

CII Certificate in Insurance - Insurance Broking Fundamentals (I10) Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Don't worry about getting everything right, your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations, and take breaks to retain information better.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning.

7. Use Other Tools

Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly — adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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- 1. What is an essential element for a broker to communicate when explaining terms to clients?**
 - A. Examples of competitor offerings**
 - B. Insurance market trends**
 - C. Where cover may not match their requirements**
 - D. Insurers' marketing strategies**
- 2. Which term refers to a situation where an insurer is unable to fulfill their long-term obligations?**
 - A. Bankruptcy**
 - B. Insolvency**
 - C. Underinsurance**
 - D. Liquidity problem**
- 3. What is meant by 'material fact' in insurance underwriting?**
 - A. Any irrelevant information submitted**
 - B. Information influencing the insurer's policy decision**
 - C. Details that are always disclosed**
 - D. Information only relevant after a claim**
- 4. What is a primary advantage of having a broker in the insurance selection process?**
 - A. Guaranteed lower premiums without negotiation**
 - B. Ability to consult only with one insurance company**
 - C. Access to professional advice and various policies**
 - D. No requirement for documentation**
- 5. What is the primary function of 'reinsurance' in the insurance market?**
 - A. To assist in policyholder service management**
 - B. To distribute workload among policy underwriters**
 - C. To manage risk by sharing it with other insurers**
 - D. To ensure fraud is minimized across all policies**

6. What is a key function of an insurance broker?

- A. To investigate fraudulent claims**
- B. To directly manage insurer investments**
- C. To act as an intermediary between clients and insurers**
- D. To set policy prices for the insurance company**

7. What is the term used for acquiring a customer at little or no commission to gain future business?

- A. Market Penetration**
- B. Loss Leader**
- C. Brand Building**
- D. Client Acquisition**

8. What primary role do brokers play in the insurance market?

- A. They act as underwriters for risks.**
- B. They provide legal advice on policies.**
- C. They facilitate and arrange insurance coverage for clients.**
- D. They set regulatory standards for insurance practices.**

9. What advantage does a specialized broker provide when accessing niche markets like Lloyd's?

- A. They negotiate better rates.**
- B. They have better access to global insurers.**
- C. They understand unique risk factors better.**
- D. They often have exclusive product offerings.**

10. Which activity is important for a broker when managing a claim?

- A. Collecting premiums from the client**
- B. Advising the client on their rights and obligations**
- C. Creating new insurance products**
- D. Reviewing past claims experience**

Answers

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1. C
2. B
3. B
4. C
5. C
6. C
7. B
8. C
9. C
10. B

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Explanations

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1. What is an essential element for a broker to communicate when explaining terms to clients?

- A. Examples of competitor offerings**
- B. Insurance market trends**
- C. Where cover may not match their requirements**
- D. Insurers' marketing strategies**

For a broker, communicating where cover may not match the client's requirements is critical because it directly impacts the client's understanding of their insurance needs and the adequacy of their coverage. Clients rely on brokers to highlight gaps in coverage that could expose them to risks. By clearly articulating these areas, brokers ensure that clients are fully informed about potential deficiencies in their policies, enabling them to make educated decisions regarding their insurance. Furthermore, this communication fosters trust and transparency in the client-broker relationship, as clients appreciate honesty regarding their coverage needs. Identifying mismatches between cover and requirements allows brokers to guide clients towards appropriate solutions, ensuring better protection and satisfaction with their insurance decisions. While competitor offerings, insurance market trends, and insurers' marketing strategies can provide valuable context, they do not directly address the client's specific needs as effectively as discussing potential coverage gaps.

2. Which term refers to a situation where an insurer is unable to fulfill their long-term obligations?

- A. Bankruptcy**
- B. Insolvency**
- C. Underinsurance**
- D. Liquidity problem**

The term that refers to a situation where an insurer is unable to fulfill their long-term obligations is insolvency. Insolvency occurs when an insurer's liabilities exceed its assets, meaning that it does not have enough resources to cover claims and fulfill obligations to policyholders. This situation can lead to an inability to pay claims, which poses a significant risk to policyholders who rely on their insurer for financial protection. Insolvency is a critical concept in the insurance industry, as it impacts the stability and trustworthiness of insurance providers. Monitoring the financial health of an insurer is essential to ensure that they can honor their commitments over the long term. Other terms like bankruptcy, underinsurance, and liquidity problem have distinct meanings. Bankruptcy specifically refers to a legal process through which individuals or entities declare they cannot pay their debts. Underinsurance involves having insufficient coverage to meet potential losses, while a liquidity problem pertains to a temporary shortage of funds that prevents an organization from meeting its short-term obligations. These terms do not accurately capture the persistent inability of an insurer to meet long-term obligations, making insolvency the correct choice.

