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QUESTION 1

SAP stresses measurement of emerging earnings of a business from period to period while GAAP stresses measurement of the ability to pay claims in the future.

- A. True
- B. False

Correct Answer: B

QUESTION 2

The nature and extent of interest rate risk, credit risk, reinsurance risk and other significant risks should be disclosed is required for:

- A. Actuarial revenues
- B. Actuarial assets
- C. Actuarial liabilities
- D. Actuarial expenses

Correct Answer: C

QUESTION 3

The amount that currently would be required to replace the service capacity of an asset is called:

- A. Risk approach
- B. Market approach
- C. Income approach
- D. Cost approach

Correct Answer: D

QUESTION 4

Outgoing premiums less return premiums arising from reinsurance purchased from other insurance entities are called:

- A. Rating premiums
- B. Direct premiums
- C. Assumed reinsurance premiums

D. Ceded reinsurance premiums

Correct Answer: D

QUESTION 5

_____ allow investments to be made, up to a certain percent of invested or total admitted assets, in assets that do not otherwise meet regulatory requirements. If their domiciliary jurisdiction regulations have a this, a life insurer with a business purpose for doing so can make a limited amount of mortgage loans that do not meet regulatory requirements without a reduction in surplus. However, some jurisdictions do exercise some extraterritorial jurisdiction related to it.

- A. Loan application
- B. Basket clause
- C. Underwriting agreement
- D. None of these

Correct Answer: D

QUESTION 6

To realize the effect on the "bottom line," or the net gain from operations, from various transactions, one must consider the amount of any liabilities that are released because of the transaction. Assume a death claim entry as follows: Death proceeds-ordinary \$10,000 Dividends on deposit disbursed 1,000 Cash \$11,000

On first appearance, one might think that this will cause the net gain from operations to be \$11,000 lower. However, if the policy has a reserve of \$3,000, the effect on the net gain is only , because the reserve liability of \$3,000 and the dividend liability of \$1,000 will no longer be shown on the balance sheet

- A. \$7,000
- B. \$10,000
- C. \$8,000
- D. \$9,000

Correct Answer: A

QUESTION 7

The balloon payment technique uses level payments of principal and interest but for a shorter period than is required to retire the loan fully during its term. For example, a loan with a 8.5 percent interest rate utilizing a 25-year amortization schedule with a 7-year maturity results in only \$111 of each \$1,000 principal being repaid. Thus, \$889 of each \$1,000 originally borrowed constitutes the balloon amount due at maturity.

- A. 7th-year
- B. 5th-year

C. 6th-year

D. 4th-year

Correct Answer: A

QUESTION 8

Schedule H retains the identity of the Group Accident and Health and the Credit Accident and Health lines of business. However, in Schedule H the line of business designated as Other Accident and Health is subdivided to identify individual policies or elective options. Which of the following is/are out of those classifications?

A. Collectively Renewable

B. Cancelable

C. Guaranteed renewable

D. Non-renewable for market reasons only

Correct Answer: AC

QUESTION 9

The difference between the case-basis reserves and the estimated ultimate cost of such recorded claims is known as:

A. projected reserves

B. computing reserves

C. case-development reserves

D. claim reserves

Correct Answer: C

QUESTION 10

Dynamic hedging requires that:

A. the price or value sensitivities of the hedge portfolio and the assets are in alignment

B. the price or value sensitivities of the hedge portfolio and the liabilities are in alignment

C. the price or value sensitivities of the hedge portfolio and the expenses are in alignment

D. the price or value sensitivities of the hedge portfolio and the revenues are in alignment

Correct Answer: B

QUESTION 11

The agents submit to the insurance entity a statement of all policies issued or due during the current month, and the net amount of the statement is subsequently to be paid in accordance with the agency agreement, is an account current of:

- A. Insurance billing
- B. Direct billing
- C. Rendering basis
- D. Billing basis

Correct Answer: C

QUESTION 12

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. Numerical rating
- B. Premium rating
- C. Manual rating
- D. Item rating

Correct Answer: C

QUESTION 13

The two basic methods for billing premiums are:

- A. policy and direct billing
- B. agency and direct billing
- C. collecting and indirect billing
- D. business and direct billing

Correct Answer: B

QUESTION 14

Fidelity bonds cover employees against dishonest acts by employees.

- A. True

B. False

Correct Answer: A

QUESTION 15

The contracts that are not subject to unilateral changes in its provision and requires the performance of various functions and services for an extended period is called:

- A. Short-duration
- B. Long-duration
- C. Medium-duration
- D. Fixed-duration

Correct Answer: B

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