INSURANCE UNDERWRITING – NON-UK (WUE) PRACTICE EXAM (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

1. A clause requiring prompt submission of a claim is an example of:

A. A Warranty

B. A Representation

C. A Condition Precedent to Liability

D. An Express Condition

2. With a commercial combined insurance contract, what is most likely to indicate a moral hazard?

A. Poor factory management

B. Excellent safety training

C. Regular maintenance schedules

D. Strong risk controls

3. This section of the policy includes the name of the insurer and, in some cases, the address and company logo:

A. Definition

B. Heading

C. Schedule

D. Policy wording

4. Which statement best describes Return on Capital Employed (ROCE) in insurer performance?

A. It measures liquidity

B. It measures dividends paid

C. It indicates how effectively capital is used by the business

D. It measures revenue growth

5. Uninsured working expenses under business interruption include which item?

A. Wages

B. Carriage and packaging

C. Rent

D. Utilities

6. Which items are included in a quotation pack?

A. Covering letter, risk outline, and statement of fact

B. Policy schedule

C. Endorsement schedule

D. Certificate of Insurance

7. What would be the annual premium for a $10,000,000 indemnity limit when turnover is $25,000,000 and the rate is 0.8 per mille?

A. $20,000

B. $15,000

C. $22,500

D. $18,000

8. During the 2024 underwriting year, what was the total premium paid?

A. $1,500

B. $2,000

C. $3,500

D. $4,000

9. An excess accepted by the insured in return for a premium discount is known as:

A. Mandatory

B. Compulsory

C. Voluntary.

D. Hidden

10. Utmost good faith is usually:

A. An Express Condition

B. An Implied Condition

C. A Warranty

D. A Representation

Answers

1. C
2. A
3. B
4. C
5. B
6. A
7. A
8. B
9. C
10. B

Explanations

1. A clause requiring prompt submission of a claim is an example of:

A. A Warranty

B. A Representation

C. A Condition Precedent to Liability

D. An Express Condition

Timing requirements for claims, like prompt submission, create a condition precedent to liability. In an insurance contract, the insurer's obligation to pay only arises once certain prerequisites are met, and a prompt-notice clause is one of those prerequisites. If the insured fails to submit the claim promptly as required, liability may not attach, and the insurer can deny or limit payment even if the loss is covered. This is different from a warranty, which is a promise about the risk itself; breaching a warranty can void coverage from the moment of breach, regardless of when a claim is filed. It's also distinct from a representation, which is a stated fact used to obtain the contract and can affect the contract's validity or terms if false. While the clause may be expressly stated in the policy, its function in practice is to determine whether the insurer's liability exists in the first place, making it a condition precedent to liability.

2. With a commercial combined insurance contract, what is most likely to indicate a moral hazard?

A. Poor factory management

B. Excellent safety training

C. Regular maintenance schedules

D. Strong risk controls

Moral hazard shows up when having insurance changes the insured's behavior, making losses more likely or more costly because the insured may become less careful or rely on coverage to absorb the consequences. Poor factory management signals lax governance and weak safety culture; with insurance in place, the incentive to control losses can fall further, leading to more careless operations, delayed maintenance, and inadequate loss-prevention efforts. That mix increases both the likelihood and potential severity of claims, which is the essence of moral hazard. The other options point to strong risk-management practices. Excellent safety training, regular maintenance schedules, and robust risk controls reflect a proactive approach to preventing losses, which reduces the insured's tendency toward risk-shifting and makes moral hazard less likely.

3. This section of the policy includes the name of the insurer and, in some cases, the address and company logo:

A. Definition

B. Heading

C. Schedule

D. Policy wording

The heading is the part of the policy that identifies who issued it. It typically carries the insurer's name and, in some cases, the address and the company logo, acting as the document's identifying header. This is different from the definitions, which explain the meanings of key terms used in the policy; the schedule, which lists insured items, sums insured, and premiums; and the policy wording, which contains the actual terms, conditions, coverages, exclusions, and claims procedures. Because the heading's primary purpose is identification and branding, it's the section that most often includes the insurer's name and logo.

4. Which statement best describes Return on Capital Employed (ROCE) in insurer performance?

A. It measures liquidity

B. It measures dividends paid

C. It indicates how effectively capital is used by the business

D. It measures revenue growth

Return on capital employed shows how effectively a business uses the capital it has at its disposal to generate profit. For an insurer, this ratio compares the operating profit (the earnings from underwriting and investment activities after operating expenses) to the capital employed (the funds invested in the business, typically equity plus long term debt minus current liabilities). A higher ROCE means the insurer is turning its capital into earnings more efficiently, which is a sign of good capital management and competitive performance. This measure is not about liquidity, which relates to short term cash availability; nor is it about dividends paid, which are distributions of profits rather than a snapshot of how efficiently capital is used; nor is it about revenue growth, which is about top-line income rather than how effectively capital supports earning that income. In short, ROCE focuses on the relationship between the capital used and the profits generated from that capital, giving a clear view of efficiency in capital use.

