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QUESTION 1

General liability insurance covers the major liability exposure of a business, including lawsuits against an organization's facilities or products. General liability insurance does not cover:

- A. Liabilities that a business incurs through the use of its automobiles
- B. Liabilities that a business incurs through the use of its labor and machinery
- C. Liabilities that a business incurs through the use of its land and other capital products
- D. All of these

Correct Answer: A

QUESTION 2

Life insurance includes all of following the products EXCEPT:

- A. Mortgage life insurance
- B. Straight life insurance
- C. Specialty life insurance
- D. Permanent life insurance

Correct Answer: C

QUESTION 3

Some of the risks associated with bond funds are all of the following EXCEPT:

- A. Credit Risk
- B. Interest Rate Risk
- C. Payment Risk
- D. Liquidity Risk

Correct Answer: D

QUESTION 4

When one buys a cash instrument, for example 100 shares of ABC Inc., the payoff is linear (disregarding the impact of dividends). If share are purchased at \$50 and the price appreciated to \$75, we have _____ on a mark-to-mark basis.

- A. Made \$2500
- B. Lost \$2500
- C. Made \$2500
- D. None of these

Correct Answer: A

QUESTION 5

IIA's code of ethics applies to _____ that provide internal auditing services:

- A. Individuals
- B. Entities
- C. Individuals and entities
- D. Individuals, entities and indirect authorities

Correct Answer: C

QUESTION 6

_____ includes provision provided by issuers to reduce risk in CMBS in a securitized process.

- A. Structuring
- B. Underwriting
- C. Credit Enhancement
- D. Collateral pool

Correct Answer: C

QUESTION 7

The "combined ratio" of an insurance company is the ratio from combining which of the following? The "loss ratio."

- II. The "other underwriting expense ratio."
- III. The "expense ratio."
- IV.

The "IBNR."

A.

I and II only.

B.

I and II only.

C.

III and IV only.

D.

I, II, III and IV.

Correct Answer: B

QUESTION 8

Basel II aims to improve the security and long-term viability of the financial system by focusing on bank's

A. Internal control System

B. Supervisory discipline

C. Marketing discipline

D. None of these

Correct Answer: D

QUESTION 9

Purchasers of universal life policies specify the policy's face amount and whether the death benefit will be level or vary as the policy's cash value changes. Under level death benefit policies the death benefit payable:

A. Equals the policy's face amount

B. More than the policy's face amount

C. Less than the policy's face amount

D. Is policy's face value plus any accumulated cash value

Correct Answer: A

QUESTION 10

The purpose of audits of financial statements is to issue an opinion on the fairness of the financial statements and to evaluate all of the following assertions (explicit or implicit) by management EXCEPT:

A. Existence or occurrence assertions address whether available information addresses actual transactions, assets, and

liabilities

B. completeness assertions address whether all material financial information is included in financial statements

C. Rights and obligations assertions address whether the entity has legal rights to the assets and obligations to the liabilities disclosed on the financial statements

D. Presentation and disclosure assertions address whether the elements of the financial statements are properly organized, classified and disclosed

Correct Answer: C

QUESTION 11

The extent to which an organization has implemented controls to minimize the actual occurrences of the risk determines the vulnerability to the risk actually occurring, or the "_____"

A. Inherent Risk

B. Understanding Risk

C. Control Risk

D. Disguised Risk

Correct Answer: C

QUESTION 12

Federal Reserve's duties fall into following general areas EXCEPT:

A. Conducting the nation's monetary policy

B. Supervising and regulating banking institutions and protecting the credit right of consumer

C. Maintaining the stability of the financial system

D. None of these

Correct Answer: D

QUESTION 13

Most municipal and corporate bonds are rated by an independent rating firm such as Standard and Poor's (S&P) or Moody's. These ratings provide investors with information regarding the risk of default on the bond issue. The higher rated bonds are considered _____.

A. Investment grade bonds

B. Speculative bonds

- C. Junk bonds
- D. Blue chip bonds

Correct Answer: A

QUESTION 14

These are similar to coupon bonds in that ownership is based on possession. These have not been issued for the last couple of decades, however those previously issued will continue to exist until they reach maturity. What are these?

- A. Registered bonds
- B. Bearer bonds
- C. Book-entry bonds
- D. Puttable bonds

Correct Answer: B

QUESTION 15

Typically, the costs associated with receiving care from the "in network" or approved providers are _____ when care is rendered by non-contracting providers.

- A. More than
- B. Less than
- C. Same as
- D. Not comparable

Correct Answer: B

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