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IIC C130

Essential Skills for the Insurance Broker and Agent



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Question: 1

Insurance is based on the existence of which factor?

- A. Risk
- B. Tortfeasors
- C. Premium
- D. Absolute liability

Answer: A

Explanation:

Insurance exists because risk exists. Risk is the possibility of financial loss arising from uncertain events, such as fire, theft, liability, automobile collision, injury, or property damage. The entire insurance mechanism is built around identifying, measuring, transferring, pooling, and financing risk. A premium is not the basis of insurance; it is the price paid to transfer risk to the insurer. A tortfeasor is a person who commits a civil wrong, which is relevant in liability claims but not the foundational basis of insurance. Absolute liability is a legal liability concept where liability may apply regardless of negligence, but it is not the general foundation on which insurance operates. In broker and agent practice, the intermediary must first understand the client's exposures, then determine which risks are insurable and which policy forms respond. Without risk, there would be no need for insurance, underwriting, rating, policy conditions, claims handling, or intermediary advice. Reference/topics: Insurance and the Intermediary; risk, risk transfer, insurable exposures, insurance fundamentals.

Question: 2

What is the primary way an agent and an exclusive agent differ?

- A. In the way they evaluate a client
- B. In their authority to handle claims
- C. In the way they advise clients of policy coverages
- D. In the number of insurance companies they can represent

Answer: D

Explanation:

The key distinction is representation. An exclusive agent is generally contracted to represent one insurer or a restricted group of insurers, while a non-exclusive agent or broker may have

access to multiple insurance markets. This difference directly affects product availability, placement strategy, and the client's range of options. The correct answer is not based on how the client is evaluated, because both agents and exclusive agents must collect risk information, understand client needs, and present accurate information to the insurer. It is also not primarily about claims authority; claims handling is normally controlled by the insurer, although intermediaries may assist with reporting and communication. Nor is the difference mainly about how they advise clients, because both must explain coverages accurately and avoid misrepresentation. The structural difference is market access: the number of insurers the intermediary can represent. In practice, this affects whether the intermediary can compare multiple insurers' wordings, pricing, underwriting appetite, and coverage availability. Reference/topics: Insurance and the Intermediary; agency relationships, market access, agent versus exclusive agent, intermediary role.

Question: 3

What is the role of insurance intermediaries under the law of agency?

- A. Act as third parties in insurance contracts
- B. Issue policies on any risk agents deem insurable
- C. Confirm with the insurers that all exposures are covered
- D. Balance dual responsibilities to the insurers and to the insureds

Answer: D

Explanation:

Under agency principles, an insurance intermediary operates in a dual-responsibility environment. The intermediary may owe duties to the insurer when acting within granted authority, such as collecting material facts, submitting accurate applications, binding only within authority, and communicating underwriting information honestly. At the same time, the intermediary owes professional duties to the client, including identifying insurance needs, explaining available coverages, warning about gaps, and exercising reasonable care and skill. The intermediary is not merely a third party to the contract; the role depends on the legal and practical relationship between insurer, insured, and intermediary. Option B is incorrect because an intermediary cannot issue policies on any risk at personal discretion; authority is limited by insurer contracts, underwriting rules, and binding authority. Option C overstates the intermediary's function because no broker can guarantee that every possible exposure is covered unless the policy wording clearly provides it. The best answer is therefore balancing duties to both sides while avoiding conflicts, misrepresentation, and unauthorized commitments. Reference/topics: Insurance and the Intermediary; law of agency, intermediary duties, insurer authority, client duty of care.

Question: 4

Why is the precedent-setting case *Fine's Flowers Ltd. et al. v. General Accident Assurance Co. of Canada et al.* significant?

- A. Outlined the intermediary's stringent duty of care owed to clients
- B. Restructured the content of agency contracts between insurers and intermediaries
- C. Established that intermediaries will be held accountable if they provide legal advice
- D. Defined special risks and the responsibility the insurer has to limit the intermediary's authority

Answer: A

Explanation:

Fine's Flowers is significant because it is commonly associated with the elevated professional duty owed by insurance intermediaries to their clients. The case reinforces that brokers and agents are not simply order-takers. They must exercise reasonable skill, care, and diligence in assessing the client's insurance needs and arranging appropriate coverage. In practical terms, this means an intermediary should ask competent questions, understand the client's operations or personal exposures, explain material limitations, and recommend suitable insurance solutions. The case is not primarily about rewriting agency contracts between insurers and intermediaries, so option B is too narrow and incorrect. Option C is also not the best answer; while intermediaries must avoid unauthorized legal advice, the key significance is broader professional negligence and client duty of care. Option D incorrectly shifts the focus toward insurer authority and special risks. The practical lesson for brokers and agents is direct: failure to identify or recommend necessary coverage may lead to E&O liability. Reference/topics: Insurance and the Intermediary; professional duty of care, E&O exposure, client needs analysis, intermediary negligence.

Question: 5

When brokers are self-regulated, which body enacts the licensing laws?

- A. Federal government only
- B. Provincial or territorial government
- C. Brokerage or agency in which the intermediary is employed
- D. Insurance company with which the intermediary places the majority of business

Answer: B

Explanation:

Insurance broker and agent licensing is a provincial or territorial matter in Canada. Even where a profession is described as self-regulated, that does not mean brokerages, insurers, or private industry groups create the licensing law independently. Self-regulation generally means that a delegated council, regulator, or industry body may administer licensing, discipline, education,

continuing education, and conduct standards under authority granted by provincial or territorial legislation. The federal government is not the primary licensing authority for ordinary insurance intermediaries, making option A incorrect. A brokerage or agency may supervise employees and impose internal compliance requirements, but it cannot enact licensing laws. Likewise, an insurer may appoint agents, grant binding authority, or impose underwriting rules, but it does not create the legal licensing framework. The correct answer is provincial or territorial government because insurance regulation, intermediary licensing, and market conduct rules are established under provincial or territorial statutes and regulations. Reference/topics: Insurance and the Intermediary; licensing, self-regulation, provincial/territorial regulation, intermediary compliance.

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