

INSURANCE BROKERS ASSOCIATION OF CANADA

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**CAIB IV**

EXAM PREPARATION GUIDE

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# HOW TO STUDY

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## How to Study for Exams

Research clearly shows that learning takes place most effectively when information is processed in small chunks spread out over time. If you want to remember what you study, review ideas a few at a time, many times. The steps involved with effective learning are:

- Complete all assignments, including reading before class or if doing correspondence on a regular schedule.
- While attending classes or doing correspondence take thorough notes.
- Review and edit notes.

Following this process alone will ensure that a significant amount of learning takes place prior to becoming involved in what most students think as actual “study”. If you have prepared yourself in this manner, studying for an examination should be largely a matter of systematic review.

## Preparing for an Application Exam

Studying for an application exam requires a special technique for preparation very different from multiple choice or key-term exam questions. The exam will be developed focusing on the important topics stressed throughout the course material and group discussions. These topics are more than likely also discussed in the discussion questions at the end of each chapter.

The majority of students will find application exams the most challenging they will write. Here are some specific recommendations for preparing effectively for application exams.

- ***Start your final exam preparation at least two weeks before the exam.***
- Predicting what application questions will be included on the exam. There are several sources for these possible application questions:
  - Use the major boldface headings in your textbooks and form them into questions by using typical key words such as *describe, explain, discuss, and define*.
  - Check the course outline and study guides provided in your course material. Frequently, the course outline and chapter study guides focus on the major topics of the course.
  - Read over the end-of-chapter discussion questions for possible application questions.
  - Brainstorm possible application questions with several other students who are also taking the course.

- After formulating a list of possible application questions, review your notes and study guides and jot down relevant and important material that you would want to use when writing a response to each question.
- After you have written all the important and relevant material, organize it.
- Link the course material to **key words or phrases that you find easy to recall**. These key words will form a mini-outline for the ideas you will want to include in your exam answers.
  - Note: When actually taking the exam, write these key words in the margin or on the back of the exam paper before you begin to write your answer. The list will guide you in your writing.
- There are two techniques which are useful when you have to learn vast quantities of information. The first is called CHUNKING and refers to breaking up a list into related groups of information. To chunk effectively, make sure that each group contains only those items which have something in common.
- You might also try to use a word or sentence MNEMONIC. A memorable word or sentence can often be created by using the first letters of the terms you have to know. The word HOMES, for example, can help you remember the first letters of the great lakes: Huron, Ontario, Michigan, Erie, and Superior.
- Decide on the best way to present this material in written form. This not only helps you plan an effective answer, it also helps you remember the course material more effectively.
- Practice and rehearse writing several (if not all) answers to your predicted application questions.
- Time yourself so you will be prepared to work under the same time constraints as in the actual exam.
- When studying, visualize yourself answer a question on that subject with confidence.

# APPLICATION STYLE EXAM QUESTIONS

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Application style questions are carefully and precisely worded. **You will not receive credit for answering a question you have not been asked**; you also do not want to waste time writing something you do not need. Most application questions -- like the example below -- can be analyzed according to the following three main components:

## Example:

**"Describe the concept of a joint venture as a business organization."**

### 1. Topic:

The subject area on which the question focuses (*Joint Ventures*)

### 2. Task:

The specific job that the application response must perform, usually expressed in a key word. (*Describe*)

### 3. Hints:

Suggestions or stipulations about what information the answer should contain or how it should be organized and developed (*as a business organization*)

## Key Action Words Used in Exam Questions:

Describe:	Tell or depict in writing.
List:	List items or a statement of facts. No explanation is required - extra marks are not given for an explanation.
Compare:	Indicate the characteristics of two or more items and point out both their differences and similarities.
Contrast:	Point out the differences between two or more items.
Define:	State meaning of a term in a clear, concise way.
Explain:	Give an explanation. It is not enough merely to define terms.
Identify:	State items or give a statement of facts and give an example to illustrate.
Illustrate:	Give an example which makes the idea or concept clear.
Justify:	Give convincing reasons for your decisions or conclusions.

