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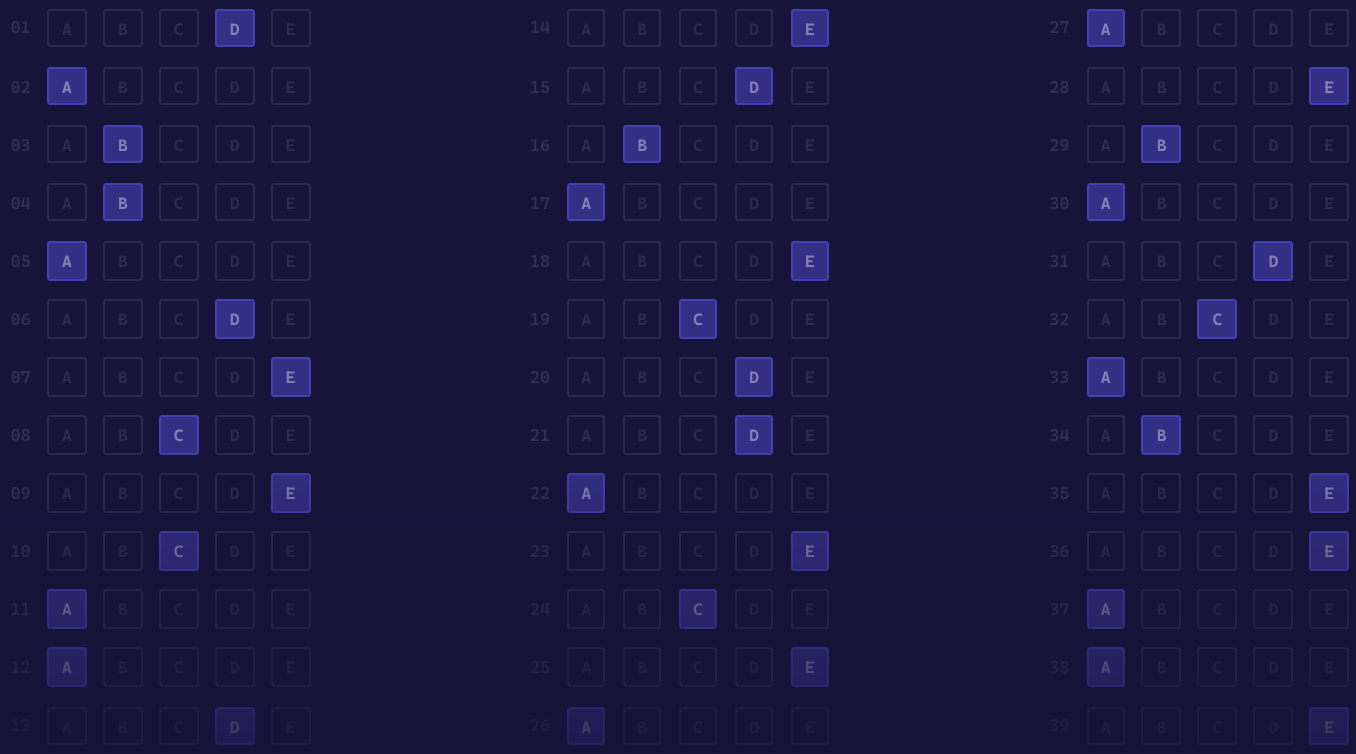

PRACTICE QUESTIONS

Chartered Insurance Institute (CII)

ERGLDJ7E

FA1 - Life office administration

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

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Before you begin

What this is

9 practice questions for Chartered Insurance Institute (CII) `ERGLDJ7E`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `ERGLDJ7E`
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

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QUESTION 1 SINGLE CHOICE

Which body is responsible for the prudential regulation of life insurance companies in the United Kingdom?

A The Financial Conduct Authority (FCA)

B **The Prudential Regulation Authority (PRA)**

C The Association of British Insurers (ABI)

D The Financial Ombudsman Service (FOS)

ANSWER **B**

WHY The Prudential Regulation Authority (PRA), part of the Bank of England, is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The FCA focuses on conduct regulation, the ABI is an industry trade body, and the FOS handles dispute resolution.

QUESTION 2 SINGLE CHOICE

A with-profits endowment policy provides benefits based on the performance of the insurer's with-profits fund. Which of the following best describes a characteristic feature of a with-profits endowment?

