) outsourcing  
 (c) risk balancing      (d) resource control
20. Insurance Broker is the agent of their principal i.e. the insured and perform all the underlisted duties except ...  
 (a) negotiate with insurer on their client's behalf  
 (b) advice their principal on general staff matter  
 (c) negotiate on renewal  
 (d) provide advice and make recommendation to their client.
21. Insurance contracts are contract of utmost good faith. The summary of the principle was given in the case of...  
 (a) Rozanes v. Bowen 1928      (b) Rozanes v. Bowen 1938  
 (c) Rozanes v. Bowen 1948      (d) Rozanes v. Bowen 1958

22. The traditional broking services does not include one of the following.
- Design and operation of insurance programme by the broker.
  - Actual payment of claims by the broker.
  - Negotiation and placement by the broker.
  - Selection of Insurers by the broker.
23. Of what purpose is the 'suitability statement' put in use by brokers.
- To establish the suitability of the Brokers.
  - To establish the suitability of the underwriter.
  - To ensure the customer have the necessary information for decision making whether to buy or not to buy a specific insurance
  - To ensure the customer demand and wants are met.
24. The client's ... is one of the key material facts that should be disclosed to underwriter.
- family history
  - conflict of interest
  - premium payment history
  - loss experience
25. In Nigeria, the current Insurance Act was enacted in the Year ...
- 2000
  - 2003
  - 2005
  - 2007
26. The current Insurance Act modifies the duty of utmost good faith that underlies the insurance contract by introducing the duty of ...
- materials circumstances
  - fair circumstances
  - fair presentation
  - fair misrepresentation.
27. It is important for brokers to know their clients and such information can be sourced from those who are politically exposed by completing a particular form which is the ...
- KYC form
  - PEP form
  - proposal form
  - brokers questionnaires
28. Apart from fraud, under the Nigerian insurance Act, an Insurer will only be entitled to avoid a policy entirely when the breach of fair representation is ...
- careless
  - reckless
  - deliberate
  - (b) and (c) only
29. A concept that confirms that all the terms and conditions of the insurance policy have been agreed upon by the insured and insurer to the contract is called ...
- agreed and understood
  - clear and concise
  - contract clarity
  - contract certainty
30. Error & Omissions claims occur when the broker has made a mistake that has caused their clients to suffer a loss. The client is indemnified by the insurance broker's E&O insurance policy in United Kingdom. In Nigeria, that policy is called a ... policy
- fidelity bond
  - brokers guarantee
  - professional indemnity
  - brokers liability
31. In Nigeria, Brokers' remuneration for the different classes of business is fixed and regulated by...
- NCRIB
  - NIA
  - Insurance Act
  - NAICOM

32. The Broker in assessing which insurer(s) to approach, will consider some of the underlisted criteria, except ...
- (a) quality of service (b) flexibility  
(c) capacity (d) listing on the stock exchange
33. Traditionally, brokers handled all claims on their client's behalf, handling all arising issues up to settlement. This service is called ...
- (a) brokers claim adjustment service (b) brokers acting as client's advocate  
(c) brokers claim treatment service (d) both (a) & (b)
34. In the handling of a claim, the Regulator imposes an obligation on the insurance companies and brokers to act
- (a) decisively (b) promptly and fairly  
(c) without prejudice (d) in the best interest of the industry.
35. One main benefit of delegated authority agreement to the cover-holder is ...
- (a) improved services for their clients (b) conflict of interest  
(c) potential dependency on single market (d) increased workload
36. When an individual or firm exaggerates or inflates a genuine claim to increase the value of payout. This situation is called ...
- (a) salvage (b) misrepresentation (c) representation (d) fraud
37. One key issue a broker may face in designing the insurance programme for the client is ...
- (a) clearance with NCRIB (b) clearance with NIA  
(c) insurers (d) opportunistic fraud
38. Broking firm that possess good corporate culture are likely to have ...
- (a) corporate governance pressure (b) less customer expectation  
(c) good business sustainability (d) lack of peers' admiration
39. The law of agency requires the broker to perform the underlisted duties, except ...
- (a) exercise reasonable skill and care in the performance of their principal's instructions  
(b) to observe the duty of utmost good faith  
(c) to observe the duty of accountability  
(d) the observe duty of obedience
40. Insurance market operates in a cycle. Insurance ... can go up and down depending on the cycle the market is at any given time.
- (a) profit (b) turnover (c) rates (d) dividend
41. The need for separation of possible conflict of interest in a situation where a broker act for the insured and also act for the insurer is established in the case of ...
- (a) North and South Trust Company v. Berkeley 1970  
(b) South and North Trust Company v. Berkeley 1980



