

# DUMPS ARENA

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**QUESTION NO: 1**

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: 2**

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**

**QUESTION NO: 3**

An attitude that includes a questioning mind and a critical assessment of audit evidence is called:

- A.** Operational skepticism
- B.** Audit skepticism
- C.** Professional skepticism
- D.** None of the above

**ANSWER: C**

**QUESTION NO: 4**

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

**ANSWER: C****QUESTION NO: 5**

\_\_\_\_\_ is an amount of money, loaned at interest for a specified term, secured by real estate and by its improvements such as buildings and infrastructure. This form of instrument itself varies by jurisdiction, but the debt is always evidenced by an accompanying promissory note.

- A. Mortgage Loan
- B. Real estate lending
- C. Conventional Commercial Loans
- D. CMBS

**ANSWER: A****QUESTION NO: 6**

Short-duration contracts provide insurance protection for fixed period and can cancel the contract at the end of any contract period.

- A. True
- B. False

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

What are designed primarily to accumulate a fund for eventual liquidation via annuitization, so the savings element is predominant?

- A. Variable annuities

- B. Deferred annuities
- C. Immediate annuities
- D. None of the above

**ANSWER: B**

#### **QUESTION NO: 8**

Loans on policies are valuable to the policyholders, and insurers encourage them to protect this feature by saving it for emergency use. There are two basic types of loans. In case of conventional premium loans:

- A. The insured makes a request for a loan. Since an emergency may very well have triggered this request, most companies will accept any form of notice such as a telephone call
- B. The maximum loan amount is frequently limited to the cash value of the policy plus the value of paid-up additions
- C. an insured has indicated in the insurance application that the policy is not to lapse for nonpayment of premiums so long as there is loan value adequate to cover unpaid premiums
- D. Loan can be created to pay policy loan interest if the policyholder-borrower does not pay it in cash

**ANSWER: A B**

#### **QUESTION NO: 9**

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: 10**

In which plan all activities writing automobile insurance in a state are allocated a share of the involuntary business on an equitable basis?

- A. Automobile equitability
- B. Automobile insurance
- C. Automobile assurance
- D. None of the above

**ANSWER: B**

**QUESTION NO: 11**

Which of the following is Correct?

- A. the financial position of an entity with a 2-to-1 reserve-to-surplus ratio is less affected by variability in its loss reserves than is an entity operating at 4-to-1 ratio.
- B. the financial position of an entity with a 2-to-1 reserve-to-surplus ratio is more affected by variability in its loss reserves than is an entity operating at 4-to-1 ratio.
- C. the financial position of an entity with a 4-to-1 reserve-to-surplus ratio is less affected by variability in its loss reserves than is an entity operating at 2-to-1 ratio.
- D. the financial position of an entity with a 4-to-1 reserve-to-surplus ratio is more affected by variability in its loss reserves than is an entity operating at 2-to-1 ratio.

**ANSWER: A**

**QUESTION NO: 12**

Experience refund provisions of group insurance contracts are most often concerned with the manner of distributing any profits between the insurer and the insured group. The agreements usually contain provisions specifying how losses will affect the profit allocations for the insured group. In such situation:

- A. Losses may or may not be charged back
- B. Losses can never be charged back
- C. Gains are distributed according to the agreement between both the parties
- D. If charged back, losses for each group are usually accumulated for a certain number of years

**ANSWER: A D**

**QUESTION NO: 13**

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: 14

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: 15

With which standard, the auditor's substantive procedures must include reconciling the financial statements to the accounting records and should include examining material adjustments made during the course of preparing the financial statements.

- A. Integrated Audit Financial Statement
- B. Public Company Accounting Oversight Board
- C. Audit of Financial Reporting over Internal Control
- D. National Association of Insurance Commission

**ANSWER: B**