

Question 1

Private insurance can be classified according to coverage. Distinct types mentioned in the text include all the following except:

- A) Property
- B) Commercial Lines
- C) Auto
- D) Submarine

Answer: <https://biology-forums.com/index.php?topic=643550>

Question 2

Property insurance companies have more freedom in their investment activities than do life insurance companies.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643820>

Question 3

Which one of the following is not a reason for the regulation of insurance?

- A) To prevent insurer insolvencies
- B) To promote social goals
- C) The unequal knowledge and bargaining power of the parties to the contract
- D) To stabilize the economy

Answer: <https://biology-forums.com/index.php?topic=643778>

Question 4

Which of the following statements about the expected average loss is not correct?

- A) The average loss is guaranteed to happen in the upcoming year.
- B) The average loss will be expressed in dollars.
- C) The average loss is a tool for risk managers to handle future risks.
- D) The average loss can be estimated by multiplying the average loss severity with the average loss frequency.

Answer: <https://biology-forums.com/index.php?topic=643336>

Question 5

All the following features are unique to insurance contracts (versus other business contracts) except:

- A) insurable interest
- B) subrogation
- C) utmost good faith
- D) consideration

Answer: <https://biology-forums.com/index.php?topic=643842>

Question 6

Enterprise risk management is concerned with:

- A) both pure and speculative risks
- B) insurance contracts
- C) pure risks
- D) subjective risks

Answer: <https://biology-forums.com/index.php?topic=643303>

Question 7

Which of the following statements about Enterprise Risk Management is incorrect?

- A) It deals with a limited number of techniques.
- B) It has expanded the responsibilities of the corporate risk manager.
- C) It deals with pure risks.
- D) It deals with speculative risks.

Answer: <https://biology-forums.com/index.php?topic=643451>

Question 8

Risk-based capital requirements have been developed for both life and non-life insurers.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643815>

Question 9

According to a survey, which of the following is the most challenging risk to manage?

- A) Human resource risk
- B) Third-party liability
- C) Speculative risk
- D) Reputation risk

Answer: <https://biology-forums.com/index.php?topic=643283>

Question 10

Which of the following is not an example of a financial institution that applies collective risk bearing?

- A) Swiss banks
- B) Mutual funds
- C) Pension plans
- D) Insurance companies

Answer: <https://biology-forums.com/index.php?topic=643460>

Question 11

Mobile property is:

- A) covered by transportation insurance
- B) covered by marine insurance
- C) both A and B above
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=644662>

Question 12

Risk Pooling is an example of:

- A) a Catastrophic Loss Event
- B) diversifying risk
- C) a speculate risk
- D) applying the risk-return trade-off

Answer: <https://biology-forums.com/index.php?topic=643196>

Question 13

The insurance company accountant must apply what set of accounting principles when creating insurer financial statements for the state regulators?

- A) Generally Accepted Accounting Principles
- B) Statutory Accounting Principles
- C) International Accounting Standards Board Principles
- D) Both A and B

Answer: <https://biology-forums.com/index.php?topic=643653>

Question 14

Which of the following is not an indirect loss?

- A) Loss of rental income after a flood
- B) Continuing expenses during a shutdown after a loss
- C) Extra expenses after a loss to keep the business going
- D) Loss of inventory in a flood

Answer: <https://biology-forums.com/index.php?topic=644597>

Question 15

Which of the following pieces of information would be the LEAST useful to a property insurance underwriter?

- A) Age of the property owner
- B) Age of the property
- C) Use of the property
- D) What the surrounding properties are like

Answer: <https://biology-forums.com/index.php?topic=643660>

Question 16

Assume that you own a fireworks manufacturing plant. A prospective insurer indicates it will not insure your property unless you take some loss

prevention measures. Which of the following is the best loss prevention measure?

- A) Maintain your own fire department
- B) Create two identical facilities, each having half the capacity of the original building
- C) Put smoke alarms and fire sprinklers in each building
- D) Do not mix ingredients until the last possible moment

Answer: <https://biology-forums.com/index.php?topic=643402>

Question 17

The Merritt Committee Investigation looked into solutions for dealing with:

- A) unethical and undesirable behavior by insurance companies
- B) effectiveness of state taxation as opposed to insurance regulation
- C) states that do not have a state insurance commissioner system in place
- D) insurers that violate risk-based capital requirements

Answer: <https://biology-forums.com/index.php?topic=643798>

Question 18

Which of the following is a true statement?

- A) Liability risks are risks associated with building calamities.
- B) Theft is a diversifiable risk.
- C) Most individuals in the industrialized countries carry no insurance.
- D) The Law of Large Numbers is used in Risk Pooling.

Answer: <https://biology-forums.com/index.php?topic=643202>

Question 19

An ethics violation is an example of a strategic risk.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643318>

Question 20

The Gramm-Leach-Bliley Act took effect on January 1, 1998.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643822>

Question 21

Which of the following is true with regard to term life insurance contracts?

- A) Policies of less than 10 year length are illegal in 13 states.
- B) One form of term life increases the amount of insurance as the balance due on a mortgage declines over time.
- C) Renewable term life insurance guarantees the insured that upon renewal, his premiums will not increase.
- D) Term insurance provides temporary protection.

Answer: <https://biology-forums.com/index.php?topic=644110>

Question 22

Which of the following statements about the numbers of buyers and sellers in the insurance market is correct?

- A) The market share of the four largest sellers is bigger than those found in other industries, which are considered competitive.
- B) The insurance market has a sufficient numbers of buyers, but not a sufficient number of sellers.
- C) The insurance market has a sufficient numbers of sellers, but not a sufficient number of buyers.
- D) The market share of the four largest sellers is comparable to those found in other industries, which are considered competitive.

Answer: <https://biology-forums.com/index.php?topic=643742>

Question 23

Loss Transfer means:

- A) shifting the financial consequences of a loss to a third party
- B) shifting the financial consequences of a loss to a self-insurance program
- C) shifting the financial consequences of a loss to a well-diversified portfolio
- D) shifting the financial consequences of a loss to more wealthy group of people

Answer: <https://biology-forums.com/index.php?topic=643203>

Question 24

In which of the following insurance pools would there be no subsidization?

- A) Fire insurance
- B) Life insurance
- C) Automobile insurance
- D) There would be subsidization in all of these pools.

Answer: <https://biology-forums.com/index.php?topic=643576>

Question 25

Warren is the president of The Huge Insurance Company. His Vice-President in charge of Finance comes to him one day and says "Warren, our combined ratio for the year is 105%." Warren replies, "Let's party!" Why isn't Warren upset about the high combined ratio?

- A) The company probably made enough money on its investments to make up for the underwriting losses.
- B) The company has actually made a 5% profit on its insurance business.
- C) The combined ratio really isn't that important... it only measures the combined productivity of all regional offices the company owns.
- D) The combined ratio is not an important indicator of underwriting results.

Answer: <https://biology-forums.com/index.php?topic=643539>

Question 26

Kayla buys a whole life policy when she is 40 and pays premiums on it until she is 60. She decides to retire at 60, has no dependents and no debts, and realizes she really doesn't need the death protection any longer. She is now concerned about generating a lifetime income during her retirement. What option does a whole life policy typically offer that could best help her with this financial need?

- A) Forfeiture of coverage provision (she can surrender the policy and take the cash)
- B) Paid up whole life option (use the cash value to buy a paid-up whole life with a lower face value)
- C) Annuity conversion option (buy an annuity from the insurer with her cash value)
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=644179>

Question 27

The Liability coverage in the HO policy does all the following except:

- A) defends a suit against the insured even if the allegations of the suit are groundless, false or fraudulent
- B) covers the insured's own property destroyed by another's negligence
- C) pays for immediate medical and surgical expenses incurred by other(s)
- D) reimburses the insured for all reasonable expenses incurred at the request of the company

Answer: <https://biology-forums.com/index.php?topic=643989>

Question 28

New York's insurance law makes it illegal to make false statements or rumors about insurance companies.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643759>

Question 29

Social Security's definition of "disability" is:

- A) losing at least an arm, a leg, sight in one eye, or any combination of these
- B) inability to engage in any gainful employment due to a work-related accident, and that inability must be expected to last for a continuous period of not less than twelve months
- C) the inability to engage in one's own occupation for a continuous period of not less than twelve months
- D) the inability to engage in any substantial gainful activity by reasons of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than twelve months

Answer: <https://biology-forums.com/index.php?topic=644398>

Question 30

Which of the following is not a reasonable justification of employee benefits from the point of view of the employer?

- A) Take advantage of business tax benefits
- B) Retain, motivate and attract employees
- C) Can legally funnel disproportionately high benefits to the owners on a tax advantaged basis
- D) Allows freedom of benefit selection as opposed to the government mandating employee minimum benefits

Answer: <https://biology-forums.com/index.php?topic=644324>

Question 31

Buying insurance from a mutual may not always be desirable because:

- A) the mutual is trying to make a profit for the stockholders
- B) you may be paying for other insureds' losses

- C) premiums may be greater than that of a stock company if the mutual is improperly managed
D) the officers of the company are not responsible to the policy holders

Answer: <https://biology-forums.com/index.php?topic=643589>

Question 32

Participants in the American 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=643721>

Question 33

The monthly fee that HMOs charge employers is called the:

- A) capitation payment
B) capitation and insurance premium
C) insurance premium
D) subscription fee

Answer: <https://biology-forums.com/index.php?topic=644346>

Question 34

Which of the following is not a rating factor in ocean marine insurance?

- A) Seaworthiness of the ship
B) Experience of the captain and crew
C) Route to be traveled
D) Experience of the cargo shippers

Answer: <https://biology-forums.com/index.php?topic=644658>

Question 35

Under which of the following circumstances would Sue's PAP pay something for the loss?

- A) Sue borrows her neighbor's car with permission. She causes an accident and is sued for an amount LESS THAN her neighbor's limit of liability.
B) Sue borrows her neighbor's car with permission. She causes an accident and is sued for an amount MORE THAN her neighbor's limit of liability.
C) Sue regularly uses her car in a business to drive college students to the airport for \$50 one-way. She causes an accident and is sued by one of her paying passengers.
D) Sue is sued for causing a collision while operating a motorcycle.

Answer: <https://biology-forums.com/index.php?topic=643928>

Question 36

"Binders" are typically used with:

- A) life and health insurance
B) property and liability insurance
C) life and liability insurance
D) health and property insurance

Answer: <https://biology-forums.com/index.php?topic=643885>

Question 37

Which of the following is true?

- A) The life insurance grace period gives the insured two months during which to correct any misinformation supplied in the application for coverage.
B) If the insured misstates his/her age on a life insurance application, the insurer has grounds for voiding the contract.
C) The purpose of the beneficiary clause in life insurance is to enable the policy owner to designate to whom the proceeds shall be paid when the insured dies.
D) The life insurance assignment clause requires that the policy owner get the insurer's consent before assigning policy ownership to someone else.

Answer: <https://biology-forums.com/index.php?topic=644153>

Question 38

The replacement cost of a home covered under the HO-3 policy is \$100,000. Assume the home is insured for \$50,000 and a \$10,000 loss occurs (replacement cost). Also assume depreciation is set at 10 percent. Assume that there is no deductible. How much will the insured recover if repaired?

- A) \$9,000
B) \$10,000
C) \$8,000

D) \$6,250

Answer: <https://biology-forums.com/index.php?topic=643982>

Question 39

Which of the following is the correct calculation of the insurance premium?

- A) Insured Loss Claims + Loading Expenses + Fair Rate of Return - Investment Income
- B) Insured Loss Claims + Loading Expenses + Investment Income - Fair Rate of Return
- C) Insured Loss Claims - Loading Expenses - Investment Income + Fair Rate of Return
- D) Insured Loss Claims - Loading Expenses + Fair Rate of Return + Investment Income

Answer: <https://biology-forums.com/index.php?topic=643520>

Question 40

"Prior-approval" price regulation is known as "use-and-file" regulation.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643804>

Question 41

Life insurance companies have a debtor/creditor relationship with their living insureds that is similar to a fiduciary relationship.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643821>

Question 42

Which of the following statements is false?

- A) Annuities can be used to fund structured settlements in negligence cases.
- B) Annuities are useful for generating an income that cannot be outlived.
- C) Annuities are good retirement funding vehicles for persons in poor health.
- D) Annuities maximize cash flow for people who are willing to liquidate their assets.

Answer: <https://biology-forums.com/index.php?topic=644228>

Question 43

Suppose you have a 401(k) plan, and you would like to draw the money out when you are age 45. You want the money to send your child to college. What will happen if you draw all the money out and close the account?

- A) You will have to pay income taxes on the withdrawal.
- B) You will have to pay income taxes, plus a tax penalty, on the withdrawal.
- C) You will receive the money tax-free, since you paid taxes on it when you deposited it.
- D) You will only have to pay taxes on the amount of money drawn out that represents interest earned on your deposits.

Answer: <https://biology-forums.com/index.php?topic=644329>

Question 44

How do insurers classify annuities to describe their benefits?

Answer: <https://biology-forums.com/index.php?topic=644256>

Question 45

Which of the following is true regarding your PAP contract?

- A) Your personal property is covered while in your automobile.
- B) Your Medical Payments will pay for your friend's injuries suffered while s/he is occupying your car.
- C) If you drive a car that you do not own, you will have no coverage for anything.
- D) All rental cars must be declared to be insured in order to have coverage on them.

Answer: <https://biology-forums.com/index.php?topic=643931>

Question 46

Aviation insurers have some difficulty complying with the law of large numbers.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644684>

Question 47

To lessen the impact of catastrophic losses, many insurers use all the following except:

- A) contingent surplus notes
- B) catastrophe bonds

C) forward purchase options

D) exchange traded options

Answer: <https://biology-forums.com/index.php?topic=643456>

Question 48

What are the basic differences between a stock and a mutual insurance company?

Answer: <https://biology-forums.com/index.php?topic=643629>

Question 49

Property Risk:

A) is an example of a speculative risk

B) is an example of an indirect risk

C) only relates to buildings

D) is an example of a pure risk

Answer: <https://biology-forums.com/index.php?topic=643277>

Question 50

It is important for a retail store to quickly resume operations after a direct loss primarily because:

A) looting will occur

B) retail merchandise goes out of style quickly

C) most property insurance contracts demand that operations resume immediately, or as soon as possible, after a direct loss

D) customers can be quickly and permanently lost if operations do not continue

Answer: <https://biology-forums.com/index.php?topic=643299>

Question 51

To receive Social Security retirement benefits one must be:

A) fully insured and of retirement age

B) currently insured and of retirement age

C) fully insured and meet the definition of disability

D) in financial need

Answer: <https://biology-forums.com/index.php?topic=644406>

Question 52

Which of the following is not a characteristic of a Probability Distribution?