# Steps for Answering an Application Question

## Starting the Exam

- As soon as the Proctor hands you the exam, relieve your mind by **jotting quick notes about things you think you might forget.**
- **Read the directions carefully.** Look for the following things:
  - Point values for the questions.
  - The number of questions to be answered.
  - Time limit for the examination.
- Read through the exam questions. Circle key words that hint at how the answer should be structured.
- **Decide which questions to answer first.** Start by identifying the questions you feel strongly against and circling those that you feel positively towards. Remember to follow your "gut feeling." Answer those questions you feel most confident about.
- **Plan your time for each question.** A question worth 10% of the grade should probably take 10% of the allotted time for reading, preparation, writing and review.

## Planning to Answer

- Start with the easiest questions first.
- Read the question again; paying attention to the key words you circled.
- Make sure you know what the question is asking.
- Jot down facts that immediately come to mind.
- Brainstorm ideas including examples you remember from the textbook and your own experience.
- Organize your answer by creating outlines, mind-maps, or diagrams.
- Reread your plan to prepare to write an answer that:
  - Uses facts and logic instead of unsupported opinions or feelings.
  - Completely answer the question presented.
  - Be concise, direct, and straightforward.
  - Contains few or no grammatical errors – this will reduce misinterpretation of your answer.
  - Write in a natural manner (avoid phony, super-elegant language).

## Writing the Answer

- **Write legibly** - even if you have to print or write on every other line.
- Begin with a brief introduction that refers to the question and states your argument.

- Do not waste time trying to compose a graceful lead paragraph; **get to the point quickly and directly.**
- Keep paragraphs short - one idea to each paragraph. Begin the paragraph with the idea. Remaining sentences should support this idea.
- Include your best ideas early in the answer. **Don't save the "best for last."**
- **Refer to specific examples** from readings and lectures to support and illustrate your points.
- Demonstrate that you understand **the subject matter**; do not merely state information. Ask Why, why why? So what? Who cares?
- **Stay on the topic.** The marker does not want to know everything you have learned - just everything needed to answer the particular question.
- **Do not ramble.** Overly wordy answers may make the reader question the knowledge of the writer.
- **Reread your answer** before moving on to another question since the thoughts are still in your mind.
- **Reread the question.** Make sure your answer satisfies the question.

### **Finishing the Exam**

- Double check that you answered all the questions.
- Make sure your answers are clearly numbered to match the questions.
- Proofread, checking for grammatical errors. Pay particular attention to the spelling of words.
- Clean up any messy looking words or smudges. Rewrite answers if needed.

***If you use several pages or exam booklets, be sure to number them before handing them in, for example, "1 of 3," "2 of 3," "3 of 3."***

#### 5 Reasons People Are Unsuccessful On Exams

- Poor physical condition
- Psyched themselves out
- Studied wrong material
- Studied wrong way
- Didn't read the question

## Frequently Asked Questions About Application Exams

### How much should I write on a question?

Your answer should be short and concise, but ensure that you have completely answered the question. **If you just go for length and add lots of padding you will suffer in two ways, you will waste time and you risk concealing your good ideas.**

Note: 

- A 10 marks question that asks to outline five points will require that you identify 5 points and provide an explanation or example for each point provided.

### How can I get the grade I feel I deserve?

Read the question carefully and **answer the question** that is on the exam paper, not the one you were hoping would be on the exam. Stick to your timetable and make sure you leave enough time for your last answer - **time management is crucial.**

### What do I do if I run out of time?

**Don't.** But if you do at least scribble down some notes so the marker will know what you would have written. You will get at least some marks for a partial answer.

### What topics should I focus on for the examination?

You should know a little about everything on the examination if you have done a good overall review of the course (so do not overlook this stage of your revision process). Ensure you have covered all key terms, case studies, discussion questions and check points outlined in the textbook and course material.

### What is the difference between a good answer and a bad answer?

A good answer will tell the markers clearly what points were covered in the course material and will add a critical commentary and knowledge of wider reading and experience. If you spend significant amounts of your revision time just learning lists of terms you will not do as well as spending time reading and writing notes and applying it to your own experience.