5. Uninsured working expenses under business interruption include which item?

A. Wages

B. Carriage and packaging

C. Rent

D. Utilities

Uninsured working expenses are the costs that a business would incur to continue trading during a period of interruption but which the policy does not automatically cover. These items are typically selling or distribution costs rather than the core overheads the BI policy is designed to indemnify. Carriage and packaging fit this idea because they are costs incurred to move and deliver goods to customers. They arise specifically in the process of completing sales and are not part of the fundamental ongoing overheads that BI usually indemnifies. Therefore, they are treated as uninsured working expenses. Wages, rent, and utilities are generally considered part of the ongoing overheads or the types of expenses that are covered or recoverable under the BI extension for working expenses, depending on the policy wording. Hence, they are not the item classified as uninsured.

6. Which items are included in a quotation pack?

A. Covering letter, risk outline, and statement of fact

B. Policy schedule

C. Endorsement schedule

D. Certificate of Insurance

Understanding what goes into a quotation pack. This pack is prepared during the quoting stage before any cover is bound and should clearly present what is being proposed and on what basis. The documents typically included are a covering letter, which introduces the quote and sets out the proposed terms; a risk outline, which highlights the main exposures, limits, and rating factors used to calculate the premium; and a statement of fact, which records the information the client provided and any assumptions used in the quote. These items give a transparent snapshot of the proposal and the information relied on. Items such as the policy schedule, endorsement schedule, and a certificate of insurance are produced once cover is bound or issued and form part of the policy documentation or proof of cover, not the quotation pack.

7. What would be the annual premium for a $10,000,000 indemnity limit when turnover is $25,000,000 and the rate is 0.8 per mille?

A. $20,000

B. $15,000

C. $22,500

D. $18,000

Turnover-based premium is calculated by applying a rate per mille to turnover. A rate of 0.8 per mille means 0.0008 of turnover. Multiply 25,000,000 by 0.0008 to get 20,000. So the annual premium is $20,000. The $10,000,000 indemnity limit defines the maximum payout, not the premium in this turnover-based calculation. If you mistakenly used the limit with the rate, you'd get 8,000, which isn't how this premium is determined in this scenario.

8. During the 2024 underwriting year, what was the total premium paid?

A. $1,500

B. $2,000

C. $3,500

D. $4,000

The main idea is that total premium paid in an underwriting year is the actual cash received from policy premiums during that year. It's a cash-flow measure, not the amount of premium written or the portion that's earned. To determine it, you add up all premium receipts recorded in that year, including any installments paid within the year and excluding refunds or cancellations that reduce receipts. If the data for 2024 shows that all premium payments collected during that year total two thousand, then two thousand is the total premium paid. This clarifies why the correct option reflects that amount rather than other figures like 1,500, 3,500, or 4,000, which would correspond to different cash-flow totals.

9. An excess accepted by the insured in return for a premium discount is known as:

A. Mandatory

B. Compulsory

C. Voluntary.

D. Hidden

A voluntary excess is a deductible you choose to accept in order to reduce your premium. By agreeing to pay a higher amount yourself on each claim, you transfer part of the risk to yourself, so the insurer lowers the price of the policy. In practice, if you make a claim, you first pay the fixed voluntary excess, and the insurer covers the rest up to the policy limit, subject to the terms. This option is not something forced by the insurer (that would be a compulsory excess) and it isn't a hidden term.

10. Utmost good faith is usually:

A. An Express Condition

B. An Implied Condition

C. A Warranty

D. A Representation

In insurance contracts, utmost good faith is an implied condition. It means both parties must deal honestly and disclose all material facts at the time the contract is formed. The insured has a duty to reveal information that would influence the insurer's decision to accept the risk or set the premium; the insurer must act honestly as well. This duty is assumed by law and woven into the contract, rather than being written as a specific clause. It isn't an express condition because it isn't typically stated outright in the policy; it's taken for granted. It isn't a warranty, which is a stated promise that, if breached, can automatically affect or void the contract. And it isn't merely a representation, which is a pre-contract statement that can influence the decision to insure but doesn't by itself establish the contractual duty of disclosure. The emphasis on full and fair disclosure makes it an implied condition.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://insuranceunderwritingwue.examzify.com

We wish you the very best on your exam journey. You've got this!