

BCP Practice Test Questions and Answers

1. What is subrogation in insurance?

- A) The transfer of a policy to another person
- B) The insurer's right to pursue a third party after paying a claim
- C) The substitution of one insurer for another
- D) The cancellation of a policy mid-term

2. What is 'facultative reinsurance'?

- A) Automatic reinsurance for all policies in a treaty
- B) Reinsurance arranged on a case-by-case basis for individual risks
- C) Reinsurance arranged by government mandate
- D) Reinsurance for catastrophic events only

3. What is 'excess of loss' reinsurance?

- A) When an insurer retains all losses above a threshold
- B) When a reinsurer pays the amount of loss exceeding the cedant's retention limit
- C) When policyholders pay excess premiums
- D) When losses exceed the policy sum insured

4. What is a 'treaty reinsurance' arrangement?

- A) A reinsurance arrangement negotiated risk by risk
- B) An agreement where the cedant automatically cedes and the reinsurer automatically accepts a defined portfolio of risks
- C) A reinsurance arrangement with government-owned reinsurers only
- D) An international agreement between countries on reinsurance

Answers: 1-B 2-B 3-B 4-B

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