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QUESTION 1

A ceding company may purchase what in order to provide economic and surplus protection from a certain catastrophic exposure in lieu of a reinsurance agreement?

- A. Industry Loss Warranty Contract
- B. Proportional sharing contract
- C. Treaty standing agreement
- D. Excess of Loss contract

Correct Answer: A

QUESTION 2

_____ is the management of the reciprocal, becoming both the organizer and promoter of the exchange.

- A. Fractional share
- B. recognized fund
- C. attorney-in-fact
- D. ongoing mutual gains

Correct Answer: C

QUESTION 3

Which of the following is NOT the type of hotline?

- A. Part-time hotline
- B. Full-time hotline
- C. Third-party hotline
- D. Detective hotline

Correct Answer: D

QUESTION 4

Spreading the deduction for ultimate incurred losses and loss adjustment expense reserves ("LAE") over a number of years is called:

- A. Inference

- B. Abstraction
- C. Take off
- D. Discounting

Correct Answer: D

QUESTION 5

A mutual company may issue shares of guaranty capital that have a stated par value.

- A. True
- B. False

Correct Answer: A

QUESTION 6

The attorney-in-fact manages the _____ and is paid a fee or commission for management services rendered.

- A. reciprocal
- B. dividend
- C. interinsurer
- D. reinsurer

Correct Answer: A

QUESTION 7

A process of improving performance by continuously identifying, understanding and adopting outstanding practices and processes found inside and outside the organization is called:

- A. Benchmarking
- B. Flowcharting
- C. Capital budgeting
- D. None of the above

Correct Answer: A

QUESTION 8

Which of the following is NOT the category of payroll fraud?

- A. Ghost employee schemes
- B. Falsified hours
- C. Invoicing noncompliance vendors\' schemes
- D. Commission schemes

Correct Answer: C

QUESTION 9

Which of the following is Correct?

- A. Under the monthly pro rata method, the policy year is divided into two equal parts, with the first month and the last month of the policy year earning only 1/2 of the premium.
- B. Under the monthly pro rata method, the policy year is divided into twelve equal parts, with the first month and the last month of the policy year earning only 1/12 of the premium.
- C. Under the monthly pro rata method, the policy year is divided into twenty-four equal parts, with the first month and the last month of the policy year earning only 1/24 of the premium.
- D. Under the monthly pro rata method, the policy year is divided into forty-eight equal parts, with the first month and the last month of the policy year earning only 1/48 of the premium.

Correct Answer: C

QUESTION 10

An agreement obligating the seller to effect cash settlement to the buyer if the specified underlying interest does not exceed a predetermined level of performance is referred to as:

- A. Cap
- B. Floor
- C. Obligatory
- D. Moderation

Correct Answer: B

QUESTION 11

Which of the following is the source of variance that will help management (when understood in terms of the relationship among the many interacting components in a plan) are these?

- A. changes in resource prices not anticipated in the plan

- B. product mixes different than planned
- C. material differences for plan vs. actual resource productivity
- D. All of the above

Correct Answer: D

QUESTION 12

Which of the following is NOT the permitted hedge relationships identified by FASB?

- A. hedges of fair value exposures
- B. hedges of formal inception
- C. hedges of cash flow exposures
- D. hedges of foreign currency exposures

Correct Answer: B

QUESTION 13

Insurance protection sold by an insurer is described in a written agreement (contract) between an insurance company and the insured, called:

- A. concurrence
- B. statement
- C. policy
- D. Guideline

Correct Answer: C

QUESTION 14

Premiums and commissions coded as premiums receivable, premiums written, and commission expense can be accumulated to provide summary control data for entry into the:

- A. journal
- B. general ledger
- C. Financial statement
- D. balance sheet

Correct Answer: B

QUESTION 15

In which scheme, the employees do not submit the vendor's invoices; rather, they intentionally mishandle payments that are owed to the legitimate vendors?

- A. pay-and-return scheme
- B. disbursement scheme
- C. pass-through scheme
- D. double-pay scheme

Correct Answer: A

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