

Updated CII M92 Exam Cram Questions | Try Free Demo before Purchase

LM1 - CII Exam 2025 Questions and Answers 100% Pass

By sharing information about their risk, the insured satisfies which obligation? - ✓✓ Good faith

The proximate cause of a loss will always be the - ✓✓ Dominant cause

Which insurance principle gives an insurer the right to call upon other insurers to share in the settling of a claim? - ✓✓ Contribution

A building valued at £250,000 is jointly owned by Karen and Terry, who each individually arrange insurance on it. Karen insures the building for £100,000, whilst Terry insures it for £150,000. If a valid claim of £55,000 occurs how much is each insurer liable to pay? - ✓✓ Karen's insurer is liable for £22,000 and Terry's for £33,000.

An insurer arranges for a policyholder's car to be repaired following damage by a negligent third party motorist. Under which insurance principle can the insurer recover the paid claim? - ✓✓ Subrogation

Which insurance principle ensures that in the event of a loss the insured is placed in the same financial position as he was immediately prior to the loss? - ✓✓ Indemnity

The protection of jobs is classed as which type of function of insurance? - ✓✓ A secondary function of insurance only

Which type of risk arises from a cause outside the control of any one individual and affects a large number of people? - ✓✓ Fundamental risk

For an individual, which class of risk is always uninsurable? - ✓✓ Speculative risk

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CII Insurance Business and Finance (IBF) Sample Questions (Q71-Q76):

NEW QUESTION # 71

The plan to takeover NTU by ABC would need to be discussed and agreed by a majority of the ABC shareholders at

- A. A board meeting without shareholder involvement.
- B. A meeting of the Franchise Board.
- C. An extraordinary meeting.
- D. The next annual general meeting.

Answer: C

Explanation:

A takeover by one company of another is a fundamental strategic transaction that requires shareholder consent. The short-form used in the source is "An extraordinary meeting." In formal company law parlance, this is a general meeting other than the annual general meeting. Historically called an Extraordinary General Meeting, the Companies Act 2006 now simply terms any such meeting a "general meeting." For a takeover requiring a shareholder vote, the board would call this general meeting with a special resolution, requiring at least 75% of votes cast to pass it. The timing would be urgent and planned, not waiting for the next routine AGM. The meeting must be convened in strict accordance with the notice period (21 days unless consent for short notice is obtained) documented in the company's Articles of Association. This governance process ensures that the capital structure and risk profile-the Group risk of the combined entity-are subject to owner approval, directly linking corporate action to the fiduciary duties of the directors and the rights enshrined in the company's constitution.

NEW QUESTION # 72

Standard & Poor's has placed its rating for the insurer under Creditwatch with a developing flag. what does this mean for the current rating?

- A. It will definitely be upgraded.
- B. it may be raised, lowered or affirmed.
- C. The rating is withdrawn completely.
- D. It will definitely be downgraded.

Answer: B

Explanation:

A "CreditWatch with developing implications" is a specific designation used by S & P indicating that the current rating is under heightened surveillance due to an event with a highly uncertain outcome. The "developing" flag explicitly means that the rating may be raised, lowered, or affirmed after S & P's analysis is complete. This uncertainty is often triggered by mergers, major capital management actions, or a sudden shock like the financial issues in the "London office" affecting the "Group" risk scope mentioned in the source. It is not a definitive prediction of a downgrade (which would be a negative placement) or upgrade (positive placement). This awareness is part of the Financial Strength Ratings main topic, teaching that ratings are dynamic forward-looking opinions about claims-paying ability, subject to change based on new material information and strategic decisions such as a takeover bid requiring a shareholder vote at an extraordinary meeting.

NEW QUESTION # 73

An insurer's Articles of Association must include

- A. the premium rates for its top-selling products.
- B. the minutes of the last board meeting.
- C. the regulations for the running of the insurer's internal affairs.
- D. the audited financial statements.

Answer: C

Explanation:

The Articles of Association are one of the two foundational constitutional documents for every company registered with Companies House (the other being the Memorandum/Certificate of Incorporation). Their legal purpose is to set out the regulations for the company's internal management and administration. This includes, for example, the rules for appointing directors, issuing shares, conducting general meetings, and the voting rights attached to different classes of shares. They are a binding contract between the

company and its shareholders. The Articles do not contain operational documents like premium rates or board minutes, nor do they contain the year-end statutory financial reports. The source material explicitly states they "must include the regulations for the running of the insurer's internal affairs." This governance framework, explored in the Insurance Company Environment topic, is critical because any major strategic shift, such as a takeover plan needing shareholder agreement at a general meeting, must be executed in strict compliance with the procedures defined in these Articles.

NEW QUESTION # 74

The process by which a small business is set up as a registered company is known as..?

- A. Vertical integration.
- **B. Incorporation.**
- C. Horizontal diversification.
- D. Codification.

Answer: B

Explanation:

Incorporation is the legal process of creating a corporate entity that is separate and distinct from its owners (shareholders). Once a small business completes the process by registering with Companies House, it becomes a legal person in its own right, capable of owning assets, entering contracts, and incurring liabilities.

The key outcome is limited liability for the shareholders. This contrasts with unincorporated structures. As a direct consequence of incorporation, the new company must adopt a constitution, which includes the Articles of Association. The source explicitly names this process. Vertical integration and horizontal diversification are corporate strategies, not the process of registering a business. Codification refers to a system for classifying information, such as a codified management system. This is a foundational concept within The Insurance Company Environment main topic, as the legal form of an insurer has profound implications for its capital management, governance (e.g., the mandatory statutory registers the company secretary must keep), and the way it reports its financial position to stakeholders via financial accounting.

NEW QUESTION # 75

An insurer intends to assess its position via a use test. This forms part of the rules relating to...?

- A. data protection.
- B. double-entry bookkeeping.
- **C. capital adequacy.**
- D. financial accounting.

Answer: C

Explanation:

A "use test" is a qualitative and quantitative regulatory requirement under the Solvency II framework, categorized firmly under capital adequacy. Its function is to prove to the PRA that the insurer's internal model (and its calculation kernel) is not a theoretical silo but is actively embedded in the company's core decision-making. This includes strategic planning, risk management, business budgeting, and, crucially, the setting of the Individual Capital Guidance. As the source explicitly states, "An insurer intends to assess its position via a use test, to comply with proposed changes in regulations. This forms part of the rules relating to capital adequacy." Passing the use test is a prerequisite for receiving regulatory approval for an internal model. It confirms that the firm's management trusts and uses the model's output to drive decisions, such as assessing the viability of a future project with a risky IRR, making it a cornerstone of the Capital Management and Solvency main topic.

NEW QUESTION # 76

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