



Question 40

Pecuniary loss insurance does NOT include:

- A mortgage indemnity guarantee insurance.
- B unemployment insurance.
- C insurance for the loss of cash.
- D insurance for lost deposits paid to a third party.



Answer: C

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Unit 2, Section 1



Question 41

Household and commercial building property insurance does NOT cover:

- A loss as a result of damage in a fire.
- B loss as a result of an aircraft crash.
- C loss as a result of damage in a flood.
- D loss as a result of theft.



Answer: B

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Unit 2, Section 1



Question 42

A general insurer's liabilities are typically:

- A mostly short-term.
- B mostly medium-term.
- C mostly long-term.
- D of a variety of terms.



Answer: A

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Unit 2, Section 1



Question 43

Which of the following statements is NOT an important criterion for the design of an insurance product?

- A The policyholder need not have an interest in the risk being insured.
- B The risk should be of a financial nature.
- C Individual risk events that are insured should not be dependent on one another.
- D The probability of the event should be relatively small.



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Answer: A

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Explanation:

It is preferable for the insured to have an interest in the risk. Otherwise the insurance becomes a wager or a bet.



Question 44

Which of the following statements is correct?

- I Most general insurance policies offer cover that is for a fixed amount.
- II A claim occurring normally terminates the policy.

	Statement I	Statement II
A	true	false
B	true	true
C	false	true
D	false	false



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Answer: D

Unit 2, Section 1

Explanation:

Most policies have cover that is uncertain in size, and most policies continue after a claim is made until the end of the policy



Question 45

Which of the following types of insurance is described by the sentence below?

'The insured is indemnified against legal liability for the death of or bodily injury to a third party or for damage to property belonging to a third party, other than those liabilities covered by other liability insurance.'

- A Employers' liability
- B Professional indemnity insurance
- C Public liability
- D Product liability



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Answer: C

Unit 2, Section 1

Explanation:

For product liability the statement would need to refer to a product fault.



Question 46

For each of the following insured items, which row correctly describes the main peril that is insured?

	property/commercial buildings	moveable property	motor vehicle
A	fire and theft	fire	theft
B	theft	fire and theft	fire
C	theft	fire	fire and theft
D	fire	theft	fire and theft



Answer: D

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Unit 2, Section 1



Question 47

Which of the following statements are correct?

- I Fidelity guarantee is a form of employers' liability insurance.
 - II Professional indemnity insurance is a form of financial insurance.
-
- A I only
 - B I and II
 - C II only
 - D neither of the statements



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Answer: D

Unit 2, Section 1

Explanation:

Fidelity guarantee is a form of financial loss insurance.

Professional indemnity insurance is a form of liability insurance.



Question 48

Which of the following statements are true?

- I Surrender values are not normally offered on annuity products that are in payment.
 - II Convertible term assurance policies expose the insurer to the risk of selection at the date of conversion.
-
- A I only
 - B I and II
 - C II only
 - D neither of the statements



Answer: B

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Unit 2, Section 2



Question 49

Which of the following statements are correct?

- I Selective withdrawal in unit-linked contracts is likely to be lower than for with profits contracts due to the more open charging structure of unit-linked contracts.
 - II The risks to an insurer are generally greater under a unit-linked contract than under a without profits contract.
-
- A I only
 - B I and II
 - C II only
 - D neither of the statements



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Answer: D

Unit 2, Section 2

Explanation:

The risks are generally greater under without profit contracts due to the nature of the guarantees.



Question 50

Which of the following is NOT a risk that a without profits policyholder is exposed to?

- A The amount of payout from the policy is unknown and uncertain.
- B The payout from the policy is not certain in real terms.
- C It is difficult to alter the amount of cover to meet changing circumstances.
- D The risk of being unable to continue premiums due to sickness or accident.



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Answer: A

Unit 2, Section 2

Explanation:

Returns on without profits policies are fixed in nominal terms.