A The sum assured is fixed and investment performance is passed to the policyholder through annual bonuses only

B **Bonuses, once declared, are normally guaranteed and cannot be removed**

C The policy has no surrender value until maturity

D Investment risk is borne entirely by the policyholder with no smoothing

ANSWER **B**

WHY With-profit policies aim to smooth investment returns. Annual bonuses are normally declared each year and, once allocated, are guaranteed and cannot be taken away. Terminal bonuses may be added at maturity or surrender but are discretionary. With-profits endowments do have surrender values (subject to market value adjustment) and smoothing reduces, rather than eliminates, investment volatility for the policyholder.

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QUESTION 3 MULTIPLE CHOICE

Which of the following are typical stages in the life office claims process? (Choose two.)

A **Notifying the insurer of the claim and submitting supporting evidence**

B Setting the premium rating for a new policy

C Registering the policy on the company's policy register

D **Reviewing the claim, assessing entitlement and authorising payment**

ANSWER **A** · **D**

WHY The claims process begins with notification and submission of evidence (such as a death certificate or medical reports), followed by the insurer reviewing entitlement under the policy terms and authorising payment. Setting premiums relates to underwriting new business, not claims, and registering a policy on the policy register is part of new business processing.

QUESTION 4 SINGLE CHOICE

A policyholder requests to increase the sum assured on a whole of life policy part-way through the term. What is this alteration commonly known as?

A A surrender

B An assignment

C **A top-up or increase in cover**

D A premium holiday

ANSWER **C**

WHY Increasing the sum assured mid-term is commonly known as a top-up or increase in cover. It typically requires further underwriting and evidence of insurability for the additional amount. Surrender terminates the policy, an assignment transfers ownership, and a premium holiday is a temporary cessation of premium payment.

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QUESTION 5 SINGLE CHOICE

Why do life offices use reinsurance?

A To eliminate all mortality risk from their portfolios

B To comply with the Companies Act filing requirements

C To limit exposure on large or unusual risks and stabilise financial results

D To guarantee investment returns to policyholders

ANSWER C

WHY Reinsurance allows life offices to cede part of the risk on individual policies or groups of policies to a reinsurer, limiting their exposure on large or unusual risks and helping stabilise claims experience and financial results. Reinsurance does not eliminate all mortality risk, is not driven by Companies Act requirements, and does not guarantee investment returns.

QUESTION 6 MULTIPLE CHOICE

Which of the following are key sources of legal and regulatory requirements for UK life offices? (Choose two.)

A The Financial Services and Markets Act 2000 (FSMA)

B The Data Protection Act and UK GDPR

C The Companies Act 2006 statutory accounts format only

D The ABI's internal staff handbook

ANSWER A · B

WHY FSMA is the principal piece of legislation regulating financial services in the UK, and data protection law (Data Protection Act / UK GDPR) governs how personal information, including policyholder data, is handled. The Companies Act is relevant but not only for accounts format, and the ABI staff handbook is not a regulatory source.

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QUESTION 7 SINGLE CHOICE

A policyholder wishes to change the ownership of their life policy to another person while alive. What is this process called?

A **Assignment**

B Nomination

C Surrender

D Conversion

ANSWER A

WHY Assignment is the legal transfer of ownership of a life policy from one person to another, and is completed by the insurer recording the change of ownership. Nomination is merely a request for payment to a named person on death, surrender ends the policy, and conversion changes one policy type to another.

QUESTION 8 SINGLE CHOICE

Which type of life insurance policy pays out only on death within a specified term and has no maturity value at the end of the term if the life assured survives?

A An endowment assurance

B A whole of life assurance

C **A term assurance**

D An annuity

ANSWER C

WHY Term assurance pays the sum assured only if the life assured dies during the term. If the life assured survives to the end of the term, the policy expires with no payment. Endowments pay on death or at maturity; whole of life pays on death whenever it occurs; annuities are income products.

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QUESTION 9 SINGLE CHOICE

When a policyholder ceases paying premiums on a with-profits endowment and the policy is kept in force using its accumulated value, what has occurred?

A The policy has been assigned

B The policy has been made paid-up

C The policy has been surrendered

D The policy has been converted to an annuity

ANSWER B

WHY A paid-up policy is one on which the policyholder stops paying premiums and the sum assured is reduced to the amount that the accumulated value can support in line with the policy terms. Surrender terminates the policy for its cash value; assignment transfers ownership; conversion changes the policy type.

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