

Question 1

Granny Mayberry's health insurance policy has a \$500 annual aggregate deductible, 80/20 cost sharing deductible, and a maximum annual out-of-pocket cap of \$5,000. She wrecks her Harley and breaks her hip, and her total medical bills for the injury are \$12,890. How much will her insurer pay for this claim?

- A) \$7,890
- B) \$10,312
- C) \$9,912
- D) \$12,890

Answer: <https://biology-forums.com/index.php?topic=644276>

Question 2

The parol evidence rule:

- A) allows statements made before the policy is sold to affect policy coverage
- B) benefits the insured more than the insurer
- C) makes written evidence more important than oral evidence
- D) makes oral evidence more important than written evidence

Answer: <https://biology-forums.com/index.php?topic=643888>

Question 3

In general, aggregate losses must be predictable in advance for an insurance system to work properly.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643242>

Question 4

Exclusions are not a basic part of an insurance contract.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643897>

Question 5

Social security benefits are:

- A) provided on a current-income basis
- B) actuarially reserved
- C) welfare assistance
- D) not funded by general tax revenues

Answer: <https://biology-forums.com/index.php?topic=644448>

Question 6

A loss reserve is more likely to be maintained in relatively large amounts by a property than a life insurance company.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643814>

Question 7

Choose the year closest to the enactment of unemployment insurance:

- A) 1929
- B) 1935
- C) 1946
- D) 1955

Answer: <https://biology-forums.com/index.php?topic=644522>

Question 8

A convertible term policy allows the insured to convert a term policy into any other type of policy including a different type of term policy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644131>

Question 9

Which of the following is not a characteristic of group insurance provided by an employer?

- A) Many persons are covered under one contract.
- B) Volume discount results in a lower cost for the coverage.

C) Evidence of insurability usually is not required.
D) Employers cannot require employees to share in the cost.
Answer: <https://biology-forums.com/index.php?topic=644331>

Question 10

Funded risk assumption:
A) is typically done through a subsidiary on Bermuda or the Cayman Islands
B) increases moral hazard for the firm
C) is when a firm assumes by creating a liquid or near liquid cash reserve
D) is a form of risk transfer
Answer: <https://biology-forums.com/index.php?topic=643432>

Question 11

Which of the following needs for life insurance would be considered permanent?
A) Education fund for surviving children
B) Income fund for surviving children
C) Debt-retirement fund
D) Burial fund
Answer: <https://biology-forums.com/index.php?topic=644055>

Question 12

Participants in the private insurance market include all of the following except:
A) insurance buyers
B) insurance companies
C) insurance regulators
D) the FDIC
Answer: <https://biology-forums.com/index.php?topic=643513>

Question 13

The parol evidence rule says:
A) oral statements made prior to the issuance of an insurance policy are not a part of the contract
B) oral statements made after a policy is issued are not a part of the contract
C) after an oral agreement is put into writing, it becomes a contract of adhesion
D) none of the above
Answer: <https://biology-forums.com/index.php?topic=643855>

Question 14

When state unemployment funds are inadequate to continue paying benefits to unemployed workers, the state can:
A) declare bankruptcy
B) levy additional taxes on an ad hoc basis, but no more than 10% in one year
C) do nothing other than file a claim under any private unemployment insurance it may have purchased
D) borrow from the federal government without paying interest
Answer: <https://biology-forums.com/index.php?topic=644555>

Question 15

In 2004, insurance brokers in New York were accused of violating a duty to their clients (insurance buyers). What was that duty?
A) Loyalty to the buyer
B) No self-dealing at the buyer's expense
C) Full disclosure to the buyer about the insurer's financial condition
D) Full disclosure of all the broker's investment interests in insurers
Answer: <https://biology-forums.com/index.php?topic=643663>

Question 16

Which of the following is not true about liability risks?
A) Liability risk is where the firm may be legally responsible for the harm it causes to another person.
B) Liability risks are sometimes overlooked due to their intangible nature.
C) Only a breach of contract and criminal acts can lead to liability risk for a firm.
D) A tort can lead to a liability risk.
Answer: <https://biology-forums.com/index.php?topic=643284>

Question 17

How does Blue Cross health insurance cover hospitalization?

- A) By covering a specific number of days in the hospital
- B) It pays up to 80% of all usual and customary charges in a semi-private room
- C) It pays a flat dollar amount per day of hospitalization, regardless of the actual charges incurred
- D) Hospitalization coverage is not provided by Blue Cross policies

Answer: <https://biology-forums.com/index.php?topic=644270>

Question 18

Which of the following is not an example of a speculative risk?

- A) Purchase of an insurance policy
- B) Investment in common stocks
- C) Operating a business for profit
- D) Investment in banana futures

Answer: <https://biology-forums.com/index.php?topic=643224>

Question 19

Government control over the money supply using interest rates to effect changes in the economy is called:

- A) fiscal policy
- B) monetary policy
- C) tax policy
- D) transfer payments

Answer: <https://biology-forums.com/index.php?topic=644514>

Question 20

Which one of the following is true concerning consideration in property insurance?

- A) Dollars must change hands from the insured to the insurer before a contract exists.
- B) The only valid consideration is cash payment of all premiums in full.
- C) Abiding by the contractual language and paying the premium is the consideration the insured provides.
- D) If the premium is not paid at the time of a loss, the insured is given a 30-day grace period to pay.

Answer: <https://biology-forums.com/index.php?topic=643863>