A) The probability of occurrence of a variable is assigned randomly.

B) The maximum probability for any one outcome will be less than 1.

C) The minimum probability for any one outcome will be greater than 0.

D) The sum of all probabilities must be equal to 1.

Answer: <https://biology-forums.com/index.php?topic=643328>

Question 53

In reinsurance, the primary insurer is also known as the:

A) retrocessionaire

B) first-layer reinsurer

C) ceding company

D) excess reinsurer

Answer: <https://biology-forums.com/index.php?topic=643672>

Question 54

Competition would totally eliminate subsidization in insurance pools if there were no regulator restricting competition between insurance companies.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643613>

Question 55

When you borrow someone's car and wreck it, you have the option of letting your automobile insurance pay on a primary basis for the accident.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643972>

Question 56

The core concept underlying the risk reducing effects of diversification and hedging is the correlation coefficient.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643503>

Question 57

One of the reasons why there is not sufficient supply for high-risk insurance applicants is:

- A) consumers will not buy insurance if prices are increased
- B) the existence of joint underwriters associations
- C) regulators have limited the premiums that insurers can charge for such customers
- D) the number of insurance contracts written by an insurer is totally regulated

Answer: <https://biology-forums.com/index.php?topic=643717>

Question 58

The age of the beneficiary is a factor used to calculate the amount paid from a life insurance policy under the _____ settlement option.

- A) life income
- B) interest
- C) fixed amount
- D) fixed

Answer: <https://biology-forums.com/index.php?topic=644176>

Question 59

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 60

Which of the following is true?

- A) The government discourages retirement saving by providing no tax incentives.
- B) To discourage the pre-retirement withdrawal of tax advantaged retirement savings plans, the government imposes a 20% early withdrawal penalty.
- C) To discourage the pre-retirement withdrawal of tax advantaged retirement savings plans, the government imposes a 10% early withdrawal penalty on withdrawals made before age 62.
- D) If a 40-year-old person becomes disabled, she may be allowed to withdraw tax advantaged savings without paying a tax penalty.

Answer: <https://biology-forums.com/index.php?topic=644051>

Question 61

Which of the following is not a risk that can be hedged?

- A) Flood
- B) Commodity prices
- C) Interest rate movements
- D) Exchange rate movements

Answer: <https://biology-forums.com/index.php?topic=643479>

Question 62

Pro-rata reinsurance coverage may be either facultative or treaty.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643681>

Question 63

In an annuity, the risk of dying too soon is transferred to the insurer.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644253>

Question 64

Four states do not require people who sell insurance to be licensed.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643692>

Question 65

Which of the following would not be paid for by the PAP's Other than Collision coverage?

- A) The insured hits a deer and damages his car.
- B) The car is sprayed with paint as it passes by a road construction site.
- C) The driver of the car hits a bird and breaks the windshield.
- D) A crate falls off the back of a truck and lands on the hood of the insured's car.

Answer: <https://biology-forums.com/index.php?topic=643921>

Question 66

Which of the following is false concerning the operation of the Social Security system?

- A) The program is operated on a pay-as-you-go basis.
- B) Employees and employers share the burden of funding the system.
- C) Self-employed individuals pay approximately 15.3 percent on their own payroll.
- D) There are no investment earnings since the program is operated on a pay-as-you-go basis.

Answer: <https://biology-forums.com/index.php?topic=644414>

Question 67

After 40 quarters in covered employment a person achieves "fully insured" status, and may receive Social Security benefits even if he or she never works again.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644480>

Question 68

The Expected Value of a Loss Exposure:

- A) can be used by an insurance company to calculate the insurance premium
- B) can be used by a firm to save enough to cover the expected losses
- C) is an estimate, and not absolute value, of future losses
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643333>

Question 69

In most property insurance contracts assignment is:

- A) specifically prohibited
- B) permitted, but requires additional premium
- C) not mentioned, but is not permitted because insurance contracts are personal contracts
- D) valid with the written consent of the insurer

Answer: <https://biology-forums.com/index.php?topic=643843>

Question 70

Granny Clampett's health insurance policy has a \$500 annual aggregate deductible, and 80/20 cost sharing deductible, and a \$5,000 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 \$122,721. How much will her insurer pay for this claim?

- A) \$5,500
- B) \$97,777
- C) \$98,177
- D) \$117,721

Answer: <https://biology-forums.com/index.php?topic=644275>

Question 71

Monah Lott is an agent for Mutual of Oregon Insurance. Monah has been strictly prohibited from accepting premium payments from his clients; they are instead supposed to remit payments directly to the insurer. Mutual of Oregon sends Venus Planet a renewal notice with a premium invoice, and nowhere on the invoice does it tell her that she cannot remit payment to her agent. To save herself a postage stamp, she drops the payment off at Monah's office. Monah accepts the payment, and puts it in her own account. When Mutual of Oregon does not receive Venus's premium, it sends her a cancellation notice. Before receiving her cancellation notice, she suffers a loss and expects Mutual of Oregon to pay her claim. What will likely happen in this scenario?

- A) Mutual of Oregon will likely have to pay the claim.
- B) Mutual of Oregon will not have to pay the claim, but Monah Lott likely will.
- C) Neither Mutual of Oregon, nor Monah Lott, will have to pay the claim.
- D) The claim will be paid by the court, and it will then sue Mutual of Oregon.

Answer: <https://biology-forums.com/index.php?topic=643655>

Question 72

On average, women live longer than men. If an applicant's gender is ignored in determining life insurance prices:

- A) men will subsidize women
- B) women will subsidize men
- C) no subsidization will occur because only group longevity results are valid
- D) morale hazard will increase significantly

Answer: <https://biology-forums.com/index.php?topic=643571>

Question 73

All of the following are federally-sponsored insurance activities in the U.S. except:

- A) Social Security
- B) Unemployment Trust Fund
- C) Federal Deposit Insurance Corporation
- D) Universal Health for Children Organization

Answer: <https://biology-forums.com/index.php?topic=643546>

Question 74

From an employee's perspective, tax deferral is beneficial because:

- A) current taxes are increased in return for reduced taxes later
- B) money can be invested that would ordinarily be paid in current income taxes
- C) tax rates in the future are guaranteed to be lower
- D) since tax policy varies, there may be no tax on retirement income in the future

Answer: <https://biology-forums.com/index.php?topic=644325>

Question 75

If your car is damaged in a collision that is your fault, the PAP says:

- A) it is up to the insurer to have it fixed
- B) you must protect it from further damage
- C) all you have to do is notify the insurer and the insurer does the rest
- D) the insurer's obligation is always to replace the car

Answer: <https://biology-forums.com/index.php?topic=643919>

Question 76

Most markets involve two parties. How many does the insurance market have?

- A) 1
- B) 2
- C) 3
- D) 4

Answer: <https://biology-forums.com/index.php?topic=643727>

Question 77

Which of the following is an accurate definition of "insurance"?

- A) A savings account designed to protect you in the event of a rainy day
- B) A financial arrangement that redistributes the costs of unexpected losses among a pool of insureds
- C) A communist plot to destroy capitalist enterprise
- D) A contractual agreement in which the insurer agrees to pay the insured only if the insured requests the money

Answer: <https://biology-forums.com/index.php?topic=643216>

Question 78

Risk Retention is not a good idea if:

- A) the risk is unimportant
- B) you did not identify the risk
- C) the frequency is so low it almost will never happen
- D) the exposure is potentially catastrophic

Answer: <https://biology-forums.com/index.php?topic=643395>

Question 79

Workers' compensation covers all of the following losses except:

- A) medical expenses resulting from a job-related injury
- B) rehabilitation expenses resulting from a job-related injury
- C) lost wages during a disability that results from job-related injuries
- D) medical expenses resulting from an at-home accident

Answer: <https://biology-forums.com/index.php?topic=644520>

Question 80

Which of the following statements about workers' compensation insurance is true?

- A) The cost to employers has been increasing.
- B) The premiums have been decreasing.
- C) Insurers have been making high profits on this coverage.
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=644557>

Question 81

Which of the following is not a function of the Insurance Services Office (ISO)?

- A) Collecting loss data
- B) Developing standard insurance policies
- C) Coordinating prices between insurance companies
- D) Providing public information about insurance

Answer: <https://biology-forums.com/index.php?topic=644642>

Question 82

Which of the following is not a benefit of standard policies?

- A) Smaller insurers can offer cheaper insurance than larger companies for the same exposures.
- B) Litigation should be reduced as policy meaning becomes understood.
- C) Consumers are more likely to learn and understand the meaning of standard policies.
- D) Data collection and rate computation is easier and more accurate.

Answer: <https://biology-forums.com/index.php?topic=644607>

Question 83

Claims paid under the PAP's "Collision Coverage" are usually considered to be the insured's fault.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643969>

Question 84

The Primary Insurance Amount (PIA) in Social Security:

- A) determines your hospital benefits
- B) determines your supplementary medical benefits
- C) is based on an average indexed monthly earnings calculation
- D) determines your eligibility for benefits

Answer: <https://biology-forums.com/index.php?topic=644442>

Question 85

Given the requisites of risk pooling, which of the following exposures would make the best subject of a profitable insurance pool? Assume a premium appropriate to the exposure is charged and analyze the exposure from the insurer's standpoint.

- A) Insuring all the lives of college seniors in the U.S. for \$10,000 each, without an initial medical exam
- B) Insuring college students against their GPA falling below a 3.0
- C) Insuring all the dorms on a single college campus against property damage
- D) Insuring students against the theft or disappearance of textbooks

Answer: <https://biology-forums.com/index.php?topic=643349>

Question 86

To properly handle the orderly transfer of business ownership at death, it is necessary to have:

- A) an unfunded buy-and-sell agreement
- B) a life insurance contract to fund the purchase and a buy-and-sell agreement
- C) a verbal understanding of the valuation method
- D) a verbal commitment of the heirs to sell the business

Answer: <https://biology-forums.com/index.php?topic=644040>

Question 87

The fact that insured have reasonable expectations has typically resulted in:

- A) a reduction in the scope of insurance coverage
- B) an increase in morale hazard
- C) difficulties preventing adverse selection
- D) insurers having to cover things they never anticipated covering

Answer: <https://biology-forums.com/index.php?topic=643866>

Question 88

Which of the following is not a standard provision found in U.S. life insurance contracts?

- A) Grace period
- B) Incontestable clause
- C) Provision for misstatement of age
- D) Immediate notice of loss provision

Answer: <https://biology-forums.com/index.php?topic=644164>

Question 89

When choosing the proper amount of insurance:

- A) one should always insure those exposures that occur most frequently
- B) one should always take a little bit less insurance than the agent recommends to save some money in the long run
- C) one should never expose more to loss than one can afford to lose
- D) one should take the biggest deductible that is available

Answer: <https://biology-forums.com/index.php?topic=643741>

Question 90

Mutual insurance companies legally are nonprofit organizations.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643619>

Question 91

Amanda Miranda owns a soft drink manufacturing company that makes Fizzy Dizzy soda. She asks you to determine if she has any intangible property. Which of the following items would you tell her are intangibles?

- A) Secret formula for Fizzy Dizzy
- B) Patented design of the Fizzy Dizzy bottle
- C) Patented name of the product (Fizzy Dizzy)
- D) All of the above

Answer: <https://biology-forums.com/index.php?topic=644650>

Question 92

Experience rating of the unemployment program has which of the following effects?

- A) Penalizes good employers that never fire employees
- B) Encourages short-term layoffs and causes an unstable workforce
- C) Charges employers more when the economy is weak, thus charging for poor experience when companies can least afford it
- D) Provides funds to continue employment instead of dismissing employees

Answer: <https://biology-forums.com/index.php?topic=644516>

Question 93

The ADA holds a business responsible for providing:

- A) guaranteed jobs for disabled workers
- B) opportunities for disabled workers
- C) opportunities for drunk workers
- D) retirement benefits for disabled workers

Answer: <https://biology-forums.com/index.php?topic=644708>

Question 94

Reinsurance transactions do not occur in life insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643677>

Question 95

Which of the following is not a type of mutual insurance organization?

- A) Assessment
- B) Advanced-premium
- C) Perpetual
- D) Reciprocal

Answer: <https://biology-forums.com/index.php?topic=643586>

Question 96

The PAP's Other than Collision Coverage would pay for:

- I. Running off the road and into a lake
- II. Hitting a deer
- III. Hitting a chicken, losing control of your car as a result, and crashing into a ditch
- IV. Having a non-war-related missile land on top of your car
- V. Having your car stolen
- VI. Having your car vandalized by someone you broke up with

- A) II, III, IV, V, and VI only
- B) II, III, V, and VI only
- C) II, IV, V, and VI only
- D) All of the above (I, II, III, IV, V, and VI)

Answer: <https://biology-forums.com/index.php?topic=643943>

Question 97

What is demutualization? What are some reasons companies want to demutualize?

Answer: <https://biology-forums.com/index.php?topic=643627>

Question 98

All of the following are true about captive insurers, except:

- A) that they are located in locations like Bermuda
- B) that claims-settlement often take longer
- C) that the parent company or companies save on overhead and profits that they would otherwise pay to third insurance companies
- D) that the parent company or companies are in some cases allowed to deduct their premiums from their tax liability

Answer: <https://biology-forums.com/index.php?topic=643424>

Question 99

The "defense" provision of the automobile insurance contract says the insurer:

- A) will pay all defense costs, but those costs will reduce the limits of the policy
- B) will indemnify the insured for expenses incurred as a result of hiring the insured's choice of defense attorney
- C) does not need the consent of the insured to settle any claim against the insured
- D) must investigate each and every claim

Answer: <https://biology-forums.com/index.php?topic=643917>

Question 100

Because people sometimes forget to pay their premiums on time, health insurance policies normally contain a/an _____ to prevent unnecessary termination of the insured.

- A) grace period clause
- B) reinstatement clause
- C) pro-rata clause
- D) entire contract

Answer: <https://biology-forums.com/index.php?topic=644287>

Question 101

Drinking a lot of alcohol before swimming could cause a person to drown. In this context, which of the following is the hazard?

- A) Drinking too much
- B) Knowing how to swim
- C) Drowning
- D) Death

Answer: <https://biology-forums.com/index.php?topic=643537>

Question 102

All of the following would be paid under the PAP's Other than Collision coverage except:

- A) the car is sprayed with paint as it passes under a bridge being painted
- B) the driver of the car backs off a curb and damages the car's oil pan
- C) the windshield is broken by a "flying" rock
- D) while the insured is adjusting the carburetor, gasoline spills over the engine and causes a fire

Answer: <https://biology-forums.com/index.php?topic=643916>

Question 103

Insurance increases the number of intentional losses that occur in society.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643562>

Question 104

Since the automobile insurance policy is written by the insurer, ambiguities are interpreted in favor of the insurer.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643894>

Question 105

In 2008 the U.S. spent _____ % of GDP on health care.