3. What is meant by 'material fact' in insurance underwriting?

- A. Any irrelevant information submitted**
- B. Information influencing the insurer's policy decision**
- C. Details that are always disclosed**
- D. Information only relevant after a claim**

A 'material fact' in insurance underwriting refers to any information that could influence the insurer's decision to provide coverage, set the terms of the policy, or determine the premium. When applying for insurance, applicants are required to disclose all material facts that may affect the insurer's assessment of risk. This obligation ensures that the insurer has a clear understanding of the risk being underwritten, which is crucial for accurately evaluating the application. For example, if a prospective policyholder has a pre-existing medical condition or has had multiple claims in the past, this information is a material fact that could affect the insurer's willingness to offer coverage or the premium charged. Failure to disclose material facts can lead to the denial of claims or cancellation of the policy later. The other options do not appropriately define a material fact. Irrelevant information is not considered when assessing risk. While not all details are automatically disclosed, material facts specifically relate to what impacts the insurer's decisions. Lastly, information that only becomes relevant after a claim typically does not fall under the definition of material facts during the underwriting process, as the focus is on the applicant's risk profile at the time of application.

4. What is a primary advantage of having a broker in the insurance selection process?

- A. Guaranteed lower premiums without negotiation**
- B. Ability to consult only with one insurance company**
- C. Access to professional advice and various policies**
- D. No requirement for documentation**

The primary advantage of having a broker in the insurance selection process is the access to professional advice and various policies. Brokers are knowledgeable about the insurance market and can provide clients with tailored advice based on their individual needs, preferences, and risk exposures. They have expertise in comparing a wide range of policies and premiums from different insurance providers, which can help clients make informed decisions that suit their specific requirements. Furthermore, brokers act as intermediaries between clients and insurance companies, which enables them to advocate for the client's best interests throughout the selection process. This level of service is particularly beneficial for individuals or businesses that may not have the time or expertise to navigate the complex insurance landscape on their own. In contrast, the other options do not accurately reflect the advantages of using a broker. While some might think that brokers guarantee lower premiums, this is not the case; premiums depend on various factors including individual circumstances and negotiations. Consulting with only one insurance company limits the breadth of options available, as the broker's strength lies in their ability to present multiple choices. Lastly, documentation is often a necessary part of the process, and the role of the broker does not eliminate this requirement.

5. What is the primary function of 'reinsurance' in the insurance market?

- A. To assist in policyholder service management**
- B. To distribute workload among policy underwriters**
- C. To manage risk by sharing it with other insurers**
- D. To ensure fraud is minimized across all policies**

The primary function of reinsurance is to manage risk by sharing it with other insurers. This process allows insurance companies to protect themselves from significant losses by transferring portions of their risk to other insurers, known as reinsurers. In doing so, the original insurer can stabilize their financial position and improve their capacity to underwrite new policies. Reinsurance spreads the risk of large claims arising from catastrophic events, ensuring that no single insurer bears the full burden of these potential losses. In terms of context, while policyholder service management and fraud minimization are important aspects of the insurance industry, they do not directly relate to the core purpose of reinsurance. Distributing workload among policy underwriters pertains more to operational efficiency within the primary insurer's team, rather than the risk-sharing mechanism that reinsurance provides. Thus, the focus on risk management underscores the essential role that reinsurance plays in the overall insurance market structure.

6. What is a key function of an insurance broker?

- A. To investigate fraudulent claims**
- B. To directly manage insurer investments**
- C. To act as an intermediary between clients and insurers**
- D. To set policy prices for the insurance company**

The primary role of an insurance broker is to act as an intermediary between clients seeking insurance and the insurance companies that provide coverage. This function is crucial as it enables brokers to assess the specific needs of their clients, advise them on the appropriate types and levels of coverage, and then help them navigate the various options available in the market. Brokers leverage their expertise and relationships with insurers to find the best policies for their clients, often negotiating terms to cater specifically to the client's situation. In addition, brokers gather important information from clients about their risks and coverage needs, which allows them to advocate effectively on their behalf. This intermediary role helps ensure that clients receive comprehensive coverage tailored to their unique circumstances while also simplifying the purchasing process, making it easier for clients to understand their options and secure suitable policies. This is essential in a field where insurance offerings can be complex and varied.

