

# Accredited Financial Examiner (AFE)

1. What is based on statistical data and are large groups of similar risks can be classified by a few and easily identifiable characteristics and result in standard rates?

A. Item rating

B. Numerical rating

C. Premium rating

D. Manual rating

**Answer(s): D**

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2. Investments in equities by a life insurance company may not exceed the total of

A. 25 percent of the liabilities in respect of participating policies

B. 70 percent of the insurance company's regulatory capital

C. 15 percent of the liabilities in respect of non-participating policies

D. All of the above

**Answer(s): D**

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3. Who is responsible for accounting for customer remittance advices and the agent's current account?

A. Premium collection department

B. Customer release policy

C. Payment policy

D. Accounts department

**Answer(s): A**

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4. A process designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations is called:

A. Internal control

B. Internal auditing

C. External control

D. None of the above

**Answer(s): A**

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5. Many companies have developed an asset/liability management approach that is founded on understanding product liabilities. Mortgages meet the primary objective of maintaining:

A. Real estate lending by insurance companies

B. A tight asset/liability match with a well-diversified core of investments.

C. A tight asset/liability match

D. A well-diversified core of investments

**Answer(s): B**

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6. What may leave more risk than a company should prudently assume due to the risk-exacerbating features of a particular product?

A. Feasible investment strategy

B. Product risk strategy

C. Risk strategy

D. Design strategy

**Answer(s): A**

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7. Which of the following is NOT the date that is the key to classify the chronology of the data?

A. report date

B. policy date

C. reinsurance date

D. accident date

**Answer(s): C**

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8. The securities repurchased have the same stated interest rate as, and maturities similar to, the securities sold and are generally priced to result in substantially the same yield is known as:

A. Fixed-coupon agreement

B. Variable-coupon a agreements

C. Yield-maintenance agreements

D. None of the above

**Answer(s): A**

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9. Which of the following id NOT the kind of Insurance?

A. fire and alliance lines

B. inland marine

C. Business policies

D. professional liability

**Answer(s): C**

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**10.** Subrogation is:

A. legal right of the business to recover from a third party who may be wholly responsible for the loss paid under the terms of the policy.

B. legal right of the distributor to recover from vendors who may be wholly responsible for the loss paid under the terms of the agreement.

C. legal right of the insurer to recover from a third party who may be wholly or partly responsible for the loss paid under the terms of the policy.

D. legal right of the claimer to recover from the organization that may be wholly or partly responsible for the loss paid under the terms of the company's policy.

**Answer(s): C**

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**11.** In processing , many entities keep a single file for each insured event, with separate identification of each claimant.

A. Liability claim

B. Insurance claim

C. transaction cycle

D. Compensation period

**Answer(s): A**

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**12.** Dollar rolls differ from regular repurchase agreements due to which of the following characteristics in the securities sold and repurchased.

A. they generally have different principal amounts

B. they are represented by different certificates

C. All of the above

D. they are collateralized by different but similar mortgage pools

**Answer(s): C**

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**13.** The name of each Subsidiary, Controlled and Affiliated (SCA) entity and percentage of ownership of common stock must be put to disclosure when:

A. For all investments in SCA entities that exceed 10 percent of the total admitted assets of the insurer.

B. For half of the investments in SCA entities that exceed 6 percent of the total admitted assets of the insurer.

C. For all investments in SCA entities that exceed 20 percent of the total admitted expenses of the insurer.

D. For all investments in SCA entities that exceed 15 percent of the total admitted liabilities of the insurer.

**Answer(s): A**

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**14.** Internal Control is:

A. the process of controlling the impact of risk related events on a company

B. the process of planning the processes in order to avoid risk related events to a company

C. All of the above

D. the process of designing the models to avoid risk related events on a company

**Answer(s): A**

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**15.** What funnels premium dollars into separate accounts which means segregated pools of bonds or stocks?

A. Periodic life insurance

B. Variable life insurance

C. Insurance plan

D. Isolated Interest rate

**Answer(s): B**

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**16.** Quantifies the sensitivity of the option price to changes in interest rates is known as:

A. complexity measure

B. quantifiable measure

C. change measure

D. effective duration measure

**Answer(s): D**

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**17.** The maximum error in the population that the auditor is willing to accept is called:

A. Neither A nor B

B. detection of risk

C. Both A & B

D. Risk of material misstatement

**Answer(s): C**

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**18.** The two major asset classes in which life insurers invest are:

A. annuities and bonds

B. bonds and investments

C. bonds and mortgages

D. mortgages and annuities

**Answer(s): C**

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**19.** What must be properly coded to meet the statutory reporting requirements of the annual statement and to provide statistics to support filling?

A. Claims data

B. Risk estimation

C. Claim settlement

D. Insurance act

**Answer(s): A**

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**20.** is considered to be self-sustaining if it is financially and operationally independent of the reporting enterprise.

A. Retrocession

B. Portfolio Investments

C. Reinsurance

D. Foreign operation

**Answer(s): D**

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