- A) 8.8
- B) 10.3
- C) 16.4
- D) 22

Answer: <https://biology-forums.com/index.php?topic=644286>

Question 106

A legal reserve is a cash asset account maintained by life insurers.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643813>

Question 107

The double indemnity option makes good sense for most families since the cost is low, and the option doubles the face amount of insurance for most causes of death other than accident.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644193>

Question 108

Exculpatory clauses are clauses in business contracts that transfer risk between contracting parties.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643441>

Question 109

Which of the following is not a hazard?

- A) Storing one ton of dynamite in a garage
- B) Bad diet (eating lots of junk food)
- C) Skating on thin ice
- D) Getting shot accidentally while deer hunting

Answer: <https://biology-forums.com/index.php?topic=643198>

Question 110

Peggy's insurance agent, Skip Towne, convinces her to replace her existing health insurance policy with one that he claims is better. Peggy tells him that she will be glad to replace the policy if the coverage provided under the new one is the same or better than that provided by the existing policy.

Skip assures her that coverage is equal or better under the new contract, so she changes policies. Three months later, when she becomes pregnant, the insurer denies all her claims for benefits. At that time, Peggy learns that her new policy does not provide maternity benefits, although her previous policy did. Based on information contained in the text, who should Peggy hold legally responsible for her lack of coverage?

- A) Skip Towne
- B) Her new insurer

- C) Her previous insurer
- D) The government

Answer: <https://biology-forums.com/index.php?topic=643656>

Question 111

Concealment or fraud before, during, or after a loss generally allows an insurer to contest property insurance contracts.
T/F?

Answer: <https://biology-forums.com/index.php?topic=643905>

Question 112

What is the difference between class rating and schedule rating?

Answer: <https://biology-forums.com/index.php?topic=644702>

Question 113

Explain how a typical major medical contract works.

Answer: <https://biology-forums.com/index.php?topic=644312>

Question 114

All of the following statements about the claims handling function are true except:

- A) overly liberal claims settlement procedures may be as bad as stingy claims settlement procedures
- B) claims settlement problems are generally more complex in property and liability insurance than in life insurance
- C) independent adjusters only work for small insurance companies
- D) negotiation with the claims adjuster is often the only contact the insurance buyer has with the insurer, besides the selling agent

Answer: <https://biology-forums.com/index.php?topic=643632>

Question 115

Explain how employees are taxed on group life insurance supplied as an employee benefit.

Answer: <https://biology-forums.com/index.php?topic=644388>

Question 116

Which of the following statements about bearing risk collectively is correct?

- A) Bearing risk collectively is not very cost-efficient.
- B) Bearing risk collectively only works for small groups.
- C) Bearing risk collectively is bearing risk as part of a large group.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643458>

Question 117

Different prices for identical goods is one sign of a market that has uninformed buyers.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643803>

Question 118

The scope of insurance:

- A) limits the tax-deductibility of premiums
- B) is limited to social insurance
- C) is not clearly defined
- D) does not include weddings

Answer: <https://biology-forums.com/index.php?topic=643509>

Question 119

Many insurers sometimes use loss adjusters who are not employees of the company.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643691>

Question 120

What is the purpose of an automobile insurance plan? How does an auto plan generally work?

Answer: <https://biology-forums.com/index.php?topic=643762>

Question 121

As long as their correlation coefficient is less than 1, risk is being reduced by adding investments to the pool.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643497>

Question 122

The insured must demonstrate good health, among other things, in order to reinstate a lapsed policy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644181>

Question 123

Which of the following is a cost shifting technique in health insurance?

- A) Utilization review
- B) Generic drugs
- C) Second opinions
- D) Increased deductibles

Answer: <https://biology-forums.com/index.php?topic=644262>

Question 124

Health care providers and officers of corporations have had trouble obtaining liability insurance in recent years.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643758>

Question 125

Which of the following best describes the two sources of insurance regulation?

- A) State governments and the federal government
- B) Insurance law and the administration of that law
- C) Contracts and the court system
- D) Administrative bodies and the court system

Answer: <https://biology-forums.com/index.php?topic=643780>

Question 126

All of the following are available under one of the HO forms except:

- A) personal liability insurance
- B) theft insurance
- C) medical payments coverage for others
- D) automobile physical damage coverage

Answer: <https://biology-forums.com/index.php?topic=643992>

Question 127

The text suggests that insurance consumers should:

- A) inform themselves about the company, policy, etc. to protect their own self-interest
- B) rely on government regulation to protect their interest, since insurance companies and policies cannot be understood by the public
- C) rely on attorneys and the lawsuit process to protect themselves
- D) rely on self-regulation of insurance companies and the insurer's goodwill to protect their interest

Answer: <https://biology-forums.com/index.php?topic=643704>

Question 128

A life annuity that pays nothing after the annuitant's death is a _____ annuity.

- A) period certain
- B) straight life
- C) refund
- D) single premium deferred

Answer: <https://biology-forums.com/index.php?topic=644212>

Question 129

Consumers are not allowed to inspect their personal Medical Information Bureau files.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643696>

Question 130

Medical expense insurance, such as that provided by Blue Cross, has relatively large deductible provisions.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644296>

Question 131

What is the fundamental function of the insurance company—in other words, what is it the insurance company does that makes the insurance mechanism work?

- A) It pools those insureds having similar risks, and predicts the losses that those in the pool will suffer.
- B) It pools any insureds who wish to purchase insurance, and attempts to predict the losses that those in the pool will suffer.
- C) It redistributes government subsidies to those who have suffered catastrophes.
- D) It eliminates the process of underwriting in order to sell insurance to as many people as possible, thus providing insureds with a huge quantity discount.

Answer: <https://biology-forums.com/index.php?topic=643218>

Question 132

Which of the following reasons for canceling a wedding would likely not be covered by a typical wedding insurance policy?

- A) Bride gets food poisoning
- B) Church suffers a fire loss the day before the wedding
- C) Groom decides he doesn't want to get married
- D) Caterer is unable to provide food for the reception

Answer: <https://biology-forums.com/index.php?topic=643549>

Question 133

Which of the following is not a risk measure?

- A) Standard Deviation
- B) Confidence Interval
- C) Variance
- D) All of the above are risk measures

Answer: <https://biology-forums.com/index.php?topic=643360>

Question 134

All of the following are available under the HO-3 contract except:

- A) personal liability insurance
- B) theft insurance
- C) medical payments coverage for others
- D) automobile comprehensive coverage

Answer: <https://biology-forums.com/index.php?topic=644005>

Question 135

Which of the following statements about risk assumption is not correct?

- A) Risk assumption is also known as risk retention.
- B) Risk assumption can be transferred through hedging.
- C) Larger firms have a better ability to assume risk.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643421>

Question 136

The independent agent system:

- A) is used by direct writing companies
- B) uses agents who own their own business
- C) is used only in life insurance
- D) requires agents to be paid a flat salary

Answer: <https://biology-forums.com/index.php?topic=643636>

Question 137

The use of loss distributions lead to a subjective estimate of risk exposure.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643369>

Question 138

What are the main considerations in determining the proper mix of retention and transfer in handling potential loss exposures?

Answer: <https://biology-forums.com/index.php?topic=643446>

Question 139

The Social Security "black-out" period occurs between the time:

- A) the insured worker retires and the time retirement benefits begin
- B) survivor benefits end and the time retirement benefits begin
- C) the insured worker becomes disabled and the time disability benefits begin
- D) a disabled worker recovers from disability and the time he/she is able to earn 100% of his/her pre-disability wages

Answer: <https://biology-forums.com/index.php?topic=644450>

Question 140

Which of the following statements about diversification is incorrect?

- A) Risk-bearing financial institutions employ diversification.
- B) Diversification reduces risk.
- C) Mutual funds typically have a diversified portfolio.
- D) Diversification requires that all investments have the same risk/return characteristics.

Answer: <https://biology-forums.com/index.php?topic=643462>

Question 141

CPCU stands for:

- A) Certified Property and Casualty Underwriter
- B) Claims, Property, and Casualty Underwriter
- C) Chartered Property Casual Underwriter
- D) Chartered Professional Claims Underwriter

Answer: <https://biology-forums.com/index.php?topic=643725>

Question 142

In 2004, the attorney general of New York accused insurance brokers of:

- A) poor financial condition that could lead to insolvency
- B) bid rigging
- C) covering up investments in illegal securities
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=643662>

Question 143

Which of the following is a permanent need for purchasing life insurance?

- A) Funding a child's college education
- B) Paying off a mortgage loan
- C) Providing for funeral expenses
- D) Funding the readjustment period for a spouse

Answer: <https://biology-forums.com/index.php?topic=644115>

Question 144

Which of the following is not a risk identified in a typical Vulnerability Map?

- A) Hazard Risks
- B) Negligence Risks
- C) Operational Risks
- D) Financial Risks

Answer: <https://biology-forums.com/index.php?topic=643304>

Question 145

Why do insurers use a different mortality table for annuity benefit calculations than they use for life insurance premium calculations?

- A) Annuities require more stringent underwriting than life insurance.
- B) The average life expectancy of an annuity applicant is greater than that of a life insurance applicant.

C) The health status of annuity applicants is generally worse than that of life insurance applicants.
D) People with a greater-than-average likelihood of premature death are typically the ones who want to purchase annuities.
Answer: <https://biology-forums.com/index.php?topic=644219>

Question 146

McCarran-Ferguson Act expressed the intent of the federal government to forever abandon to the states the right to regulate insurance.
T/F?
Answer: <https://biology-forums.com/index.php?topic=643809>

Question 147

Consumers that have done some research to gather insurance information:
A) make the insurance market less efficient
B) probably will get better subsequent information from insurance companies
C) probably will just get "razzle-dazzle" from insurance companies
D) probably wasted their time
Answer: <https://biology-forums.com/index.php?topic=643740>

Question 148

The text associates low cost insurance with a bargain.
T/F?
Answer: <https://biology-forums.com/index.php?topic=643753>

Question 149

Which of the following does not influence the amount of a retiree's Social Security retirement benefits?
A) Amount of covered earnings for each year of included work
B) Number of years after a person's 21st birthday until the year before a death, disability, or retirement
C) Annual amount of non-wage income over the years calculated in the AIME
D) Maximum earnings amount subject to the tax
Answer: <https://biology-forums.com/index.php?topic=644410>

Question 150

The A.M. Best Company can help you to determine which of the following about your insurer?
A) Its reputation for settling claims
B) Its customer service rating
C) How many complaints have been filed against it
D) Its financial strength rating
Answer: <https://biology-forums.com/index.php?topic=643707>

Question 151

Choose the false statement.
A) The insured need never repay a policy loan, nor is he required to pay interest on the loan.
B) The insured usually has the right to borrow 80% of the face value of an ordinary life insurance policy.
C) Unpaid policy loans are deducted from the beneficiary's proceeds if the insured dies.
D) Life insurance companies cannot refuse to make policyholder loans on policies that have loan values.
Answer: <https://biology-forums.com/index.php?topic=644159>

Question 152

To own a part of a stock insurance company, a person must purchase an insurance policy from that company.
T/F?
Answer: <https://biology-forums.com/index.php?topic=643624>

Question 153

All the following are provisions in the HO-3 contract that can decrease amounts payable by the insurance company except:
A) deductibles
B) coinsurance/replacement cost provisions
C) special limits on certain types of property
D) mortgage clause
Answer: <https://biology-forums.com/index.php?topic=643983>

Question 154

If Lindsey lets her life insurance policy lapse, and then decides to later reinstate it, what happens with respect to the two-year suicide clause that was in the original policy?

- A) It restarts with the date of reinstatement, and runs for another two years.
- B) It restarts, but only runs for one year.
- C) Nothing
- D) It restarts, but only runs the length of time that passed between the lapse and the reinstatement.

Answer: <https://biology-forums.com/index.php?topic=644178>

Question 155

A "pure risk" is defined as a situation where there is the possibility:

- A) of loss or no change
- B) of profit or no change
- C) of profit or loss
- D) that actual losses will deviate from expected losses

Answer: <https://biology-forums.com/index.php?topic=643226>

Question 156

Catastrophe reinsurance can be described as a form of excess of loss reinsurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643682>

Question 157

In the historic tripod approach to economic security, how much of an individual's economic security was the employer anticipated to provide?

- A) 1/4
- B) 1/3
- C) 1/2
- D) 3/4

Answer: <https://biology-forums.com/index.php?topic=644347>

Question 158

A surviving wife's Social Security benefit ends when her youngest child reaches age 16.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644486>

Question 159

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 160

Risk assumption is the best risk management tool when the change of loss is _____ and the potential severity of loss is _____.

- A) low, low
- B) high, high
- C) low, high
- D) high, low

Answer: <https://biology-forums.com/index.php?topic=643396>

Question 161

Both Parts A and D of the Medicare program are compulsory.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644488>

Question 162

An integrated disability income plan is one that:

- A) limits the amount of coverage to 50 percent of pre-disability take home wage
- B) coordinates the waiting period with other sick leave and personal leave plans
- C) requires a participation provision such as 20/80 when paying for eligible expenses
- D) coordinates the benefits under Social Security and the disability income plan

Answer: <https://biology-forums.com/index.php?topic=644322>

Question 163

Which of the following is not an example of a derivative security?

- A) Futures contract
- B) Forward contract
- C) Hedge
- D) Option

Answer: <https://biology-forums.com/index.php?topic=643482>

Question 164

Foster is suing Geraldine and they are in a contributory negligence state. Foster's total injuries are \$100,000, and the jury finds that he was 5% at fault in the incident. How much money will Foster be entitled to collect?

- A) \$100,000
- B) \$95,000
- C) \$0
- D) \$90,000

Answer: <https://biology-forums.com/index.php?topic=643295>

Question 165

All of the following are true of level premium ordinary whole life insurance except:

- A) furnished permanent protection over all of one's life
- B) small initial outlay compared to single premium, whole life
- C) combines savings with insurance
- D) premiums end at age 65

Answer: <https://biology-forums.com/index.php?topic=644105>

Question 166

Explain why there is a coinsurance clause applied to the building structures. How does it work?

Answer: <https://biology-forums.com/index.php?topic=644031>

Question 167

What are the requirements for an "ideally" insurable group of exposures?

Answer: <https://biology-forums.com/index.php?topic=643388>

Question 168

Insurance companies offer identical and perfectly substitutable products.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643748>

Question 169

Which of the following items is not a benefit of standard insurance policies?

- A) Smaller insurers can offer cheaper insurance than larger companies if standard policies are used.
- B) Litigation should be reduced as policy meaning becomes understood.
- C) Consumers are more likely to learn the meaning of standard policies.
- D) Data collection and loss rate computation are easier and more accurate.