7. What is the term used for acquiring a customer at little or no commission to gain future business?

- A. Market Penetration**
- B. Loss Leader**
- C. Brand Building**
- D. Client Acquisition**

The term that refers to acquiring a customer at little or no commission to gain future business is "Loss Leader." This strategy involves offering a product or service at a very low price, often below cost, to attract customers with the expectation that they will return for additional purchases or services that are more profitable. Using a loss leader approach allows businesses to build a customer base and encourages repeat business, creating long-term customer relationships that can be financially beneficial over time. The initial loss incurred on the sale is viewed as an investment in acquiring a loyal customer who will generate more revenue through subsequent transactions. In contrast, market penetration generally refers to strategies aimed at increasing market share for existing products, while brand building focuses on developing a strong brand reputation and customer loyalty. Client acquisition is a broader term that encapsulates various strategies to attract new clients without specifically implying a low commission or price strategy.

8. What primary role do brokers play in the insurance market?

- A. They act as underwriters for risks.**
- B. They provide legal advice on policies.**
- C. They facilitate and arrange insurance coverage for clients.**
- D. They set regulatory standards for insurance practices.**

Brokers play a crucial role as facilitators in the insurance market, serving as intermediaries between clients seeking insurance coverage and insurance companies offering these policies. Their primary responsibility is to help clients identify their insurance needs, compare different policy options, and negotiate terms and pricing to secure the most suitable coverage. Brokers typically have in-depth knowledge of the insurance market, allowing them to provide tailored advice to clients based on their unique circumstances. While underwriters assess and decide on the risks associated with insuring a client, brokers do not perform this function. Similarly, although legal advice may be part of a broker's service, it is not their main role, which is centered around arranging coverage. Additionally, setting regulatory standards falls within the purview of regulatory bodies, not brokers. Their focus is on serving clients by helping them navigate the complexities of insurance offerings and ensuring they get the appropriate protection for their situations.

9. What advantage does a specialized broker provide when accessing niche markets like Lloyd's?

- A. They negotiate better rates.**
- B. They have better access to global insurers.**
- C. They understand unique risk factors better.**
- D. They often have exclusive product offerings.**

A specialized broker provides a significant advantage by having a deep understanding of unique risk factors that are often present in niche markets, such as those operated within Lloyd's. These brokers possess specialized knowledge and expertise that enable them to assess and manage the unique risks associated with particular industries or unusual insurance requirements. This understanding allows them to tailor policies that appropriately cover these specific risks, ensuring that clients receive the most suitable protection. Furthermore, their familiarity with the complexities and nuances of these specialized markets gives them insights into how to effectively negotiate terms and conditions that align closely with the client's needs. While specialized brokers may also have better access to exclusive product offerings or be skilled negotiators, the key differentiator in niche markets is their capability to interpret and address the unique risk factors that may not be apparent to general brokers. This specialized insight ultimately enhances the value they provide to clients in sectors that require bespoke insurance solutions.

10. Which activity is important for a broker when managing a claim?

- A. Collecting premiums from the client**
- B. Advising the client on their rights and obligations**
- C. Creating new insurance products**
- D. Reviewing past claims experience**

Advising the client on their rights and obligations is a crucial activity for a broker when managing a claim. This ensures that the client understands the terms of their policy, what is covered, and what processes must be followed in the event of a claim. A broker serves as an advocate for the client during the claims process, helping them navigate the complexities of their insurance policy and ensuring they are aware of any documentation required or procedural steps they must take to facilitate the claim resolution. The other activities listed do not adequately address the immediate needs of a client who is managing a claim. Collecting premiums is an essential function for a broker but does not directly pertain to the claims process. Creating new insurance products is more related to product development and marketing rather than claims management. Similarly, reviewing past claims experience can provide valuable insights for a broker and their agency but does not actively assist a client in the current claims situation.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://ciicertininsurancei10.examzify.com>

We wish you the very best on your exam journey. You've got this!

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