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QUESTION NO: 1

Generally, Participation income is an income stream due the company and is based upon the financial results of the borrower and/or borrowing business entity. Although it can take several forms, the more prominent ones are:

- A. Participation in revenue generated by the mortgaged property above a specified sum, such as a percentage of gross sales in excess of a specified dollar volume
- B. Participation in profits from the mortgaged property, such as a percentage of gross income less defined expenses
- C. Percentage of gross sales in excess of a specified dollar volume
- D. percentage of net sales in excess of a specified dollar volume

ANSWER: A B**QUESTION NO: 2**

When dividends are left to accumulate at interest, the insurer typically sends a notice to each policyholder showing the amount accumulated at the end of the policy year. The notice also shows the dividend credited and interest earned for that policy year. The dividend left at interest may later be received by or credited to the policyholder in several ways. Which of the following is/are out of those ways?

- A. As a cash withdrawal.
- B. As premium applied to the purchase by the policyholder of paid-up insurance.
- C. As marketable securities
- D. As premium to pay up or mature the policy.

ANSWER: A B D**QUESTION NO: 3**

What method assumes that an entity's historical experience relating to the timeliness of settlement will be predictive of future results?

- A. Paid loss projection
- B. Unpaid loss projection
- C. Incurred loss projection
- D. Loss ratio projection

ANSWER: A

QUESTION NO: 4

What seeks to identify and exploit existing or potential synergies in a company's diverse business activities?

- A. Appropriate business decisions
- B. Holistic techniques
- C. Collateral strategies
- D. Reimbursement activities

ANSWER: B**QUESTION NO: 5**

A basic premise underlying the application of is that it is reasonable to assume that plausible relationships among data exist and continue in the absence of known conditions to the contrary.

- A. Independent estimates
- B. Statistical claims
- C. Analytical procedures
- D. None of the above

ANSWER: C**QUESTION NO: 6**

Federal Housing Administration:

- A. Agency does not make loans; it only insures them. For this protection the borrower must pay an annual insurance premium to the FHA of 0.5 percent of the outstanding principal amount of the loan
- B. Agency does not make loans; upon default, the lender has the option either of assigning the mortgage to the FHA and receiving cash and/or securities equal to the loan amount at the date of the default or of foreclosing on the mortgaged property
- C. Establishes standards for property that can not be insured and maximum terms, interest rates, and amounts for the insured loans
- D. All of these

ANSWER: A B**QUESTION NO: 7**

The name of each Subsidiary, Controlled and Affiliated (SCA) entity and percentage of ownership of common stock must be put to disclosure when:

- A. For all investments in SCA entities that exceed 20 percent of the total admitted expenses of the insurer.
- B. For all investments in SCA entities that exceed 15 percent of the total admitted liabilities of the insurer.
- C. For half of the investments in SCA entities that exceed 6 percent of the total admitted assets of the insurer.
- D. For all investments in SCA entities that exceed 10 percent of the total admitted assets of the insurer.

ANSWER: D

QUESTION NO: 8

Claims adjusting involve:

- A. a field work
- B. an appraisal of risk subject to appropriate supervision
- C. approval by entity's claims department
- D. All of the above

ANSWER: C

QUESTION NO: 9

The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as:

- A. Transfer market
- B. Transport market
- C. Principal market
- D. Turn-around market

ANSWER: C

QUESTION NO: 10

Liabilities are recognized for known claims when sufficient information has been developed to indicate the involvement of a specific insurance policy.

- A. True

B. False

ANSWER: A

QUESTION NO: 11

The two major asset classes in which life insurers invest are:

- A. annuities and bonds**
- B. mortgages and annuities**
- C. bonds and investments**
- D. bonds and mortgages**

ANSWER: D

QUESTION NO: 12

Uncollected premiums

- A. Are also an asset in statutory accounting**
- B. Are usually those past the due date but in the grace period**
- C. Accounting is similar to that for deferred premiums in that only the net premiums are necessary to match the reserve liability**
- D. Only A and B**

ANSWER: A B C

QUESTION NO: 13

A Company's investments are admitted assets properly valued which support the reserves and liabilities, including required capital and surplus. Many jurisdictions permit companies to make some investments that do not meet all of the strict regulatory requirements. These additional investments are often referred to as basket assets. Which of the following is/are true for Basket assets?

- A. They have been made out of a company's free surplus**
- B. Mortgage loans are first liens on the property backing them. Second or third-lien mortgages typically qualify as "basket" loans**
- C. A particular entity can obtain this benefit**
- D. They record investment and number of mortgages on which interest has been reduced, and the percent the interest was reduced**

ANSWER: A B

QUESTION NO: 14

Direct serving loans method requires a system of good internal control and requires that the functions be split between the Accounting Department and the Investment Department. The Investment Department is responsible for promptly supplying the Accounting Department with:

- A. Accounting data on new loans
- B. Resolving few exceptions reported to it by the Accounting Department, i.e., when a borrower defaults on a loan payment
- C. Data related to changes in existing loans, which affects the accounting function
- D. Alerting the Investment Department promptly whenever an exception to the normal processing routine occurs

ANSWER: A B

QUESTION NO: 15

Subsequent to the funding of a loan, the most common document/s obtained is/are:

- A. New or updated appraisals as evidence of the current value of the property
- B. Current financial statements on the borrower or the property, if the property is income producing, as evidence of the borrower's continuing financial strength and of the property's continuing ability to produce income
- C. Periodic inspection reports as evidence of the physical condition of the property
- D. Borrower's financial statements

ANSWER: A B C