Answer: <https://biology-forums.com/index.php?topic=643839>

Question 170

Dana loans her brother, Marcus, \$500,000 with which to start a movie production company. The business assets are shown in the loan agreement as collateral for the loan. Dana can insure Marcus's life because:

- A) the principle of insurable interest exists in this situation
- B) the principle of utmost good faith exists in this situation
- C) she and Marcus are brother and sister
- D) This is a trick question; she cannot insure his life, but she can insure the business assets.

Answer: <https://biology-forums.com/index.php?topic=643886>

Question 171

Carlos and Mary are married, and covered under Carlos' group health plan provided by his employer. Carlos dies. How long can Mary continue her health coverage, according to COBRA provisions?

- A) 0 months
- B) 18 months
- C) 24 months
- D) 36 months

Answer: <https://biology-forums.com/index.php?topic=644352>

Question 172

Simpson is an employee of United of Nowhere Insurance. He is also an agent for them. Based on these facts, what type of insurance company MUST United of Nowhere be?

- A) Direct writer
- B) Life and health
- C) Stock
- D) Property and casualty

Answer: <https://biology-forums.com/index.php?topic=643661>

Question 173

Which of the following is a false statement?

- A) Risk averse people will pay an insurance premium that is greater than the mathematically fair chance of loss in order to relieve themselves of uncertainty.
- B) A risk seeker is willing to assume risk.
- C) The mathematically fair price for insurance is the objective risk for the insurer multiplied by the maximum possible loss.
- D) Insurance is never a mathematically fair trade because the insurer adds several operating and other costs to loss costs when it calculates the premium.

Answer: <https://biology-forums.com/index.php?topic=643197>

Question 174

Automobile insurance plans, also known as assigned risk plans, are designed to give discounts to good drivers who have had no insurance claims or motor vehicle tickets for at least three years.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643755>

Question 175

An insured in a preferred provider organization pays less out of his pocket if he chooses to use:

- A) an out-of-network physician
- B) a preferred provider
- C) his/her regular physician
- D) a chiropractor

Answer: <https://biology-forums.com/index.php?topic=644295>

Question 176

Survivor benefits may be paid to both the widow and dependent children of a deceased worker.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644484>

Question 177

Explain the principle of indemnity. How does one measure indemnity?

Answer: <https://biology-forums.com/index.php?topic=643908>

Question 178

Jean's health insurance policy has a 70/30 participation deductible. The policy has no other deductible provisions, nor does it have an annual out-of-pocket maximum limit. If Jean has brain transplant surgery that results in medical bills of \$300,000, how much of the medical bills will her insurer pay?

- A) \$210,000
- B) \$90,000

C) \$300,000

D) cannot be determined from the given information

Answer: <https://biology-forums.com/index.php?topic=644278>

Question 179

If a property insurance agent goes to Maria's door, convinces her to apply for insurance and write a check for the policy premium, which of the following has occurred?

A) Offer, acceptance

B) Soliciting an offer, offer, acceptance, consideration

C) Offer, counter offer, acceptance, consideration

D) Offer, consideration

Answer: <https://biology-forums.com/index.php?topic=643850>

Question 180

Class rating and schedule rating use the same approach in arriving at a final fire insurance rate; both use a system of debits and credits and charges for particular property as compared to a standard.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644686>

Question 181

Which of the following is not a standard settlement option?

A) Interest-only payment amounts

B) Fixed payment amounts

C) Fixed period amounts

D) Fixed payments that in sum will equal the policy's initial face value

Answer: <https://biology-forums.com/index.php?topic=644155>

Question 182

If you were a life insurance underwriter, which of the following underwriting criteria would you MOST prefer to use because of its reliability?

A) The applicant's response to the question Have you ever tested positive for HIV?

B) The applicant's response to the question Have you smoked any tobacco products within the last year?

C) The opinion of the patient's family doctor as to the overall health of the patient

D) The results of blood and urine tests taken by your company's own physicians

Answer: <https://biology-forums.com/index.php?topic=643547>

Question 183

Which of the following is true about the supply and demand curves for insurance?

A) The demand for insurance is very elastic and sensitive to price.

B) As price declines, the demand for insurance increases dramatically.

C) The supply of insurance increases dramatically with a decrease in the price.

D) Insurers will tend to reduce supply if the price is artificially increased or decreased.

Answer: <https://biology-forums.com/index.php?topic=643716>

Question 184

Workers' compensation is likely to cover all the following except:

A) 100 percent of lost wages during disability

B) medical expenses

C) rehabilitation expenses

D) reasonable funeral expenses

Answer: <https://biology-forums.com/index.php?topic=644535>

Question 185

Mary's house catches on fire. \$9,000 of her jewelry is destroyed by the fire. What is the maximum amount her HO-3 policy will pay for this loss?

A) \$12,000

B) \$9,600

C) \$2,500

D) \$1,500

Answer: <https://biology-forums.com/index.php?topic=644018>

Question 186

Which of the following is not an example of a Catastrophic Loss Event?

- A) Hurricane Katrina
- B) Death of Michael Jackson
- C) September 11, 2001 terror attacks
- D) 2004 Tsunami in the Indian Ocean

Answer: <https://biology-forums.com/index.php?topic=643193>

Question 187

A business firm may utilize life insurance to protect against loss caused by the death of:

- A) a key employee
- B) a limited partner, not employed by the firm
- C) a main supplier
- D) a stockholder in a public corporation

Answer: <https://biology-forums.com/index.php?topic=644050>

Question 188

The right of the states to regulate insurance was first established by the:

- A) SEUA decision
- B) Paul v. Virginia decision
- C) National Association of Insurance Commissioners Act
- D) McCarran-Ferguson Act

Answer: <https://biology-forums.com/index.php?topic=643772>

Question 189

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 190

The arguments for federal regulation of insurance all of the following except:

- A) lack of uniformity of state regulation
- B) state regulation costs more to administer
- C) federal regulation would be less expensive
- D) federal regulation would be more flexible

Answer: <https://biology-forums.com/index.php?topic=643777>

Question 191

All of the following are ways of managing risk mentioned in the text, except:

- A) competitive bidding
- B) transfer
- C) avoidance
- D) assumption

Answer: <https://biology-forums.com/index.php?topic=643399>

Question 192

All of the following firms provide financial ratings of insurance companies except:

- A) A.M. Best
- B) Standard & Poor's
- C) Moody's
- D) NASD

Answer: <https://biology-forums.com/index.php?topic=643719>

Question 193

Under a contract of adhesion:

- A) subrogation is not allowed
- B) ambiguous features are interpreted against the writer of the contract
- C) ambiguous features are interpreted always against the insurer
- D) ambiguous features are decided based upon the intent of the parties when the contract was entered

Answer: <https://biology-forums.com/index.php?topic=643873>

Question 194

When assessing the financial impact of a firm's pure risks, a risk manager is interested in calculating a measure of the long-run average loss that is expected in the future.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643372>

Question 195

IBNR reserves are an estimate of:

- A) losses that have been incurred but not reported to the insurer
- B) losses that have been incurred and reported to the insurer, but not yet settled
- C) unearned premiums the insurer owes policyholders
- D) agent commissions owed

Answer: <https://biology-forums.com/index.php?topic=643801>

Question 196

Uninsured Motorist coverage usually provides property damage coverage to the insured for damages to his auto caused by an insured motorist.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643964>

Question 197

Which of the following statements about duplication is correct?

- A) Duplication is in general too costly to be effective.
- B) Duplication is in general effective when the cost is low.
- C) Duplication stimulates supply-chain interruptions.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643414>

Question 198

If you were a life insurance underwriter, asking which of the following underwriting questions would probably be socially unacceptable to an insurance applicant?

- A) Have you ever tested positive for HIV?
- B) Have you smoked any tobacco products within the last year?
- C) Are you heterosexual, homosexual, or bisexual?
- D) Have you traveled to a foreign country within the last ten years?

Answer: <https://biology-forums.com/index.php?topic=643577>

Question 199

A PAP is issued with both Collision and Other than Collision coverages. Two valuable cameras are stolen from the car. The cameras would be paid for by:

- A) Other than Collision coverage
- B) Collision coverage
- C) a homeowner's policy, if one is in force
- D) the PAP, but ONLY if there are visible signs of forcible entry on the auto

Answer: <https://biology-forums.com/index.php?topic=643926>

Question 200

Exclusions are contained in insurance policies for all the following reasons except:

- A) to eliminate catastrophic perils
- B) to eliminate coverage of property or perils for which the insurer wants an extra premium
- C) to control moral hazard
- D) to exclude the influence of reinsurance arrangements

Answer: <https://biology-forums.com/index.php?topic=643836>

Question 201

Which one of the following lists presents the three major categories of "legal liability"?

- A) Breach of contract, res ipsa loquitor, torts
- B) Criminal wrongs, product liability, intentional interference
- C) Torts, breach of contracts, liability without fault
- D) Breach of contracts, torts, criminal wrongs

Answer: <https://biology-forums.com/index.php?topic=643292>

Question 202

Small firms:

- A) will be unable to get insurance
- B) are more likely to self-insure
- C) face more moral hazard compared with larger firms
- D) are more likely to be dependent on insurance compared with large firms

Answer: <https://biology-forums.com/index.php?topic=643407>

Question 203

Loss prevention is the best risk management tool when the chance of loss is _____ and the potential loss severity is _____.

- A) high, high
- B) high, low
- C) low, low
- D) low, high

Answer: <https://biology-forums.com/index.php?topic=643228>

Question 204

The role of the court is to promote the consumer's interest, while the role of the insurance commissioner is to promote the insurer's interest. T/F?

Answer: <https://biology-forums.com/index.php?topic=643757>

Question 205

Explain briefly the purpose of the McCarran Act.

Answer: <https://biology-forums.com/index.php?topic=643826>

Question 206

All of the following persons are covered under Larry's PAP except:

- A) Larry's wife, who borrows a neighbor's car
- B) Larry's son, who borrows a friend's car to get to work
- C) Larry, while driving a car he borrowed from his employer to run an errand
- D) Larry, while driving a borrowed commercial wrecker truck to tow his car to a repair garage

Answer: <https://biology-forums.com/index.php?topic=643925>

Question 207

Which of the following is correct regarding the federal income taxation of annuities that are purchased with after tax dollars?

- A) Tax must be paid annually on the investment income that accrues during the accumulation period.
- B) If funds are withdrawn during the accumulation period, they are taxed as ordinary income.
- C) Payments received during the liquidation phase are partially exempt from taxation.
- D) There is no tax since each payment is considered compensation for a loss (ie., retirement).

Answer: <https://biology-forums.com/index.php?topic=644216>

Question 208

Reporting forms for inventory insurance require the insured:

- A) to purchase insurance equal to 100% of the inventory's value
- B) to purchase insurance equal to 80% of the inventory's value
- C) to report inventory values with scrupulous honesty
- D) to have very stable inventory levels

Answer: <https://biology-forums.com/index.php?topic=644660>

Question 209

Jameson decides to withdraw (not borrow) his life insurance policy's cash value. What happens to the death protection?

- A) It matures.
- B) It ends.
- C) It is suspended at the discretion of the insurer.
- D) It is paid-up.

Answer: <https://biology-forums.com/index.php?topic=644172>

Question 210

Which annuity provides for a built-in reduction of monthly payments after a specified event occurs?

- A) Joint annuity
- B) Joint and last survivor annuity
- C) Pure reduction annuity
- D) Joint and one-half survivor annuity

Answer: <https://biology-forums.com/index.php?topic=644215>

Question 211

Insurance increases moral hazard.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643436>

Question 212

The Southeastern Underwriters Association (SEUA) case reversed the Paul v. Virginia decision.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643807>

Question 213

Many HMOs have not enjoyed providing managed care for Medicare because:

- A) the reimbursement schedule is inadequate or unattractive
- B) they object to being forced to participate in the program
- C) older patients are typically unprofitable for all insurers and health care providers
- D) both A and B

Answer: <https://biology-forums.com/index.php?topic=644462>

Question 214

Sound financial planning requires a trade off between:

- A) risk and return alternatives
- B) gratification and savings
- C) investment and saving alternatives
- D) fees and returns

Answer: <https://biology-forums.com/index.php?topic=644054>

Question 215

Jens is a newly-married man who wants \$100,000 of life insurance, but he cannot afford the ordinary level whole life premium until he gets out of graduate school. He would like to pay less for the first few years of coverage until he graduates. He can still obtain the desired amount of insurance for the whole of his life by purchasing:

- A) limited-payment whole life
- B) single premium whole life
- C) deferred premium annuity life
- D) convertible term

Answer: <https://biology-forums.com/index.php?topic=644099>

Question 216

The fact that women live longer than men has the following impact on planning for retirement:

- A) they require income for a longer period of time
- B) life insurance on a husband should take this fact into account
- C) they require more health insurance
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=644070>

Question 217

Which of these is not a criticism of the current tort system?

- A) Fraud is reduced by using our current tort system.
- B) Recovery under the tort system is often slow.
- C) Much of the money that changes hands does not go to the injured party.
- D) Negligence is difficult to determine in many cases.

Answer: <https://biology-forums.com/index.php?topic=644717>

Question 218

The purpose of long term care insurance is to:

- A) pay supplemental Medicare benefits when 60 days of coverage has been exceeded
- B) pay for housekeeping services for elderly disabled retirees on Medicare or Medicaid
- C) pay for short stays in a hospital for the purpose of rehabilitation
- D) pay for services in a long term care facility such as custodial care, skilled nursing care, intermediate care, or hospice care

Answer: <https://biology-forums.com/index.php?topic=644269>

Question 219

In general, what are the uses for term life insurance? Provide examples.

Answer: <https://biology-forums.com/index.php?topic=644142>

Question 220

To determine if a loss is covered by a property insurance contract, you should look at all of the following except:

- A) all applicable exclusions
- B) the subrogation clause
- C) what property is covered
- D) the dollar limitations for recovery

Answer: <https://biology-forums.com/index.php?topic=643837>

Question 221

In group life insurance, an insurer might accept an exposure who could not meet the insurer's standards for individual life insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644135>

Question 222

Mr. & Mrs. Clinton are in their 80s. They have saved millions of dollars and need to begin taking steps to minimize their estate tax liability. They have asked you for advice, and you tell them, "Give each of your children, grandchildren, and great-grandchildren a cash gift to start spending down your estate." Is this correct?

- A) Yes
- B) No, because they still will have to pay income taxes on the gifts
- C) No, because they will still be subject to the uniform transfer tax
- D) No, because there are limits to yearly gifts

Answer: <https://biology-forums.com/index.php?topic=644052>

Question 223

With respect to the HO dwelling coverage, select the most accurate statement.