- (c) North and South Trust Company v. Berkeley 1980  
 (d) South and North Trust Company v. Berkeley 1970
42. Lloyd's market consists of a/an...  
 (a) group of brokers (b) group of underwriters  
 (c) institution (d) stock exchange
43. The law of agency is the main law under which brokers operate. Brokers, like any other individual or organisation, also have a common law duty such as under ...  
 (a) trustee relationship (b) principle of tort  
 (c) principle of contractual agreements (d) principle of non-disclosure
44. The Brokers must account to their principal for all money they received on their principal's behalf and must keep record of all transaction. This is called a ... relationship  
 (a) trustee (b) financial (c) fiduciary (d) ethical
45. Lloyd's is known as a subscription market because ...  
 (a) members pay subscription yearly  
 (b) majority of risk placed are shared by participating underwriters  
 (c) members pay subscription monthly  
 (d) all of the above
46. The purpose of reinsurance is to ...  
 (a) ensure perfect underwriting (b) ensure brokerage are paid promptly  
 (c) provide support for insurer entering new area of business  
 (d) to protect the broker placing the business
47. In the reinsurance market, the insurance company placing the business is called the ...  
 (a) reinsurer (b) cedant (c) retrocedant (d) retrocessinaire
48. The process where a reinsurer places reinsurance with another reinsurer is known as ...  
 (a) insurance (b) retroceding (c) cessinaire (d) reinsurance
49. The reinsurer who accept placement from another reinsurer is called the ...  
 (a) second reinsurer (b) retrocessionaire  
 (c) wholesale reinsurer (d) retrocession
50. Late filing of annual returns with National Insurance Commission (NAICOM) by a registered insurance broking firm shall attract a fine of ... per day for each day of default.  
 (a) ₦10,000.00 (b) ₦3,000.00 (c) ₦5,000.00 (d) ₦2,000.00
51. Generally speaking, a broker who arranges an insurance policy directly with an insurer is referred to as a ... broker.  
 (a) stock (b) wholesale (c) retail (d) reinsurance
52. The strength of the culture is dependent in the level at which the culture is understood and shared by the ...  
 (a) management (b) board of directors  
 (c) employees (d) regulator

53. The process of using physical risk control techniques in reducing the risk is called risk ...  
 (a) avoidance (b) survey (c) management (d) minimisation
54. Risk Identification -----> ??? -----> Risk Control. What should be in ??? slot?  
 (a) Risk Elimination (b) Risk Survey  
 (c) Risk Analysis (d) Risk Prevention
55. The broker can play a significant role in the client's risk management process of risk identification by...  
 (a) collating premium payment history (b) conducting survey  
 (c) premium financing (d) claims settlement history
56. A broker suggesting the fitting of intruder alarm for an office contents insurance following the completion of a survey is a good example of risk ...  
 (a) identification (b) control (c) elimination (d) prevention
57. Specialist risk management services as additional service offered by the big broking firms may earn the broking firm additional ...  
 (a) commission (b) brokerage (c) fees (d) profit commission
58. The need to retain premium in-house that would otherwise go to an insurer is the essence of...  
 (a) appointing a managing agent (b) capture insurance company  
 (c) risk floating (d) high retention
59. A generic phrase to denote various non-traditional forms of Re(insurance) and techniques where risk is transferred to the capital market is referred to as ...  
 (a) captive risk transfer arrangement (b) delegated authority arrangement  
 (c) alternative risk transfer mechanism (d) specialised risk transfer method
60. The payment cost for application form for registration with National Insurance Commission (NAICOM) as an Insurance Broker in Nigeria is ...  
 (a) ₦250,000.00 (b) ₦100,000.00 (c) ₦200,000.00 (d) ₦150,000.00

