

CFSP - Certified Financial Services Professional Practice Test Questions and Answers

1. Which type of risk is typically uninsurable?

- A) Pure risk
- B) Speculative risk
- C) Property risk
- D) Liability risk

2. What does 'subrogation' mean in insurance terms?

- A) Canceling a policy mid-term
- B) An insurer's right to recover costs from at-fault parties
- C) Dividing coverage among multiple insurers
- D) Renewing a policy automatically

3. What is the principle of indemnity in insurance?

- A) The right to purchase additional coverage
- B) Restoring the insured to their pre-loss financial position
- C) Guaranteeing replacement cost regardless of value
- D) Paying claims based on future earnings potential

4. What does Modern Portfolio Theory (MPT) emphasize?

- A) Investing exclusively in high-risk assets
- B) Optimizing the risk/return tradeoff through diversification
- C) Timing the market based on economic indicators
- D) Focusing on individual stock performance

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

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