- A) If the amount of insurance carried divided by 80% of the replacement cost equals 1 or greater, the company will pay the replacement cost minus the deductible, but no more than the policy limit.
- B) If the amount of insurance carried divided by 80% of the replacement cost equals 1 or greater, the company will pay replacement cost minus the deductible.
- C) If the amount of insurance divided by 80% of the replacement cost equals 1 or greater, the company will multiply that result by the loss, subtract the deductible, then pay that amount.
- D) The insurer must only pay actual cash value for any loss unless the insured has insurance equal to 100% of the replacement cost of the property.

Answer: <https://biology-forums.com/index.php?topic=644015>

Question 224

Which statement is true?

- A) Spending for physicians' services in the U.S. has increased over time.
- B) Spending for hospital services in the U.S. has increased over time.

C) Health care spending in the U.S. has increased over time.

D) All of the above

Answer: <https://biology-forums.com/index.php?topic=644288>

Question 225

When a probability distribution of a variable is not known, it can be estimated using prior experience.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643371>

Question 226

All the following are necessary for an ideally insurable loss exposure except:

A) large number of homogeneous exposures

B) losses must be accidental and unintentional from the point of view of the insured

C) losses must be measurable

D) low probability of loss

Answer: <https://biology-forums.com/index.php?topic=643570>

Question 227

Why would a company favor a cross-purchase plan over an entity plan?

A) Tax benefits

B) A cross-purchase plan has fewer policies

C) When they have a lot of so-called "key employees"

D) When a buy-and-sell agreement is not feasible

Answer: <https://biology-forums.com/index.php?topic=644063>

Question 228

Explain the concept of concurrent causation as it applies to collapse.

Answer: <https://biology-forums.com/index.php?topic=644033>

Question 229

A PAP may be canceled at any time for any reason if the insurance company no longer wants to insure you.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643965>

Question 230

Which of the following is true concerning the corporate taxation of insurance premiums and the treatment of uninsured losses?

A) Both premiums and expected losses are deductible at the beginning of the year.

B) Uninsured losses are deductible only when they occur and premiums are deductible in the year paid.

C) Since payments for insured losses are 100% tax deductible, commercial insurance is economically inefficient.

D) Losses paid under the deductible amount are not tax deductible because the insured assumed the losses.

Answer: <https://biology-forums.com/index.php?topic=643391>

Question 231

Which of the following insurance applicants have not had problems buying insurance in recent years?

A) Politicians

B) Directors of Firms

C) Medical Doctors

D) Hospitals

Answer: <https://biology-forums.com/index.php?topic=643739>

Question 232

The doctrine of proximate cause:

A) forces the insurer to pay for all claims arising out of an unbroken sequence of events if any one of the subsequent perils following the original excluded peril was covered

B) forces the insurer to pay for all claims arising out of an unbroken sequence of events if the original insured peril was covered

C) forces the insurer to pay for the loss when the proximate cause of the event is the insured's fault

D) divides any loss payment among parties proximately affected by the loss

Answer: <https://biology-forums.com/index.php?topic=643872>

Question 233

A burglar enters Marcia's home and steals \$10,000 worth of appliances. Marcia tells the insurance company that the appliances were worth \$20,000. This overstatement of the loss is an example of:

- A) a morale hazard
- B) a peril
- C) insurance fraud
- D) carelessness

Answer: <https://biology-forums.com/index.php?topic=643543>

Question 234

Legally insurance is a branch of:

- A) contract law
- B) tort law
- C) Neither A nor B is correct.
- D) Both A and B are correct.

Answer: <https://biology-forums.com/index.php?topic=643512>

Question 235

If Paul causes a car accident, and the car he hits is driven by an insured motorist, Paul's PAP will pay for the other driver's damages:

- A) under coverage A, Liability
- B) under coverage C, Uninsured Motorist
- C) under both coverages A and C
- D) nothing since an uninsured motorist was injured

Answer: <https://biology-forums.com/index.php?topic=643934>

Question 236

All of the following statements about term insurance policies are true except:

- A) provide protection only for a temporary period of time
- B) often can be renewed for additional periods without evidence of insurability
- C) often can be converted to a permanent life insurance policy
- D) have a cash value that can be taken by the policy owner if she wishes to terminate coverage early

Answer: <https://biology-forums.com/index.php?topic=644117>

Question 237

The MIB is most helpful to which of the following professionals?

- A) Life insurance agent
- B) Life insurance underwriter
- C) Property insurance agent
- D) Secret defenders of the galaxy

Answer: <https://biology-forums.com/index.php?topic=643659>

Question 238

All the following statements are true concerning mutual insurance companies except:

- A) they may pay dividends
- B) they are owned by their policyholders
- C) they are legally organized as perpetual partnerships
- D) they are nonprofit

Answer: <https://biology-forums.com/index.php?topic=643591>

Question 239

Which of the following does not influence a worker's eligibility for, and amount of, unemployment benefits?

- A) Waiting period
- B) Earnings record
- C) Continuing interest in employment
- D) Type of work performed

Answer: <https://biology-forums.com/index.php?topic=644541>

Question 240

When you have an auto accident that is your fault, your PAP's Liability coverage will pay for all of the following except:

- A) bodily injuries of passengers in other cars that you hit in the accident
- B) bodily injuries of non-family members who are passengers in your car at the time of the accident
- C) bodily injuries of your spouse who is a passenger in your car at the time of the accident
- D) None of the above; in other words, ALL of the above are items your PAP's Liability coverage would pay for.

Answer: <https://biology-forums.com/index.php?topic=643949>

Question 241

In reinsurance, the reinsurer is also known as the "ceding" company.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643679>

Question 242

What are the steps in the loss adjustment process?

Answer: <https://biology-forums.com/index.php?topic=643700>

Question 243

There will soon be a drastic decline in the number of persons receiving Social Security disability benefits.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644496>

Question 244

Which of the following is not a type of property covered by the CPP's Building and Personal Property form?

- A) Automobiles
- B) Business personal property
- C) Personal property of others
- D) Building

Answer: <https://biology-forums.com/index.php?topic=644595>

Question 245

Given the following choices, the best advice for purchasing automobile insurance is:

- A) always buy full coverage
- B) always buy the cheapest policy
- C) choose the largest deductible you can reasonably afford
- D) never buy auto insurance from a stock company

Answer: <https://biology-forums.com/index.php?topic=643715>

Question 246

From an insurance viewpoint, is a legal ruling that applies to many business owners a beneficial one?

- A) No, because it creates a higher correlation coefficient among those business owners
- B) No, because it creates uncertainty for those business owners
- C) Yes, as long as the ruling applies to all business owners
- D) Yes, as long as the ruling applies to enough business owners

Answer: <https://biology-forums.com/index.php?topic=643477>

Question 247

One purpose of exclusions in the HO policy is to eliminate losses due to moral hazard.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644029>

Question 248

Britney and Kevin were painting their backyard fence with a spray gun. A strong gust of wind blew paint on the neighbor's house. The neighbor sued them for all the clean-up costs. Which of the following is true about Britney and Kevin's HO policy?

- A) This liability is covered by their HO policy.
- B) This liability is not covered by their HO policy because the damage occurred off their premises.
- C) This liability is not covered by their HO policy because the damages are not bodily injuries.
- D) This type of incident is specifically excluded by the HO policy.

Answer: <https://biology-forums.com/index.php?topic=644010>

Question 249

The Norris and Manhart cases resulted in which of the following outcomes?

- A) Made insurance intrastate commerce
- B) Made it illegal to charge men and women different life insurance premiums
- C) Equalization of pension payments between men and women
- D) Made it illegal to use gender as an underwriting factor in any type of insurance

Answer: <https://biology-forums.com/index.php?topic=643572>

Question 250

Which of the following statements about correlation is incorrect?

- A) If two variables are statistically independent of each other, their correlation coefficient is zero.
- B) Negatively correlated investments offer the best opportunities for diversification.
- C) If two investments are perfectly correlated, their correlation coefficient is +1.
- D) The risk of fire is positively correlated with the risk of traffic accidents.

Answer: <https://biology-forums.com/index.php?topic=643475>

Question 251

The insurer's efficiency and underwriting practices are much more important to the consumer than the insurer's legal form of organization.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643612>

Question 252

Which of the following is not a life insurance nonforfeiture option?

- A) Cash
- B) Reduced face paid up term insurance
- C) Extended term insurance
- D) Reduced face paid up whole life insurance

Answer: <https://biology-forums.com/index.php?topic=644154>

Question 253

A qualified benefit plan must not discriminate in favor of highly compensated employees.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644379>

Question 254

Volcanoes have catastrophic loss potential because they are limited in geographic impact.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643247>

Question 255

Financial responsibility laws legally require every driver to purchase automobile insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643966>

Question 256

Taking a defensive driving course is an example of which one of the following:

- A) moral hazard
- B) risk transfer
- C) loss avoidance
- D) loss prevention

Answer: <https://biology-forums.com/index.php?topic=643394>

Question 257

In the settlement of policy proceeds under an installment option, each payment includes (where principle equals proceeds at the date of death):

- A) principal only
- B) interest only
- C) cash value, principal, interest and dividends
- D) principal and interest

Answer: <https://biology-forums.com/index.php?topic=644163>

Question 258

The primary reason life insurance policies have a savings element is to allow the:

- A) insured to have money for old age or for other purposes
- B) insurer to reduce the cost of insurance by investing money at high interest rates
- C) insured to accumulate funds to aid in the long-term financing of private business enterprises
- D) insured to obtain lifetime protection at a level premium

Answer: <https://biology-forums.com/index.php?topic=644106>

Question 259

Beverly has an HO-3 contract with a \$100,000 per occurrence limit on the Liability coverage. She rents out her basement to a college student, and the student's personal property is damaged by Beverly's negligence. The student sues her for \$3,000. How much will the HO policy pay for this loss?

- A) \$0 is paid because this liability is excluded.
- B) \$0 is paid due to the care, custody and control exclusion.
- C) \$3,000 is paid because the loss is not excluded.
- D) \$3,000 is paid under the property section and not the legal liability section.

Answer: <https://biology-forums.com/index.php?topic=644007>

Question 260

Workers' compensation insurance covers both job-related injuries and occupational diseases.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644580>

Question 261

Willy Dye goes applies for life insurance. The agent takes Willy's application and his first premium payment, and issues Willy a conditional receipt for the payment. The next day Willy is run over by a sewage truck and killed. An autopsy shows that Willy was in excellent physical condition, and would thus have been issued an insurance policy had he lived. What will the insurer do?

- A) Pay Willy's beneficiary the full death benefit because coverage existed from the date the receipt was issued
- B) Not pay Willy's beneficiary because he died before the policy could actually be issued
- C) Not pay Willy's beneficiary because a conditional receipt does not take effect until after the underwriting process is completed
- D) Pay the beneficiary an amount equal to the premiums Willy paid for the policy

Answer: <https://biology-forums.com/index.php?topic=643880>

Question 262

A pure annuity has the greatest monthly benefits per \$1,000 of premium payment.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644247>

Question 263

Explain the difference between loss prevention versus loss reduction.

Answer: <https://biology-forums.com/index.php?topic=643450>

Question 264

Meghan has a PAP on 3 cars, and, she owns a fourth car on which no coverage has been purchased. Which of the following persons are covered by Meghan's PAP assuming they are driving the uninsured car?

- A) Meghan, plus any other family member residing in the household
- B) Any family member that resides in the household, but NOT Meghan
- C) Only Meghan
- D) None of the above would be covered.

Answer: <https://biology-forums.com/index.php?topic=643956>

Question 265

What are the categories of business income losses? Briefly explain each.

Answer: <https://biology-forums.com/index.php?topic=644700>

Question 266

Which one of the following is not a characteristic of Social Security?

- A) Benefits are individually selectable by the covered individual.

- B) Participation is compulsory.
- C) It can operate on a pay-as-you-go basis with no prefunding.
- D) Legislative activity may change the benefits.

Answer: <https://biology-forums.com/index.php?topic=644400>

Question 267

What is the effect when the most favorably situated exposures leave a (potential) insurance pool?

- A) Premiums go down.
- B) Nothing
- C) The cost of insurance needs to be borne by more policyholders.
- D) The cost of insurance needs to be borne by fewer policyholders.

Answer: <https://biology-forums.com/index.php?topic=643602>

Question 268

The NAIC requires life insurers to keep two different types of reserve accounts. These reserve accounts are designed to protect insureds from poor investment results the insurer may suffer. What are these two reserves called?

- A) Mandatory securities valuation reserve and supplementary securities valuation reserve
- B) Mandatory securities valuation reserve and asset valuation reserve
- C) Mandatory securities valuation reserve and interest maintenance reserve
- D) Interest maintenance reserve and asset valuation reserve

Answer: <https://biology-forums.com/index.php?topic=643787>

Question 269

Deductibles serve three major purposes, and two of those are:

- A) reduce moral hazards; save on claims handling expenses
- B) reveal moral hazards; eliminate morale hazards
- C) reduce morale hazards; save on claims handling expenses
- D) reveal morale hazards, eliminate moral hazards

Answer: <https://biology-forums.com/index.php?topic=643832>

Question 270

When you are "100% vested" in a pension plan, what does that mean?

- A) You own 100% of your contributions, but you do not own the employer's contributions to the plan.
- B) You own 100% of the employer's contributions, but you do not own your contributions to the plan.
- C) You own 100% of your contributions to the plan.
- D) You own 100% of the employer's contributions to the plan.

Answer: <https://biology-forums.com/index.php?topic=644334>

Question 271

In fire insurance, the purpose of coinsurance clauses is to prevent over-insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644022>

Question 272

The primary reason the insurance mechanism functions successfully is the:

- A) existence of hazard risks
- B) ease with which losses can be measured
- C) predictability of losses via the law of large numbers
- D) existence of many non-industrial nations

Answer: <https://biology-forums.com/index.php?topic=643231>

Question 273

You collide with another vehicle and the accident is your fault. You may collect for damages to your vehicle, less the deductible, from your insurance company under Coverage D, Collision, if a premium for Collision has been paid.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643961>

Question 274

Medicaid recipients must:

- A) wait six-months before they can enroll
- B) provide a core requirement of minimum benefits
- C) not have any pre-existing conditions
- D) first spend all their financial assets

Answer: <https://biology-forums.com/index.php?topic=644281>

Question 275

Which of the following factors is not considered when an insurance rate or premium is calculated?