### Should I write everything I know about the subject?

**No.** Only answer what you have been asked in the question. Brain dumps do not get good marks. **Answer the question.**

# COPING WITH EXAM STRESS

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## Tips for the exam itself:

- Get a good night's sleep the night before an exam.
- Avoid panic. It is natural to feel some exam nerves prior to starting the exam, but getting excessively nervous is counterproductive as you will not be able to think as clearly.
- The quickest and most effective way of eliminating feelings of stress and panic is to close your eyes and take several long, slow deep breaths. Breathing in this way calms your whole nervous system. Simultaneously you could give yourself a mental pep-talk by mentally repeating "I am calm and relaxed" or "I know I will do fine".
- If your mind goes blank, do not panic! Panicking will just make it harder to recall information. Instead, focus on slow, deep breathing for about one minute. If you still cannot remember the information then move on to another question and return to this question later.
- After the exam, do not spend endless time criticizing yourself for where you think you went wrong. Often our own self-assessment is far too harsh. Congratulate yourself for the things you did right, learn from the bits where you know you could have done better, and then move on.

# ANSWER MODEL

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The following model is offered to show the student the detail that warrants full marks and the variations of answers that will constitute a range from zero to ten. This should assist you in preparing for the final exam.

## **Sample Question**

It is effective to increase profitability of a brokerage by concentrating on controlling expenses. Why would you focus on controlling expenses and what would you do to ensure that expenses in your brokerage are minimized?

## **Salient Points for Markers (10 marks – 2 marks for each point)**

### Why

- Saving a dollar in expenses is identical to making a dollar of pre-tax net income

### What

- Communication – decision, purpose and employee role must be clearly communicated
- Cost Control –modern technology, insurance company issuance of auto and homeowners policies, direct billing for auto and homeowners policies
- Cost Accounting – match expenses with products and departments
- Expense Analysis – develop expense standards and analyze results

## **Sample Answers**

### **10 marks**

It is expenses because a dollar saved is a dollar earned. Higher profits equal more benefits. To ensure the expenses are minimized I would communicate to all employees including management, that expenses have to be controlled in order to help the brokerage profitability. All employees will have to make a conscious effort to control expenses.

I would also look at areas of cost control such as using technology, personal home and auto policies should be on direct bill, and having the insurance company issue the policies and paper.

I would also track expenses by matching them to products and departments to give me more information on the types and source of the expenses. I would also do an expense analysis which means setting expense standards and then comparing the results.

### **9 marks**

Expenses should be an area of concern for brokerages as they directly impact the revenue. High expenses reflect a brokerage that is not efficient and cost effective.

Once a plan for reducing expenses has been developed it should and must be communicated to staff. Staff is unable to change their procedures or spending without knowledge of a problem.

Technology can be introduced to the brokerage. Once employees are trained on technology, it allows them to produce an increased amount of work, allows them to spend less time on admin. Tasks and more time with the client or making sales and the response time to the client will be reduced thus increasing client satisfaction.

A method of cost accounting should be introduced. This will enable the manager to identify the areas, projects, and sales processes which could be streamlined or re-evaluated to make them more efficient.

By identifying areas for cost control, the manager can implement strategies and objectives to ensure these areas become more efficient. A system of expense analysis should be implemented. Supplies, for an example, may be more expensive from one supplier than another. Also, high expenses may indicate areas for improvement or an introduction to different technology.

### **8 marks**

One would focus on controlling expenses because by controlling expenses that would increase profits. A brokerage can have a large amount of revenue coming in; however, if there is a large amount of expenses going out then the brokerage would not be considered profitable.

To insure that expenses in the brokerage are minimized I would set up a strategic plan and assess what type of expenses we were incurring. Next, I would look at the expenses and see if any can be eliminated or reduced by conserving. For example, staffing can be assessed and during slow periods, perhaps some staff could be reduced to part time. Supplies could be assessed and noted if any wastage was occurring. Furniture and equipment could be leased to maximize taxable deductions. Technology could be implemented to reduce duplication and increase efficiency. During slow periods staff could be encouraged to prospect for new clients.

