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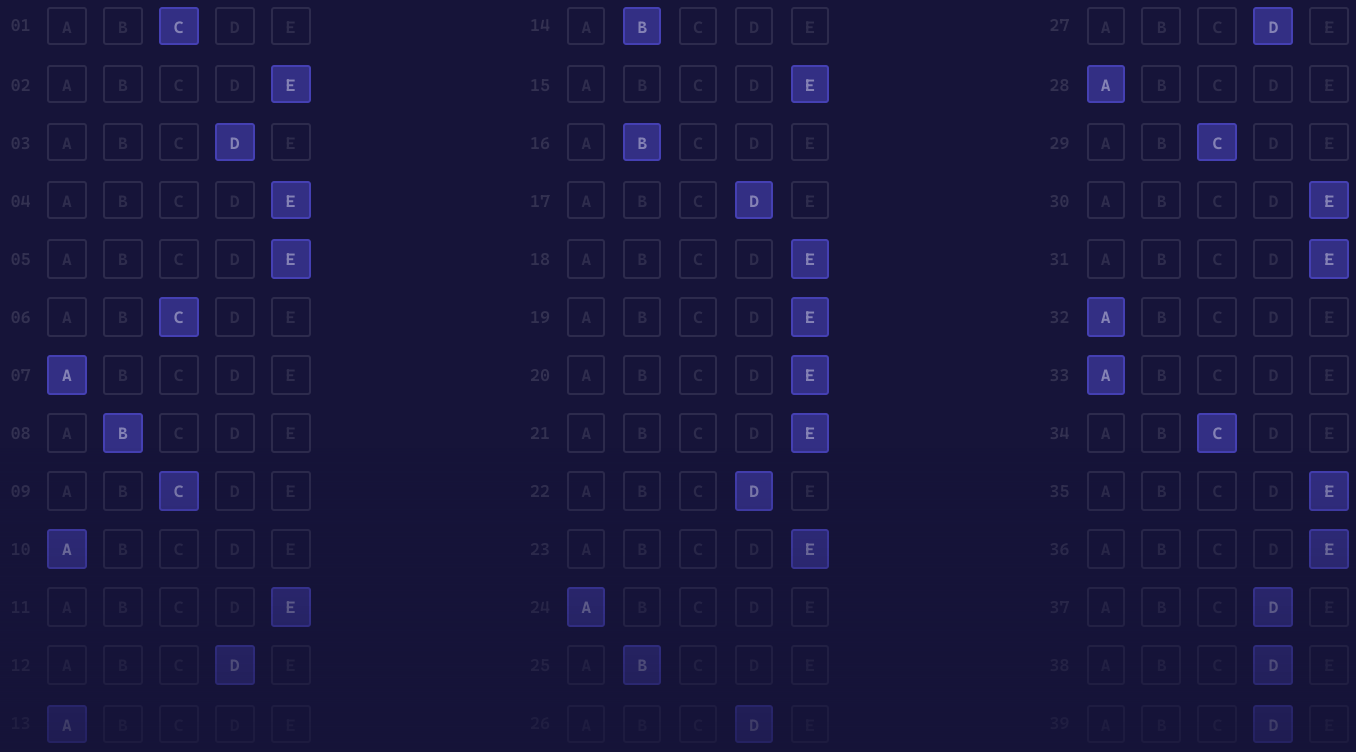

PRACTICE QUESTIONS

Chartered Insurance Institute (CII)

QXGUBZVW

WUE - Insurance underwriting (non-UK)

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) `QXGUBZVW`, 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, `QXGUBZVW`
- 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 of the following best describes the primary objective of insurance underwriting?

A To maximise premium income regardless of risk quality

B To select and classify risks so that the premium charged reflects the likelihood and cost of claims

C To ensure all applicants are accepted regardless of their risk profile

D To minimise the insurer's administrative costs

ANSWER B

WHY The primary objective of underwriting is to select and classify risks appropriately, ensuring that the premium charged is commensurate with the likelihood and potential cost of claims. This maintains the insurer's solvency and equity among policyholders. Options A and C describe practices that would lead to adverse selection and financial instability, while D is a secondary operational consideration, not the primary objective.

QUESTION 2 SINGLE CHOICE

An underwriter is assessing a commercial property proposal. Which factor would generally have the greatest influence on the underwriting decision?

A The applicant's preferred method of premium payment

B The construction material, occupancy, and protection of the property

C The colour of the building's exterior

D The applicant's choice of insurance broker

ANSWER B

WHY The 'Construction, Occupancy, Protection and Exposure' (COPE) framework is fundamental to property underwriting. Construction material determines fire and physical damage risk, occupancy affects the nature of hazards present, protection (such as sprinklers) reduces loss potential, and exposure considers neighbouring risks. Options A, C, and D are largely irrelevant to the fundamental risk assessment.