**SECTION B - ATTEMPT ALL QUESTIONS (Questions from 61 to 85)  
 Answer True (T) or False (F).**

61. The term "insurance broker" is generally used in the market to describe organisation that offer dependent insurance related advice.
62. In the insurance market, it is the insurance broker who acts as an intermediary in bringing the principal and its eventual client into a contractual agreement.
63. The main distinguishing feature of an insurance agent compared to other intermediaries is that when placing business, the clients are their principal and not usually the insurer (third party) to whom they are introducing the business.

64. A broker is presumed at law to have the necessary knowledge, as well as ability to handle all their clients' insurance challenges and to advise the clients correctly and appropriately.
65. Insurance Broker exist to assist their clients in many ways but not inclusive of rendition of personalised insurance services and consultancies.
66. One of the key benefits for an organisation to use brokers is to get its borderline and uninsured claims settled promptly.
67. NCRIB is established to provide financial support for its members when in difficulties.
68. Insurance brokers in Nigeria are categorised into corporate insurance brokers and partnership insurance brokers.
69. An insurance policy is a legal document evidencing the contract between the broker and the insurer on behalf of the insured and documents the insurers promise to pay in the event of a claim.
70. In Nigeria, for registration as a corporate broking firm, it is expected that the directors provide evidence of registration as members of CIIN.
71. In Nigeria, for registration as a Partnership Insurance Brokers, it is required that the managing partners be current members of NCRIB.
72. One of the key functions of a broking firm in Nigeria is to provide services relating to insurance consultancy and risk management and remunerated by charging appropriate fees.
73. Selling additional insurance to an existing client is referred to as lead selling.
74. In Nigeria, a broker is paid a commission also known as brokerage by way of a reimbursement of an agreed percentage of the premium by the insurer, the broker can also collect fee from the insured for the service they provide.
75. In insurance practice, a broker and an agent are both known as independent intermediaries.
76. Late filling of annual returns shall attract a fine of ₦3,000.00 per day for each day of defaults.
77. Convenience is one of the reasons insureds buy insurance through insurance brokers.
78. Settlement of claims directly by the brokers to the insured is one of the reasons why the insured buys insurance from the brokers.
79. The first operational objective of NAICOM is brokers and consumers protection.
80. Years of operation of clients' business is a typical form of segmentation in broking.
81. Design an operation of insurance programme is not one of the structural service of brokers.

82. Back office function is not one of the roles within an insurance broking organisation.
83. Installation of sprinklers and alarm system are good examples of physical control of Risk.
84. Section 50 of Insurance Acts 2007 has the “no premium no cover provision”.
85. Lloyd’s Brokers are the only brokers allowed to transact business at Lloyd’s.

**SECTION C – ATTEMPT ALL QUESTIONS (Questions 86 – 100)**

**Read the cases below carefully and answer the questions which follow.**

Mr. Kola Odusoga, the Managing director of Jammal Oil Company Limited agreed with ABC Insurance Brokers Limited to place the company oil rig insurance with XYZ insurance Company Limited. XYZ Insurance Company Limited can only accept 30% of the risk and agreed with ABC Insurance Brokers Limited to place the 70% with other interested companies. ABC Insurance Brokers Limited, after obtaining regulatory approval, contacted a Broker at Lloyds for the placement of the balance 70% which was placed with a Lloyds syndicate.

86. What is the relationship between Jammal Oil and ABC Insurance Brokers Limited?  
 (a) Intermediation relationship (b) Agency Relationship  
 (c) Broking Relationship (d) Master and Servant Relationship
87. Who is the Principal in the case study above?  
 (a) Mr. Kola Odusoga (b) Jammal Oil Company Limited  
 (c) ABC Insurance Brokers Limited (d) Lloyds Syndicate Retail
88. Who is the retail agent?  
 (a) Broker at Lloyds (b) ABC Insurance Brokers Limited  
 (c) Mr. Kola Odusoga (d) None of the above
89. 30% accepted by XYZ Insurance Company Limited is called ...  
 (a) cession (b) capacity (c) retention (d) subscription
90. Broker at Lloyds that placed the 70% of the risk is called the ...  
 (a) retail broker (b) wholesale broker  
 (c) insured broker (d) insured agent.

