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QUESTION 1

In SAP, reserves for losses and loss adjustment expenses and unearned premiums ceded to reinsurers are reported as reductions of the related reserves.

- A. True
- B. False

Correct Answer: A

QUESTION 2

The reserve for a reported claim that is established by an adjuster or a formula based on the company's loss experience is called:

- A. loss reserve
- B. case reserve
- C. adjustment reserve
- D. predefined reserve

Correct Answer: B

QUESTION 3

Under the terms of organized securities markets, purchases should be settled in how many working days?

- A. two
- B. three
- C. five
- D. seven

Correct Answer: B

QUESTION 4

Contracts between an insurance company and its agents can provide for what based upon the profitability of business produced?

- A. base commission
- B. acquisition reinsurance commission

- C. contingent commission
- D. persistent ratio commission

Correct Answer: C

QUESTION 5

A _____ reflects the actual profit developed under the contract.

- A. Actual commission
- B. Service commission
- C. contingent commission
- D. miscellaneous commission

Correct Answer: C

QUESTION 6

Which of the following is the correct formula to calculate the unearned premium?

- A. $\text{Unearned premium} = (\text{Policy premium} \times \text{Unexpired coverage days}) / \text{Total number of days in the policy}$
- B. $\text{Unearned premium} = (\text{Interest premium} \times \text{expired coverage days}) / \text{Total number of days in the policy}$
- C. $\text{Unearned premium} = (\text{Insurance contracts} \times \text{Reserve coverage days}) / \text{Total number of days in the policy}$
- D. $\text{Unearned premium} = (\text{Overhead premium} \times \text{Unexpired coverage days}) / \text{Total number of days in the policy}$

Correct Answer: A

QUESTION 7

Any real estate which is owned by and more than 50 percent occupied (based on rentable square footage) by an insurer and its affiliates is considered property occupied by the company.

- A. True
- B. False

Correct Answer: A

QUESTION 8

A market quote or an appraisal is used to determine what of property held for sale?

- A. cash equivalents
- B. annual fair value
- C. property value
- D. current fair value

Correct Answer: D

QUESTION 9

In _____, the actuary varies the assumptions and the models to test the sensitivity of the reported or carried loss liabilities.

- A. potential test
- B. latent test
- C. earned premium test
- D. prospective test

Correct Answer: D

QUESTION 10

The accrual or reserve for anticipated salvage and subrogation receipts would be recorded in which account?

- A. draft register reserve
- B. debt-first reserve
- C. contra-liability loss reserve
- D. unstructured reserve

Correct Answer: C

QUESTION 11

Net written premiums are:

- A. direct written premiums plus mortgage reinsurance premiums, minus ceded reinsurance premiums
- B. direct written premiums plus assumed reinsurance premiums, minus ceded reinsurance premiums
- C. written premiums plus insurance premiums, minus ceded reinsurance premiums
- D. assumed reinsurance premiums plus credit life insurance premiums, minus depreciated reinsurance premiums

Correct Answer: B

QUESTION 12

What is a function of the actual recoveries to the total estimated recoveries?

- A. amortization
- B. reinsurance recoveries
- C. deferred gain
- D. intellectual premium

Correct Answer: B

QUESTION 13

Which of the following two factors cannot be repaid unless the surplus of the company is in excess of its required minimum?

- A. guaranty capital and the interest thereon
- B. treasury stock and guaranty capital
- C. guaranty capital and exchange stock
- D. stockholder funds and the interest thereon

Correct Answer: A

QUESTION 14

What is the main goal of a prudent investment strategy?

- A. risk/return considerations
- B. maximization of investable assets
- C. maintaining sufficient liquidity through an asset-liability matching strategy
- D. All of the above

Correct Answer: D

QUESTION 15

Which of the following premium payment plans are generally offered by mortgage guaranty insurers?

- A. monthly premiums
- B. annual premiums
- C. single premium
- D. All of the above

Correct Answer: D

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