- A) The cost of the actual losses
- B) The cost of the insurance salesman and other company expenses
- C) Investment earnings on prepaid premiums
- D) The decision by the U.S. Supreme Court in 1943

Answer: <https://biology-forums.com/index.php?topic=643531>

Question 276

A financial instrument whose value is based on an underlying security or commodity is called a/an:

- A) insurance contract
- B) employment contract
- C) enterprise contract
- D) derivative security

Answer: <https://biology-forums.com/index.php?topic=643455>

Question 277

Social Security became law in:

- A) 1920
- B) 1929
- C) 1935
- D) 1945

Answer: <https://biology-forums.com/index.php?topic=644416>

Question 278

A traded option contract creates a legal right to buy or sell assets at a set price before a certain date.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643493>

Question 279

Brokers generally stand in the same legal position as agents with respect to the power to bind the insurer to a property insurance contract.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643697>

Question 280

Calculate the Standard Deviation of the following investment:

State of the Economy Probability Outcome

Recession 15% -2%

Stability 70% 4%

Boom 15% 9%

- A) 31.75%
- B) 5.51%
- C) 3.02%
- D) 0.09%

Answer: <https://biology-forums.com/index.php?topic=643465>

Question 281

Insurance regulators:

- A) make the insurance market more efficient
- B) have been forced to intervene in the market periodically
- C) assist consumers in choosing the right insurance company
- D) mainly deal with low-risk insurance applicants

Answer: <https://biology-forums.com/index.php?topic=643734>

Question 282

Medicare has three coverage parts; one part is mandatory, the other two are optional.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644494>

Question 283

The federal estate tax will take a greater percentage of a large estate as well as a larger number of dollars.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644077>

Question 284

Celeste has Liability coverage limits on her PAP of 100/200/50. She has an accident and finds herself liable for damages awarded in the following order:

Bodily injury to A - \$250,000

Bodily injury to B - \$30,000

Bodily injury to C - \$150,000

Property Damage to D - \$48,000

Which of the following is true?

A) Her insurer will pay \$150,000 to C.

B) Her insurer will pay \$250,000 to A.

C) Her insurer will pay \$30,000 to B.

D) Both A and C are true.

Answer: <https://biology-forums.com/index.php?topic=643954>

Question 285

Calculate the Expected Value of the following Probability Distribution:

Loss Outcome Probability

-3 10%

-5 35%

-6 55%

A) -4.65

B) -5.35

C) -4.67

D) -5.00

Answer: <https://biology-forums.com/index.php?topic=643329>

Question 286

A binder must meet all the requirements of a valid contract.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643902>

Question 287

Which of the following statements about limited liability is correct?

A) It is only provided to the owners of certain businesses.

B) Creditors cannot attach a claim to the personal assets of the owners of a limited liability company.

C) There are now more organizational forms of business with limited liability characteristics than in the past.

D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643418>

Question 288

Which of the following statements about insurance brokers is (are) true?

A) They legally represent the insurance company.

B) They have the legal power to bind the insurance company and can provide coverage for their insureds immediately.

C) They have the right to approach a variety of insurers when searching for a particular product or coverage.

D) Both A and B are true.

Answer: <https://biology-forums.com/index.php?topic=643647>

Question 289

"Fire" means rapid combustion accompanied by heat, light or glow, when used in insurance terminology.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644674>

Question 290

Both stock and mutual insurance companies are incorporated.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643616>

Question 291

All of the following are requirements of a contract of insurance except:

- A) the contract must be in writing
- B) it must be for a legal purpose
- C) there must be legal capacity of the parties
- D) there needs to be an offer and an acceptance

Answer: <https://biology-forums.com/index.php?topic=643874>

Question 292

"Bailment" is an ocean marine term applying to sinking ships.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644694>

Question 293

Private insurers are classified according to ownership arrangements. Distinct types mentioned in the text include all the following except:

- A) stock companies
- B) mutual companies
- C) reciprocals
- D) reinsurer

Answer: <https://biology-forums.com/index.php?topic=643607>

Question 294

People are more likely to purchase adequate amounts of life than property insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644080>

Question 295

A mutual insurance company might be characterized by all of the following except:

- A) policyholder ownership
- B) non-profit operations
- C) taxable dividends to owners
- D) assessable policies

Answer: <https://biology-forums.com/index.php?topic=643593>

Question 296

If the Average Loss Severity is \$925 and the Average Loss Frequency is 0.17, what is the Average Loss?

- A) \$183.78
- B) \$157.25
- C) \$5,441.18
- D) There is not enough information to calculate the Average Loss.

Answer: <https://biology-forums.com/index.php?topic=643341>

Question 297

In most states the insurance commissioner is:

- A) republican
- B) democrat
- C) appointed
- D) elected

Answer: <https://biology-forums.com/index.php?topic=643722>

Question 298

In property insurance the insured must have an insurable interest when the loss occurs and need not have it when the policy is taken out in order to collect.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643893>

Question 299

If the covariance between two stocks is 235 and the standard deviation of both stocks are 45 and 22 respectively, what is the Correlation Coefficient between the two stocks?

- A) 0.24
- B) 0.33
- C) 0.76
- D) There is not enough information to calculate the Correlation Coefficient.

Answer: <https://biology-forums.com/index.php?topic=643473>

Question 300

The insurance commissioner applies the state insurance code to regulate insurance companies and their activities.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643760>

Question 301

An insurance contract creates duties for the insurer, but only the insured has contractual rights.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643561>

Question 302

Which of the following statements about risk-bearing financial institutions is incorrect?

- A) An example of a risk-bearing financial institution is a mutual fund.
- B) Risk-bearing financial institutions concentrate their investments in a limited number of assets.
- C) Risk-bearing financial institutions assume the risks of their customers.
- D) All of the above are incorrect.

Answer: <https://biology-forums.com/index.php?topic=643461>

Question 303

Kim's automobile is struck by a negligent motorist. She suffers bodily injuries that cause her to have \$73,000 in medical expenses. She is unable to work for several weeks and loses \$10,000 in wages. The repair bill to fix her car is \$20,000. Choose the true statement from the following answer choices:

- A) Her medical bills and lost wages are personal injuries.
- B) Her repair bill for her automobile is an example of property damage.
- C) Her lost wages are personal injuries, while her medical bills are bodily injuries.
- D) ALL of her losses in this scenario are classified as personal injuries, since they were caused by another person.

Answer: <https://biology-forums.com/index.php?topic=643294>

Question 304

The value of a home is \$50,000, and the homeowner policy covering it contains an 80% coinsurance clause. Assume the home is insured for \$30,000 and a \$12,000 loss occurs. How much will the insured recover? (Ignore the ACV calculation and assume there is no fraud or other unusual circumstances surrounding the loss.)

- A) \$12,000
- B) \$9,000
- C) \$16,000
- D) The answer cannot be determined by the facts given.

Answer: <https://biology-forums.com/index.php?topic=643993>

Question 305

Life insurance policies do not contain deductible provisions.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644194>

Question 306

Which of the following statements about the probability distributions is correct?
A) The shape of a probability distribution is not dependent on the number of observations.
B) All probability distributions are normal.
C) A non-normal probability distribution will lead to a better estimate of future losses.
D) All of the above are incorrect.

Answer: <https://biology-forums.com/index.php?topic=643346>

Question 307

Most financial risks are insurable.
T/F?

Answer: <https://biology-forums.com/index.php?topic=643307>

Question 308

Which of these is the least appropriate use for whole life insurance?
A) Mortgage retirement fund
B) Dependent spouse income fund
C) Retirement need
D) Emergency fund

Answer: <https://biology-forums.com/index.php?topic=644091>

Question 309

Which one of the following is false concerning subrogation?
A) It reinforces the principle of indemnity.
B) It holds rates below what they would otherwise be.
C) It places the burden of loss on one or more responsible parties.
D) The insured can never receive any money collected through subrogation.

Answer: <https://biology-forums.com/index.php?topic=643865>

Question 310

Pro-rata reinsurance:
A) commits the reinsurer to pay part of a claim, but only after the primary insurer's coverage has been completely exhausted
B) is distinguished by very high retention amounts
C) means losses, premiums and expenses are divided proportionately by the primary insurer and the reinsurer
D) is only sold by alien reinsurers, and then only at very high rates

Answer: <https://biology-forums.com/index.php?topic=643668>

Question 311

PAP coverage A, which includes Property Damage Liability, provides coverage to reimburse you if your automobile is damaged.
T/F?

Answer: <https://biology-forums.com/index.php?topic=643962>

Question 312

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 313

All of the following are costs to society arising from an insurance system's operation except:
A) payments for losses caused by fraudulent claims
B) payments for losses caused by exaggerated claims
C) use of land, labor and capital to operate the insurance companies
D) payments for losses caused by windstorms such as tornadoes

Answer: <https://biology-forums.com/index.php?topic=643527>

Question 314

The traditional American method of providing retirement and health benefits is best described as a democratic socialist approach. T/F?

Answer: <https://biology-forums.com/index.php?topic=644363>

Question 315

How do insurers use a confidence interval?

Answer: <https://biology-forums.com/index.php?topic=643389>

Question 316

Jerry works as a claims adjuster. He is hired by insurance companies on a contract basis to adjust claims when they need his services. What kind of claims adjuster is Jerry?

- A) Independent
- B) Public
- C) Private
- D) Direct

Answer: <https://biology-forums.com/index.php?topic=643648>

Question 317

What is the correlation coefficient between the following two investments?

Year Return A Return B

1 2% -3%

2 -6% 5%

3 4% -6%

4 -1% 2%

5 -9% 8%

- A) Positive
- B) Negative
- C) Zero

D) Unable to determine without knowing the covariance

Answer: <https://biology-forums.com/index.php?topic=643471>

Question 318

If a private elementary school having a single building were to lose the building in a tornado, it is likely that the largest category of loss would be:

- A) property taxes
- B) indirect loss of income and continuing expenses until school returns to its normal status
- C) liability loss
- D) key personnel loss

Answer: <https://biology-forums.com/index.php?topic=643273>

Question 319

From the viewpoint of an insurer, the prerequisites of an ideally insurable risk include all the following except:

- A) the loss must be capable of being determined and measured
- B) there must be a large, homogeneous group of exposure units
- C) the loss should not be subject to catastrophic hazard
- D) the peril should be such that the probability of loss is high

Answer: <https://biology-forums.com/index.php?topic=643573>

Question 320

Which formula shows the needs based method of estimating the amount of life insurance needed?

- A) Life insurance needed = present value of future income
- B) Life insurance needed = burial + education - food - shelter
- C) Life insurance needed = income + social security - savings
- D) Life insurance needed = total needs - existing assets to meet the needs

Answer: <https://biology-forums.com/index.php?topic=644045>

Question 321

What was the major result of the Armstrong and Merrit Investigations?

- A) Passage of the McCarran Act
- B) Bankruptcy of the SEUA
- C) The repeal of McCarran-Ferguson Act
- D) A new insurance code for the state of New York

Answer: <https://biology-forums.com/index.php?topic=643782>

Question 322

An installment-refund annuity:

- A) guarantees that annuity payments will continue to a successor beneficiary until the insurer pays out a total amount equal to the premium
- B) guarantees that annuity payments will continue to a successor beneficiary until the insurer pays out a total amount equal to the excess interest
- C) guarantees that annuity payments will continue to a successor beneficiary until the insurer pays out a total amount equal to the liquidation value
- D) guarantees that annuity payments will continue to a successor beneficiary until the insurer pays out a total amount equal to the structured settlement premium

Answer: <https://biology-forums.com/index.php?topic=644245>

Question 323

Mr. Xavier has an HO-3 contract with \$100,000 dwelling coverage, \$50,000 personal property coverage, and a \$500 deductible. The dwelling is 50% depreciated. Sewage backs up into the basement and destroys the furnace, which will cost \$8,000 to replace. The policy will pay:

- A) nothing because of the water damage exclusion
- B) nothing because the property is not covered
- C) \$7,500 because of replacement cost coverage
- D) \$3,500 because of actual cash value and the deductible

Answer: <https://biology-forums.com/index.php?topic=643997>

Question 324

The amount paid for an annuity divided by the expected return from the annuity is the:

- A) FICA deduction ratio
- B) rate of return on the annuity
- C) exclusion ratio
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=644239>

Question 325

Social Security operates on the basis of pooling exposures and predicting losses in advance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644502>

Question 326

The homeowners policy agrees to cover the peril of collapse in the "Additional Coverage" section and not as a specified peril because:

- A) of concurrent causation
- B) of moral hazard
- C) all perils are not defined in the contract
- D) collapse of buildings should not be covered

Answer: <https://biology-forums.com/index.php?topic=643980>

Question 327

The term "demutualization" refers to:

- A) the process of a stock insurer converting its organizational structure to mutual
- B) the board of directors' action in declaring dividends for the policy owners
- C) the process of a mutual insurer converting its organizational structure to the stock form
- D) the process of liquidating an insolvent mutual insurance company

Answer: <https://biology-forums.com/index.php?topic=643580>

Question 328

Jasmine phones her agent to obtain auto insurance. The agent binds coverage over the phone, and tells her she will have a \$250 collision deductible. When the insurer issues the policy, the underwriter imposes a \$1,000 deductible because of Jasmine's poor driving record, then mails her the policy. She does not read it or notice this change until she has an accident six months later. She then demands that the insurer only require a \$250 deductible rather than a \$1,000 deductible, since she did not approve this change. Which legal principle of insurance contracts would be the insurer's most convincing reason for refusing to honor the \$250 deductible?

- A) Contract of adhesion

- B) Parol evidence rule
- C) Indemnity
- D) Utmost good faith

Answer: <https://biology-forums.com/index.php?topic=643847>

Question 329

Annette lives in Texas, and has a PAP with the minimum limits of liability required by law in this state, which are 20/40/15. She drives to Alaska, where the minimum limits of liability are 50/100/25. While in Alaska, she cause an accident. What is the most that her PAP will pay for the damages she caused others to suffer?

- A) 20/40/15
- B) 15/30/10
- C) 50/100/25
- D) 70/140/40

Answer: <https://biology-forums.com/index.php?topic=643945>

Question 330

Which of the following perils is not found in the Basic Cause of Loss form?

- A) Windstorm or hail
- B) Volcanic action
- C) Flood
- D) Explosion

Answer: <https://biology-forums.com/index.php?topic=644609>

Question 331

Which of the following pools would be the best subject for a fully-funded self-insurance arrangement?

- A) Automobile physical damage coverage for a national rental car chain, with 100 locations and approximately 3,000 automobiles of similar value at each location
- B) Employment practices liability coverage for a petroleum refinery located in Texas
- C) Medical malpractice liability coverage for all doctors and nurses employed by a group of 3 hospitals in Florida
- D) \$50,000 of life insurance on every employee of a life insurance company located in New York, with no physical exam required to obtain insurance

Answer: <https://biology-forums.com/index.php?topic=643412>

Question 332

Which of the following is not an employee benefit provided by private insurance?

- A) Group health insurance
- B) Unemployment insurance
- C) Pension plans
- D) Group life insurance

Answer: <https://biology-forums.com/index.php?topic=644327>

Question 333

The formula for the confidence interval is Estimated Mean + Estimated Standard Deviation.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643382>

Question 334

Mandy's car is stolen and she files a claim with her PAP insurer. Which of the following items will not be paid for by her Other than Collision coverage?