The above are a few ways of minimizing expenses but based on the brokerage there could be a number of ways to reduce expenses and increase profit.

### **7 marks**

Expenses must be controlled to ensure increased profitability. Employees must be made aware of areas that management has focused on for control of expenses. It must be explained to the employees why expenses need to be controlled and that an increase in profitability of the brokerage will allow for greater rewards to the employees.

Expenses should be identified and examined. They should be separated between the various categories.

Expenses should be compared to internal standards and also external standards.

Brokerage may decide to reduce staffing if overstaffed, but I would prefer to examine human resources available and provide training and development to increase growth in sales by cross-selling and upwelling to existing clients and attracting prospective clients.

By increasing the flow of revenues, expense ratio is decreased. It may be necessary to incur some short-term added expenses to minimize future expenses overall.

I would make sure also, that technology and support systems are in place and training provided so that brokerage operates efficiently to the complete satisfaction of the clients and employees.

### **6 marks**

Profitability of a brokerage is determined by comparing income to expenses. If expenses are reduced, profitability will be increased.

To ensure expenses are minimized it is imperative to advise everyone in the brokerage of our intent to reduce them. Each unit would be made responsible for their respective areas.

Would implement technology to reduce duplication of work and speed up processes. Use direct marketing approaches as bulk mailings are far too expensive. Amend billing procedures (direct bill if possible). Brokerage/company single entry interface would be used as the transaction could take place off-peak times and reduce brokerage expense for lines.

### **5 marks**

I would focus on controlling expenses because it is an efficient way to keep my brokerage running smoothly and the cost of expenses low. There are several factors that I would look at: communication – making sure that it is communicated to the right people in the brokerage will make the difference of whether or not expense controlling will work, if I do not communicate to the correct people it will be a waste of my time to implement it. Areas of cost control I would look at, the different areas in which I could cut costs, there are several areas to be considered. I could convert to modern technology. Use direct billing for my home and auto policies. When I use modern technology it will cut down on the cost of the brokerage, less employees required, the work flow can be re-evaluated and organized and employees thrown out to make for an efficient work place.

When all this is done I would do an expense analysis.

### **4 marks**

For each dollar saved in expenses, the brokerage realizes a dollar in the pre-tax net income. It therefore makes it profitable to control expenses. To ensure expenses are minimized, it is important to:

- Develop an expense control plan
- Make employees aware of the plan
- Tell employees what's expected of them
- Commit to rewarding them if employees succeed
- Recognize and reward success minimizing expenses

The plan may be as simple as faxing during off-peak hours when rates are lower, or copying on both sides of paper.

### **3 marks**

You want to control expenses because too many expenses reduce the profit margin and the brokerage wants to be as efficient and profitable as possible. Retain as much income as possible.

Ways to achieve min. expenses are to have a firm account receivable procedure to ensure all accounts receivable are collected on time and in full at time of application, endorsement or renewals. There is little value in outstanding receivables – loss of interest earned, chance for bad debt write off, and collection expenses.

Lease equipment instead of purchasing equipment. The capital of the brokerage is not then tied up in purchased goods and services. The extra cash can be invested to earn further income – not shown as capital expenditure. Also by leasing equipment the brokerage can stay current with up-dates equipment.

**2 marks**

I would focus on controlling expenses in order to increase long-term profitability of the brokerage. To control expenses I would implement a financial management plan:

- Budget for premiums, commissions, premium collection and projected expenses
- Have an understanding of our current financial situation
- Analyze income and expenses
- Implement financial standards
- Monitor results
- Take corrective action

**1 mark**

I would focus on controlling expense by setting out a strategic financial plan and work the plan to ensure the objectives are kept in line (to reduce expenses) and achieve profitability. This plan would consist of a budget which is set out at the beginning. Forecasting of the environment to identify possible future expenses and what can be done to control them. Goal setting to ensure a benchmark is set therefore when spending in order to achieve the goal expenses can be controlled.

**0 marks**

That premiums are paid, that employees are knowledgeable and technology used in the brokerage is reliable.