In Nigeria, the regulation of Insurance broking organisations has increased over the last decade. It has become increasingly important for brokers to ensure that the way they operate is in accordance with the regulator’s requirement.

91. Who is the regulator referred in the above case?  
 (a) NCRIB (b) NAICOM (c) NFIU (d) EFCC
92. The above statement is known as what?  
 (a) Authorisation (b) Regulation (c) Compliance (d) Authority

93. What Regulations are Brokers expected to comply with?
- (a) All Regulations affecting Brokers issued by NCRIB
  - (b) Provision of Insurance Acts and all Regulations issued by NAICOM
  - (c) Provision of Insurance Acts and other statutes requiring compliance by brokers and other Regulation issued by various statutory bodies requiring brokers compliance.
  - (d) None of the above
94. For effective compliance, what do you think is expected of broking firm?
- (a) Postpone compliance
  - (b) Designate a compliance officer
  - (c) Outsource compliance
  - (d) Delegate compliance
95. The broker is generally known as ...
- (a) an agent of the insured
  - (b) an agent of the insurer
  - (c) both the agent of the insured and agent of the insurer
  - (d) direct intermediary of the insured.

As the underwriter knows nothing and the man who comes to him to ask him to insure knows everything, it is the duty of assured to make a full disclosure to the underwriter without being asked of all the material circumstances.

96. This principle of insurance was given in the case of ...
- (a) Rozanes Vs Bowen 1938
  - (b) Rozanes Vs Bowen 1928
  - (c) Bowen Vs Roland 1938
  - (d) Bowen Vs Roland 1928
97. This principle expects only the ...
- (a) insured to comply
  - (b) insurer to comply
  - (c) intermediary to comply
  - (d) all of the above
98. The above principle has been modified in Nigeria by one of the underlisted.
- (a) Insurance Act of 2003
  - (b) Insurance Act of 2007
  - (c) NCRIB Act 2003
  - (d) Both the insured and insurer to comply
99. The response in (98) above modified the principle by introducing the duty of ...
- (a) unfair contract
  - (b) fair representation
  - (c) deliberate and reckless
  - (d) fair misrepresentation
100. The above principle has been modified in the United Kingdom by the ...
- (a) Consumer Insurance (Disclosure and representation) Act 2012
  - (b) Consumer insurance (Disclosure and representation) Act 2002
  - (c) Marine Insurance Act 1906
  - (d) Marine Insurance Act 1961

### Chief Examiner's Comment

Performance was averagely good.

### Comments on Overall Performance

The performance can be greatly improved upon by future candidates planning to attempt this course, by studying more intentionally and keeping abreast of industry related matters, market guidelines and regulations.

### Suggestion(s) on Improvements (if any)

More in-depth studies are encouraged to all candidates.

PF01 - INSURANCE BROKING PRACTICE (FOUNDATION)									
1	C	21	A	41	A	61	F	81	F
2	C	22	B	42	B	62	T	82	F
3	C	23	C	43	B	63	F	83	T
4	B	24	D	44	C	64	T	84	F
5	B	25	B	45	B	65	F	85	F
6	B	26	C	46	C	66	F	86	B
7	B	27	B	47	B	67	F	87	B
8	C	28	D	48	B	68	T	88	B
9	A	29	D	49	B	69	F	89	C
10	C	30	C	50	C	70	F	90	B
11	D	31	D	51	C	71	F	91	B
12	A	32	D	52	B	72	F	92	C
13	C	33	B	53	D	73	F	93	C
14	D	34	B	54	C	74	F	94	B
15	B	35	A	55	B	75	F	95	C
16	C	36	B	56	B	76	F	96	B
17	C	37	C	57	C	77	T	97	D
18	C	38	C	58	B	78	F	98	A
19	B	39	B	59	C	79	F	99	B
20	B	40	C	60	C	80	F	100	A