- A) the actual cash value of the car
- B) the car's factory-installed GPS navigational system, worth \$999
- C) her cell phone that had a built-in GPS navigational system
- D) None of the above; all these items would be covered by her policy.

Answer: <https://biology-forums.com/index.php?topic=643959>

Question 335

A variable annuity is usually paid for on a deferred basis.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644249>

Question 336

What are the requirements for receiving Social Security disability benefits?

Answer: <https://biology-forums.com/index.php?topic=644510>

Question 337

The accumulation of a reserve consisting of excess payments above the mortality cost in the early years of a policy is necessary for the:

- A) deferred annuity plan
- B) minimum reserve standard
- C) level-premium plan
- D) yearly renewable-term plan

Answer: <https://biology-forums.com/index.php?topic=644101>

Question 338

All the following are true about schedule rating except:

- A) used in rating some commercial buildings
- B) analyzes each property individually
- C) starts with a rate for a standard building in the same city as the building being rated
- D) the rate is looked up based upon a few rating factors such as construction type and territory

Answer: <https://biology-forums.com/index.php?topic=644626>

Question 339

Which term below describes a contract in which there is an unequal dollar consideration?

- A) Commutative
- B) Aleatory
- C) Adhesion
- D) Unilateral

Answer: <https://biology-forums.com/index.php?topic=643871>

Question 340

The independent agency system:

- A) is doomed because agent's commissions are too high relative to direct writers
- B) means the agent rather than the insurance company "owns" the business
- C) is not a good career path for most college graduates because the system is doomed to extinction
- D) is growing rapidly to the point of eliminating the direct writers

Answer: <https://biology-forums.com/index.php?topic=643645>

Question 341

Which of the following statements about Roth IRAs is false?

- A) Contributions made to a Roth IRA are not tax deductible, but are tax-free when withdrawn.
- B) Withdrawals of contributions made at any time are not subject to taxation.
- C) Withdrawals of investment earnings are not subject to taxation as long as the taxpayer is at least 55 years old and the Roth IRA has existed for at least five years.
- D) Withdrawals of investment earnings are not subject to taxation if they are used to (up to \$10,000 worth) to buy a first home, and if the Roth IRA has existed for at least five years.

Answer: <https://biology-forums.com/index.php?topic=644332>

Question 342

Commercial Property Policies are a type of Personal Lines Insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643553>

Question 343

At the present, most insurance sold over the Internet is:

- A) illegal
- B) personal lines coverage
- C) small business coverage
- D) expensive

Answer: <https://biology-forums.com/index.php?topic=643657>

Question 344

The Legal Definition of insurance:

- A) is that insurance is a contract in which one party agrees to compensate another party for losses covered by the contract
- B) is that insurance is a financial agreement that transfers the risk of insured losses to a risk pool by an insurer
- C) differs from state to state
- D) originally comes from tort law

Answer: <https://biology-forums.com/index.php?topic=643511>

Question 345

The "retirement test" reduces Social Security benefits if there is non-wage (for example, dividend or interest) income in excess of about \$6,000. T/F?

Answer: <https://biology-forums.com/index.php?topic=644482>

Question 346

Which of the following patterns would not be allowed in determining the face amount of life insurance in a qualified group life insurance plan?

- A) 150% of gross annual wage
- B) All hourly workers \$100,000, all salaried workers \$150,000
- C) \$50,000 for each employee
- D) Bill Gates, CEO, \$500,000 and all other workers \$100,000

Answer: <https://biology-forums.com/index.php?topic=644315>

Question 347

Premiums for industrial insurance are collected at the insured's home, often on a weekly basis.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644136>

Question 348

Characteristics of group insurance include all the following except:

- A) one master contract is issued to the employer; individual certificates of coverage are issued to employees
- B) the group is underwritten as a whole
- C) the group was not formed to purchase insurance on a group basis
- D) pre-existing health impairments are always covered

Answer: <https://biology-forums.com/index.php?topic=644320>

Question 349

If the chance of loss is high and loss severity is high, generally the most appropriate risk management tool is:

- A) risk transfer
- B) risk reduction
- C) risk assumption
- D) risk avoidance

Answer: <https://biology-forums.com/index.php?topic=643232>

Question 350

Which is the most desirable type of health insurance renewability feature?

- A) Nonrenewable
- B) Noncancellable
- C) Guaranteed renewable
- D) Optionally renewable

Answer: <https://biology-forums.com/index.php?topic=644267>

Question 351

If insurers have insufficient pricing information available for a particular exposure:

- A) they go bankrupt
- B) they will need to create a larger risk pool
- C) they will probably be unwilling to provide insurance for that particular loss exposure
- D) they will assume more risk

Answer: <https://biology-forums.com/index.php?topic=643420>

Question 352

Currency risk is risk associated with the fluctuation of currency values relative to another currency.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643492>

Question 353

Assume that 1000 students, all healthy, all age 22, and all male, form a life insurance pool to pay \$500 to the beneficiaries of any member who dies in the next 365 days. The chance of loss or probability of death for the members of this group is .002. To join the pool a member must pay: (Disregard interest earnings and reserves and assume expenses of operating the insurance pool are 30% of losses).

- A) \$1
- B) \$1.30
- C) \$3
- D) \$2.28

Answer: <https://biology-forums.com/index.php?topic=643200>

Question 354

All external losses are random.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643319>

Question 355

Why is it necessary to buy life insurance on a non-wage earning spouse?

Answer: <https://biology-forums.com/index.php?topic=644089>

Question 356

Most speculative risks are insurable.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643250>

Question 357

To obtain a right of ownership in a stock insurance company, you should contact:

- A) an independent agent
- B) a direct writer
- C) a securities dealer
- D) the insurance commissioner

Answer: <https://biology-forums.com/index.php?topic=643597>

Question 358

Which of the following Latin terms means "to stand by decisions," and conveys the idea that court decisions set precedents?

- A) res ipsa loquitor
- B) stare decisis
- C) ab initio
- D) in hoc stare

Answer: <https://biology-forums.com/index.php?topic=643709>

Question 359

Which of the following statements about the courts is correct?

- A) Courts mostly deal with insurance companies denying coverage.
- B) Courts mostly deal with insurance companies not paying on legitimate claims.
- C) Courts mostly deal with insurance companies not providing sufficient coverage.
- D) Courts mostly deal with insurance companies not paying on fraudulent claims.

Answer: <https://biology-forums.com/index.php?topic=643744>

Question 360

Which of the following statements about the counterparty to a risk management derivatives contract is correct?

- A) The counterparty has the same expectations about future price movements as the risk manager.
- B) The counterparty charges a fixed fee of \$5 per contract.
- C) The counterparty is in all likelihood a speculator.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643487>

Question 361

What is the federal covered maximum wage for unemployment insurance taxation?

- A) \$700
- B) \$7,000
- C) \$70,000
- D) \$700,000

Answer: <https://biology-forums.com/index.php?topic=644549>

Question 362

What is the difference between a general average and a particular average in ocean marine insurance?

Answer: <https://biology-forums.com/index.php?topic=644696>

Question 363

Which of the following is not a characteristic of universal life insurance?

- A) Mortality costs and minimum investment returns are known
- B) Face amounts are fixed and premium payments are fixed
- C) Pattern of death benefit is selectable
- D) Ability to earn competitive returns

Answer: <https://biology-forums.com/index.php?topic=644096>

Question 364

Chuck has an accident in which he is at fault. His liability limits on his PAP are 100/200/50. Five people besides Chuck are injured in the auto accident. Assuming that the following claims are paid in the order in which they are listed, how much will Chuck's insurer pay, in total, for all the bodily injuries?

Joe = \$75,000 Mama = \$125,000 Fred = \$2,500 Granny = \$2,500 Bo = \$5,000

- A) \$75,000
- B) \$200,000
- C) \$185,000
- D) \$100,000

Answer: <https://biology-forums.com/index.php?topic=643946>

Question 365

An insurance broker legally represents the insurance consumer.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643685>

Question 366

When the option holder decides to exercise the option, the option writer has the option to not fulfill the request.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643501>

Question 367

Which of the following claims would not be covered by the Medical Payments coverage in the PAP?

- A) The insured is injured because of an accident while driving his motorcycle.
- B) The insured is struck by a house trailer which had become unhitched from the towing vehicle.
- C) The insured is intentionally run over by his wife or girlfriend.
- D) The insured is struck as a pedestrian when the driver of a car loses control.

Answer: <https://biology-forums.com/index.php?topic=643936>

Question 368

Medicaid requires recipients to exhaust all other assets before they can receive benefits.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644308>

Question 369

Assume you are analyzing two separate annuity pools. Pool A has significantly higher mortality (deaths/thousand) than Pool B. Holding other factors constant, which pool will make higher payments per month to each annuitant?

- A) A
- B) B

C) The monthly liquidation payments will be equal.
D) We cannot say because mortality is not an important factor in calculating annuity payments.
Answer: <https://biology-forums.com/index.php?topic=644224>

Question 370

Which of the following statements about financial risks is not true?
A) Many financial risks are attributable to fluctuations in value.
B) Financial risks arise from events that prevent a firm from conducting its normal scope of operations.
C) An example of a financial risk is one associated with unfavorable credit rating.
D) Price risks associated with input costs are a form of financial risk.
Answer: <https://biology-forums.com/index.php?topic=643306>

Question 371

Instead of purchasing group health insurance, many employers now self-fund health benefits for their employees. Who normally administers such a self-funded health program?
A) The risk management department
B) The human resources department
C) State health insurance pools
D) A third-party administrator
Answer: <https://biology-forums.com/index.php?topic=644349>

Question 372

Term life insurance has significantly increased in popularity. Why?
A) Lower rates and greater tax deductions offered to the wealthy
B) Lower rates and tax credit incentives offered to the poor
C) Stable rates with increased benefits for everyone
D) Lower rates and availability of tax-advantaged savings plans
Answer: <https://biology-forums.com/index.php?topic=644127>

Question 373

Which of the following statements about probability of occurrence is correct?
A) The range of values found by adding and subtracting one standard deviation to the mean of the random variable accounts for 68.26 percent of the area under the curve.
B) The range of values found by adding and subtracting two standard deviations to the mean of the random variable accounts for 68.26 percent of the area under the curve.
C) The range of values found by adding and subtracting two standard deviations to the mean of the random variable accounts for 99.74 percent of the area under the curve.
D) All of the above are incorrect.
Answer: <https://biology-forums.com/index.php?topic=643348>

Question 374

Mathematicians specializing in insurance statistics are called "actuaries."
T/F?
Answer: <https://biology-forums.com/index.php?topic=643686>

Question 375

Why do regulators care whether high-risk drivers have insurance?
A) Regulators are silly and have nothing better to do.
B) Otherwise insurance companies would lose too much money.
C) Excluding high-risk drivers is a violation of the Constitution.
D) The societal costs associated with the accidents caused by high-risk drivers is at least somewhat reduced by having them pay an insurance premium, even if it is too low for the associated risk.
Answer: <https://biology-forums.com/index.php?topic=643738>

Question 376

Which of the following is false?
A) Within the next two decades, about 50 million people born between 1946 and 1964 will retire.
B) Medicaid insurance currently finances over 60 percent of all long-term nursing home care expenses.
C) The mobility of American families means that many disabled elderly persons will not have children living close enough to assist them.
D) As our society ages and health care costs increase, long-term care facilities will become more necessary.

Answer: <https://biology-forums.com/index.php?topic=644282>

Question 377

Which of the following is not a federal regulation or agency?

- A) EUREX
- B) OSHA
- C) CPSC
- D) EPA

Answer: <https://biology-forums.com/index.php?topic=643433>

Question 378

Which of the following is the best driver to maintain an adequate supply of insurance at affordable prices?

- A) Regulations
- B) Excluding high-risk applicants
- C) Excluding low-risk applicants
- D) Competition among insurers

Answer: <https://biology-forums.com/index.php?topic=643736>

Question 379

Which of the following would not be considered a need in the needs-based approach?

- A) Burial fund
- B) Fund to cover the equity in the home
- C) College education fund
- D) Debt retirement fund

Answer: <https://biology-forums.com/index.php?topic=644049>

Question 380

Managed care options available through Medicare:

- A) are mandated for all Medicare participants
- B) result in lower out-of-pocket costs for participants
- C) are prohibitively expensive for many participants
- D) both A and B

Answer: <https://biology-forums.com/index.php?topic=644460>

Question 381

Robert drove his car from California to New Mexico. He had an accident right after crossing the border into New Mexico. His PAP provided coverage for this incident.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643973>

Question 382

Which of the following is an example of a nonadmitted asset?

- A) Office furniture
- B) Supplies
- C) Equipment
- D) All of the above

Answer: <https://biology-forums.com/index.php?topic=643785>

Question 383

Inland marine policies typically cover all of the following classes of property except:

- A) valuable personal property
- B) bridges
- C) factory buildings
- D) property designated for import

Answer: <https://biology-forums.com/index.php?topic=644617>

Question 384

Joe owns a house on which he carries a \$400,000 HO-3 policy. The replacement cost of the house is \$600,000. A fire loss occurs that has a replacement cost of \$10,000. How much can Joe collect under his HO-3 policy?

- A) \$15,462
- B) \$10,000
- C) \$30,000
- D) \$8,333

Answer: <https://biology-forums.com/index.php?topic=643999>

Question 385

Which of the following are not a part of the conditions at the end of the HO-3 policy typically cover?

- A) Additional coverages
- B) Activities that the insured must perform to assist the insurer
- C) Set limits on the insurer's total liability
- D) Issues surrounding cancellation and nonrenewal of the policy

Answer: <https://biology-forums.com/index.php?topic=643985>

Question 386

The use of life insurance for estate preservation is needed only by the very wealthy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644082>

Question 387

Individual Medicaid policies must return in benefits at least 60 percent of the premium earned.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644307>

Question 388

Is the insurer death spiral applicable to Tornado Insurance?

- A) Yes, only people in a limited number of states are susceptible to tornadoes.
- B) Yes, Tornado Insurance premiums are extremely high.
- C) No, the desire to purchase Tornado Insurance is not limited to a small group of consumers.
- D) No, there is a definite loss capable of causing economic hardship.

Answer: <https://biology-forums.com/index.php?topic=643605>

Question 389

Calculate the Expected Value of the following Probability Distribution:

Loss Outcome Probability

- 34 30%
- 46 50%
- 53 20%

- A) -38.2
- B) -43.8
- C) -44.3
- D) -49.6

Answer: <https://biology-forums.com/index.php?topic=643331>

Question 390

Underinsured Motorist coverage:

- A) is the same as Uninsured Motorist coverage
- B) potentially pays the difference between the negligent driver's liability coverage amount and the injured party's UM limits
- C) pays for property damage you cause when your victims have no coverage
- D) pays for an insured's negligence when insufficient liability limits exist

Answer: <https://biology-forums.com/index.php?topic=643940>

Question 391

Explain the purpose of Uninsured Motorist coverage.