QUESTION 3 TRUE FALSE

The principle of utmost good faith requires both the proposer and the insurer to disclose all material facts relevant to the insurance contract, with the proposer having the heavier duty of disclosure.

A **True**

B False

ANSWER A

WHY True. The principle of utmost good faith (uberrima fides) applies to both parties, but the duty falls more heavily on the proposer because the insurer typically has less information about the risk than the insured does. Material facts are those that would influence an underwriter's decision to accept the risk or the terms offered. Failure to disclose material facts can render the contract voidable.

QUESTION 4 SINGLE CHOICE

Which type of policy wording typically provides the broadest level of cover with fewest restrictions?

A Specified perils wording

B **All-risks wording**

C Named insured wording

D Exclusion-only wording

ANSWER B

WHY An 'all-risks' (or 'all-loss') wording covers all perils except those specifically excluded, making it the broadest form of cover. A specified perils wording only covers perils explicitly listed in the policy. 'Named insured' and 'exclusion-only' are not standard categories of policy wording construction in this context.

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QUESTION 5 SINGLE CHOICE

In non-life insurance, insurable interest must exist at what point(s) for a valid contract?

A Only at the time the policy is taken out

B Only at the time of the loss

C Both at the time the policy is taken out and at the time of the loss

D Only when the premium is paid

ANSWER C

WHY For indemnity (non-life) insurance contracts, the insured must have insurable interest both at the inception of the policy AND at the time of the loss. This differs from life insurance, where insurable interest need only exist at the inception of the contract. The requirement prevents wagering and ensures the insured has a genuine stake in the subject matter.

QUESTION 6 SINGLE CHOICE

The principle of indemnity in non-life insurance means that the insured should be restored to approximately the same financial position as immediately prior to the loss, but should not profit from a loss. Which of the following best illustrates this principle?

A Paying the full sum insured regardless of the actual loss amount

B Paying the cost of repair or replacement of damaged property up to the sum insured

C Paying double the value of the loss as a penalty to the insurer

D Paying only the deductible amount regardless of loss size

ANSWER B

WHY The principle of indemnity aims to compensate the insured for actual loss suffered, without allowing profit. Payment for repair or replacement at cost, up to the sum insured, restores the insured's position without enrichment. Option A would allow profit (over-indemnification), Option C is punitive and contrary to indemnity, and Option D is incorrect as the deductible is only part of the loss.

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QUESTION 7 SINGLE CHOICE

What is the primary purpose of reinsurance from the ceding insurer's perspective?

A To eliminate all underwriting risk permanently

B To stabilise results, protect against large losses, and increase underwriting capacity

C To replace the need for premium income

D To transfer all customer relationships to the reinsurer

ANSWER B

WHY Reinsurance allows the ceding insurer to stabilise its loss experience, protect its balance sheet against catastrophic or large losses, and write more business than its own capital base would otherwise permit. It does not eliminate all risk (some retention remains), is not a replacement for premium income, and customer/insurer relationships remain with the ceding company.

QUESTION 8 SINGLE CHOICE

Treaty reinsurance under which the reinsurer pays a stated percentage of each loss after the ceding company has paid losses up to an agreed amount is known as:

A Quota share treaty

B Surplus treaty

C Stop-loss (excess of loss) treaty

D Facultative cover

ANSWER C

WHY An excess of loss (stop-loss) treaty obliges the reinsurer to pay losses exceeding the ceding company's retention, up to an agreed limit. Quota share and surplus treaties are proportional arrangements where premiums and losses are shared by a stated percentage or by surplus lines respectively. Facultative cover is arranged on a per-risk basis, not by treaty.

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QUESTION 9 SINGLE CHOICE

During the risk assessment stage of underwriting, which activity is the underwriter primarily engaged in?

A Setting the premium rates for the entire portfolio of similar risks

B Evaluating the proposer and the subject matter of insurance to determine the likelihood and severity of loss

C Negotiating the policy wording with the insured's broker

D Processing the claim once a loss has occurred

ANSWER B

WHY Risk assessment is the core of underwriting. The underwriter evaluates both the proposer (their character, claims history, experience) and the subject matter of insurance (the physical risk, its location, occupation, exposure) to determine the likelihood of a loss occurring and the potential severity if it does. Option A describes the role of an actuary or pricing team, Option C is part of policy construction rather than risk assessment, and Option D is a claims handling function.

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