

01	☐ A	☐ B	☐ C	☐ D	☒ E
02	☐ A	☐ B	☐ C	☐ D	☒ E
03	☐ A	☐ B	☐ C	☐ D	☒ E
04	☒ A	☐ B	☐ C	☐ D	☐ E
05	☐ A	☒ B	☐ C	☐ D	☐ E
06	☒ A	☐ B	☐ C	☐ D	☐ E
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25	☐ A	☐ B	☐ C	☒ D	☐ E
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27	☒ A	☐ B	☐ C	☐ D	☐ E
28	☐ A	☐ B	☐ C	☒ D	☐ E
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30	☒ A	☐ B	☐ C	☐ D	☐ E
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32	☐ A	☐ B	☐ C	☒ D	☐ E
33	☐ A	☐ B	☐ C	☐ D	☒ E
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35	☐ A	☐ B	☐ C	☐ D	☒ E
36	☐ A	☐ B	☒ C	☐ D	☐ E
37	☒ A	☐ B	☐ C	☐ D	☐ E
38	☒ A	☐ B	☐ C	☐ D	☐ E
39	☐ A	☐ B	☒ C	☐ D	☐ E

PRACTICE QUESTIONS

Chartered Insurance Institute (CII)

SBFGK7VP

WUA - Insurance underwriting (non-UK) (Arabic)

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for Chartered Insurance Institute (CII) **SBFGK7VP**, 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, **SBFGK7VP**
- the question number
- the email address on your order

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

QUESTION 1

SINGLE CHOICE

Which of the following best defines the role of an insurance underwriter?

- ☐ A To investigate and settle claims submitted by policyholders
- ☒ B To assess risk and determine the terms, conditions, and premium for accepting that risk
- ☐ C To market insurance products to potential customers
- ☐ D To invest the premiums collected by the insurer in financial markets

ANSWER B

WHY The underwriter's primary function is to evaluate the risk presented by a proposer and decide whether to accept it, and on what terms, conditions and premium. Claims handling is the role of the claims department, marketing is the role of sales/marketing teams, and investment of premiums is the role of the investment function.

QUESTION 2

SINGLE CHOICE

In underwriting, what is meant by the term 'hazard' as distinct from 'peril'?

- ☐ A A hazard is the cause of loss, whereas a peril is a circumstance that increases the likelihood of loss
- ☒ B A hazard is a circumstance that increases the likelihood or severity of loss, whereas a peril is the actual cause of loss
- ☐ C A hazard and a peril are interchangeable terms meaning the same thing
- ☐ D A hazard refers only to physical dangers, while a peril refers only to moral dangers

ANSWER B

WHY A peril is the cause of a loss (e.g., fire, flood), while a hazard is any circumstance that increases the likelihood or severity of loss arising from that peril (e.g., faulty wiring increasing fire risk). Hazards may be physical, moral, or moral hazard.

QUESTION 3

SINGLE CHOICE

Under the principle of utmost good faith (uberrima fides) in insurance contracts, what duty does this place on both parties?

- ☐ A Only the insured must disclose all material facts
- ☐ B Only the insurer must disclose all material facts
- ☒ C Both parties must disclose all material facts and not mislead each other
- ☐ D Neither party has a duty to disclose once the proposal form has been completed

ANSWER C

WHY Utmost good faith is a higher duty than the normal duty of good faith found in ordinary contracts. It requires both the proposer and the insurer to disclose every material fact known to them that would influence the judgment of the other party in entering the contract.

QUESTION 4

SINGLE CHOICE

What is the principal purpose of reinsurance from the perspective of the direct insurer (cedent)?

- ☐ A To increase premium income
- ☒ B To reduce exposure to losses and stabilise results by ceding part of the risk to another insurer
- ☐ C To replace the need for underwriting
- ☐ D To eliminate the obligation to pay claims to policyholders

ANSWER B

WHY Reinsurance is a risk transfer arrangement in which the cedent (direct insurer) transfers part of the risk it has accepted to a reinsurer, thereby reducing its exposure on individual risks or accumulations of risk and stabilising its loss experience.

QUESTION 5

SINGLE CHOICE

Which of the following is an example of a 'physical hazard' in fire underwriting of a commercial property?

- ☐ A A history of arson by the insured at previous premises
- ☒ B The storage of flammable materials on the premises
- ☐ C A criminal conviction of the proposer for fraud
- ☐ D The insured's reluctance to implement recommended safety improvements

ANSWER B

WHY Physical hazards are tangible conditions that increase the chance or severity of loss, such as the construction of the building, its use, or the presence of flammable materials. The other options relate to moral hazard (character-related issues) or morale hazard (attitude-related issues).

QUESTION 6

SINGLE CHOICE

A material misrepresentation on a proposal form that is neither fraudulent nor negligent may give the insurer the right to:

- ☐ A Pay only a reduced claim proportional to the premium actually charged
- ☒ B Avoid the contract from inception as if it had never existed
- ☐ C Increase the premium and continue the policy unchanged
- ☐ D Pay the claim in full as the insured acted honestly

ANSWER B

WHY Under the duty of utmost good faith, any material misrepresentation (whether fraudulent, negligent, or innocent) entitles the insurer to treat the contract as void, i.e., to avoid it from inception. The remedy does not depend on the insured's honesty.

QUESTION 7

SINGLE CHOICE

Which underwriting approach involves accepting risks largely on the basis of standard terms and rates without individual assessment?

- ☐ A Facultative underwriting
- ☐ B Treaty underwriting
- ☒ C Grading/Schedule underwriting
- ☐ D Individual risk underwriting

ANSWER C

WHY Grading (or schedule) underwriting applies to large classes of relatively homogeneous risks (such as household contents) where standard terms, conditions and rates can be applied automatically. Facultative and treaty underwriting involve individual or contractual assessment.

QUESTION 8

MULTIPLE CHOICE

Which of the following are recognised categories of insurance contract based on how the contract is formed? (Choose two.)

- ☒ A Contract of indemnity
- ☐ B Contract of guarantee
- ☒ C Contract of assurance
- ☐ D Contract of wager

ANSWER A - C

WHY Insurance contracts are generally classified into contracts of indemnity (where the insured is restored to their pre-loss position, e.g., property and motor insurance) and contracts of assurance (paying a sum on the occurrence of a certain event, e.g., life insurance). Insurance contracts are not wagers, even though some have speculative features, because they require insurable interest.

QUESTION 9

MULTIPLE CHOICE

Which of the following are typical rating factors used in motor insurance underwriting? (Choose two.)

- ☒ **A** The driver's claims history and driving experience
- ☒ **B** The age, make and model of the vehicle
- ☐ **C** The colour of the vehicle's interior trim
- ☐ **D** The driver's favourite music genre

ANSWER **A - B**

WHY Motor insurers rate on factors such as the driver's age, experience and claims history, and the vehicle's make, model, value and use. Cosmetic features such as interior trim colour or driver preferences such as music taste are not rating factors.