

PGI Practice Test Questions and Answers

1. What is 'stop loss' reinsurance?

- A) Reinsurance that stops losses from exceeding policy limits
- B) A reinsurance contract that pays when the cedant's total losses for a defined period exceed a stated percentage of earned premium
- C) Reinsurance that stops at the cedant's retention level
- D) A per-risk excess of loss arrangement

2. What is 'retrocession' in reinsurance?

- A) The act of cancelling a reinsurance treaty
- B) When a reinsurer passes on part of the risk it has accepted from a cedant to another reinsurer (the retrocessionnaire)
- C) When a cedant cancels its reinsurance and retains all risks
- D) The reinsurer returning premiums to the cedant

3. 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

4. What is a 'quota share' reinsurance treaty?

- A) A treaty where the reinsurer takes all losses above a fixed amount
- B) A treaty where the cedant cedes a fixed percentage of every risk to the reinsurer, sharing both premiums and losses proportionally
- C) A treaty covering only the largest risks in the portfolio
- D) A treaty activated only after a catastrophe

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

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