Answer: <https://biology-forums.com/index.php?topic=643977>

Question 392

Loss reduction and loss prevention are not the same thing.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643311>

Question 393

There is more Individual Life Insurance Coverage in the United States compared to Group Life Insurance Coverage.
T/F?

Answer: <https://biology-forums.com/index.php?topic=644140>

Question 394

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 395

Barney challenges Fred to a drag race across the mall parking lot. During the race, Barney loses control of the car and collides with another vehicle, causing serious injuries to the other driver. Which of the following is a true statement regarding the PAP's treatment of this claim?

- A) The PAP will not cover this because it occurred on private property.
- B) The PAP will not cover this because it occurred while he was racing.
- C) The PAP will cover this because it did not occur inside a racing facility.
- D) The PAP will cover this because it does not in any way exclude coverage for racing.

Answer: <https://biology-forums.com/index.php?topic=643927>

Question 396

Which of the following is not a type of reinsurance arrangement?

- A) Facultative reinsurance
- B) Treaty reinsurance
- C) Pro-rata reinsurance
- D) Cooperative reinsurance

Answer: <https://biology-forums.com/index.php?topic=643664>

Question 397

The early adult years are mainly characterized by pre-retirement planning.
T/F?

Answer: <https://biology-forums.com/index.php?topic=644085>

Question 398

In which case is there no insurable interest?

- A) Barbie's 25% ownership in an oil well
- B) A dry cleaner in its customers' clothes
- C) A bank (creditor) in property used to secure a loan
- D) A school principal in the lives of the students attending his school

Answer: <https://biology-forums.com/index.php?topic=643858>

Question 399

Dallas took out a loan against her life insurance policy's cash value. She died before the loan could be repaid. The face value of the policy was \$150,000. The insurer will pay Dallas' beneficiary:

- A) \$150,000
- B) \$150,000 minus the amount Dallas owed on the loan
- C) \$0
- D) the total premiums Dallas paid in before she died

Answer: <https://biology-forums.com/index.php?topic=644169>

Question 400

Which of the following life insurance policies would have the lowest premium for a male age 40?

- A) Level term
- B) Whole life continuous premium
- C) Whole life paid up at 45
- D) Variable life

Answer: <https://biology-forums.com/index.php?topic=644094>

Question 401

Why are derivatives effective instruments for hedging?
A) They are negatively correlated with the firm's underlying risk.
B) There are so many of them.
C) They enhance the risk pool.
D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643488>

Question 402

Which of the following statements is not correct about the insurance premium?
A) The forecast of policyholders' losses is the starting point for the calculation of the risk premium for an insurance policy.
B) The fair rate of return, which is a part of the insurance premium, is governed by law.
C) Loading expenses increases the insurance premium.
D) Most investment income of insurance companies comes from low risk investments, which reduces the insurance premium.

Answer: <https://biology-forums.com/index.php?topic=643517>

Question 403

Medicare's prescription drug plan:
A) has a \$50 deductible
B) may negotiate with pharmaceutical companies to get lower medication prices
C) must, by law, negotiate with pharmaceutical companies to get lower medication prices
D) has a corridor deductible besides a regular deductible

Answer: <https://biology-forums.com/index.php?topic=644466>

Question 404

The Medical Information Bureau maintains information on people who have taken medical examinations in connection with the purchase of life insurance.
T/F?

Answer: <https://biology-forums.com/index.php?topic=643695>

Question 405

Which of the following is not a benefit of forecasting future losses?
A) Better estimate of insurance costs
B) More appropriate budgeting of financial impact of the losses
C) Better selection of optimal risk-handling techniques
D) Better monitoring of trends and impact of change in trend

Answer: <https://biology-forums.com/index.php?topic=643325>

Question 406

Which one of the following is not a typical exclusion/limitation in group major medical plans?
A) Cosmetic surgery
B) Custodial care
C) Emergency medical care
D) Mental health expenses

Answer: <https://biology-forums.com/index.php?topic=644319>

Question 407

Which of the following is not a reason to buy cash-life insurance?
A) Forced savings
B) Tax savings
C) Professional investment management
D) Protection against declaration of bankruptcy

Answer: <https://biology-forums.com/index.php?topic=644130>

Question 408

Which of the following is not a reason for the comprehensive regulation of insurance?
A) Widespread abuse of consumer rights
B) Severe impact of insurer insolvency

- C) Unequal knowledge and bargaining power of buyers and sellers
- D) Unique pricing problems inherent in insurance

Answer: <https://biology-forums.com/index.php?topic=643781>

Question 409

Joe has an HO-3 policy. He also has an unattached converted garage that he has turned into an apartment, and he rents it to a full-time college student. The apartment is destroyed by fire. What will happen with the claim according to the HO-3 contract?

- A) Since fire is an excluded peril, nothing will be paid.
- B) The peril of fire is not covered when it damages unattached structures.
- C) There will be no payment because a rented other structure is excluded from coverage.
- D) Because it was unattached, that type of property was not covered by the HO-3.

Answer: <https://biology-forums.com/index.php?topic=643996>

Question 410

Latisha runs over a deer with her car. The ACV of her vehicle is \$7,250. To repair the damages will cost \$4,375. What will the insurer likely pay Latisha for this claim, assuming that her Collision deductible is \$500, and her Other than Collision deductible is \$200?

- A) \$3,875
- B) \$4,175
- C) \$6,750
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=643952>

Question 411

A plaintiff will generally collect for negligence when all the following characteristics are present except:

- A) injury is suffered by the plaintiff
- B) plaintiff breaches a contract with the defendant
- C) breach of duty owed the plaintiff
- D) the breach of the duty caused the injury to the plaintiff

Answer: <https://biology-forums.com/index.php?topic=643289>

Question 412

Which of the following is false?

- A) A pedestrian who has a PAP and is injured by an automobile can collect under his own Medical Payments coverage.
- B) The PAP covers theft of the automobile.
- C) The subrogation provision of the PAP does not apply to Medical Payments coverage.
- D) There is no coverage for the insured while driving a rented automobile.

Answer: <https://biology-forums.com/index.php?topic=643932>

Question 413

An alien insurer is:

- A) one that is home-officed outside the U.S.
- B) one that has offices both in the U.S. and in other countries
- C) one that is incorporated in another state
- D) one that has not been in existence for at least three fiscal years

Answer: <https://biology-forums.com/index.php?topic=643796>

Question 414

Explain why the definition of disability is important in disability income contracts. Provide some examples of disability showing the range of definitions.

Answer: <https://biology-forums.com/index.php?topic=644313>

Question 415

If a state collects unemployment taxes, then federal unemployment taxes are offset by up to:

- A) 50%
- B) 70%
- C) 90%
- D) 100%

Answer: <https://biology-forums.com/index.php?topic=644553>

Question 416

Which statement about variable universal life insurance is false?

- A) Relatively small premiums are collected on a frequent basis.
- B) They provide policyowners with more alternatives for investing cash values in their whole life policies.
- C) They can duplicate universal life insurance.
- D) Individual policies are large since it is purchased for employees by their unions.

Answer: <https://biology-forums.com/index.php?topic=644102>

Question 417

Which tools are used by most individuals for handling the loss exposure of physical damage to their vehicles caused by collisions?

- I. Avoidance
 - II. Control
 - III. Retention
 - IV. Insurance
- A) II and IV only
 - B) I, II, and III only
 - C) II, III and IV only
 - D) I, II, III, and IV

Answer: <https://biology-forums.com/index.php?topic=643400>

Question 418

A foreign insurer is:

- A) one that is home-officed outside the U.S.
- B) one that has offices both in the U.S. and in other countries
- C) one that is incorporated in another state
- D) one that has not been in existence for at least three fiscal years

Answer: <https://biology-forums.com/index.php?topic=643795>

Question 419

Replacement cost is most closely synonymous with:

- A) original purchase price
- B) actual cash value less depreciation
- C) accounting book value
- D) reconstruction cost

Answer: <https://biology-forums.com/index.php?topic=643984>

Question 420

Which of the following is not a direct social benefit of the insurance mechanism?

- A) Increased business and social stability
- B) Better allocation of society's resources
- C) Better choice of optimum size of business operations
- D) Lower federal and state income taxes

Answer: <https://biology-forums.com/index.php?topic=643207>

Question 421

Adding coverage to the HO contract by endorsement increases the insured's premium.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644027>

Question 422

Enterprise Risk Management:

- A) is only applicable to insurance firms
- B) is an outdated method of dealing with risk
- C) works best when evaluating risks is distinct company silos
- D) is a process that examines all risks collectively

Answer: <https://biology-forums.com/index.php?topic=643206>

Question 423

Choose the item below that is not true for group life insurance.

- A) Benefit amounts are usually increased by the employer at 5-year intervals.
- B) Their number is growing.

C) Benefits are determined by a predetermined formula.
D) The group must not be formed solely to purchase insurance.
Answer: <https://biology-forums.com/index.php?topic=644100>

Question 424

Which of the following does not affect how monthly annuity benefit payments are calculated?
A) Age
B) Sex
C) Amount premium the annuitant has paid
D) Number of years worked
Answer: <https://biology-forums.com/index.php?topic=644217>

Question 425

Christopher purchases an insurance contract with the following warranty attached: "the burglar alarm system will be in good working order." What type of warranty is this?
A) The statement is not a warranty
B) Implied affirmative
C) Express affirmative
D) Express promissory
Answer: <https://biology-forums.com/index.php?topic=643861>

Question 426

Rusty is the president of The Huge Insurance Company. His Vice-President in charge of Finance comes to him one day and says "Rusty, our combined ratio for the year is 95%." Rusty replies, "Wooo hooo, profit sharing bonuses for everyone!" Why isn't Rusty upset about this combined ratio?
A) The company probably made enough money on its investments to make up for the underwriting losses.
B) The company has actually made a profit on its insurance business.
C) Rusty is not very bright and doesn't understand what the combined ratio really means.
D) The combined ratio is not an important indicator of underwriting results.
Answer: <https://biology-forums.com/index.php?topic=643540>

Question 427

Under a claims-made liability insurance policy, the insurer will pay if the injury sustained by the claimant:
A) occurs during the policy period
B) occurs after the policy period
C) is first reported during the policy period, regardless of when the actual accident may have happened
D) is first reported during the policy period, and if the accident causing the injury occurred after the policy's retroactive date
Answer: <https://biology-forums.com/index.php?topic=644721>

Question 428

One life insurance dividend option is to allow dividends to accumulate with compound interest with the insurance company.
T/F?
Answer: <https://biology-forums.com/index.php?topic=644186>

Question 429

Hazards may increase either the frequency or the severity of losses.
T/F?
Answer: <https://biology-forums.com/index.php?topic=643240>

Question 430

Which of the following is not an advantage of using dividends to purchase paid-up additions of life insurance?
A) There are no medical exams.
B) There are no acquisition fees and expenses are minimal.
C) Paid-up additions have their own cash value.
D) They produce taxable income.
Answer: <https://biology-forums.com/index.php?topic=644162>

Question 431

Can risk be completely eliminated?

- A) No, never
- B) Yes, as long as the exposure units are positively correlated
- C) Yes, as long as the exposure units are not correlated and enough are in the pool
- D) Yes, as long as the correlation coefficient is 0.1

Answer: <https://biology-forums.com/index.php?topic=643476>

Question 432

The Risk Charge represents the error arising from estimating a known variable.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643381>

Question 433

How do a reciprocal exchange and a mutual insurance company differ?

Answer: <https://biology-forums.com/index.php?topic=643626>

Question 434

Which of the following is not an example of a hostile fire?

- A) House burns down
- B) Automobile is destroyed by arson
- C) Fire in the fireplace destroys a valuable paper accidentally used to start the fire
- D) Fire starts on a couch when a cigarette falls on it

Answer: <https://biology-forums.com/index.php?topic=644613>

Question 435

Bodacious D, a famous singer, is performing at a concert. He does not have his body guards and security team present for the concert. A crazed fan runs up on stage, declares her love for Bodacious D, and throws herself at him. Bodacious D lands on the floor, and breaks his back. Which of these is the HAZARD(S), and which is the PERIL?

- A) The peril is not having a body guard present; the hazard is the crazed fan.
- B) The peril is being attacked by the fan, and the hazard is not having a body guard present.
- C) The peril is not having a body guard present, and the hazard is being pushed to the floor.
- D) The peril is both the crazed fan and the lack of security; there is no hazard in this case.

Answer: <https://biology-forums.com/index.php?topic=643532>

Question 436

"Probate" is best-defined as:

- A) choosing investments for a trust fund at death
- B) selecting the beneficiary of a trust fund after death of the donor
- C) administration of an estate following death of an individual
- D) supervising the transfer of property at death

Answer: <https://biology-forums.com/index.php?topic=644059>

Question 437

Many captive insurance companies are located in states where insurance regulation is very strict.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643439>

Question 438

Explain briefly how annuity distributions are taxed.

Answer: <https://biology-forums.com/index.php?topic=644257>

Question 439

Why do supply chains complicate the ERM process?

- A) They lead to higher human resource risk.
- B) They lead to higher speculative risks.
- C) A disruption somewhere in the supply chain affects the operations of a firm.
- D) They do not complicate the ERM process at all.

Answer: <https://biology-forums.com/index.php?topic=643282>

Question 440

If an applicant for insurance informs his broker of all material facts regarding the risk, and the broker does not pass those facts along to the insurer, it's possible that the insurer can legally deny any subsequent claim.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643684>

Question 441

The dependent property business income form pays for loss of income when the insured's owned property is damaged by an insured peril.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644680>

Question 442

Prior to September 11, 2001, property insurance policies:

- A) covered terrorism
- B) excluded terrorism from coverage
- C) covered war
- D) were very expensive

Answer: <https://biology-forums.com/index.php?topic=643720>

Question 443

When a person dies, the gross estate is:

- A) taxed at the rate of 50%
- B) adjusted for certain gifts made during the decedent's lifetime
- C) subject to the federal estate and gift tax
- D) not taxed if death bed gifts are made to eligible children

Answer: <https://biology-forums.com/index.php?topic=644044>

Question 444

Ambiguities in the wording of an insurance contract are always construed against the writer.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643901>

Question 445

An assessment mutual:

- A) provides primarily fire and windstorm insurance
- B) is owned by stockholders who supply the capital
- C) distribute all investment earnings to its policyholders in the form of a dividend
- D) requires only assessments from each policyholder after the end of each year to cover losses

Answer: <https://biology-forums.com/index.php?topic=643587>

Question 446

Why is there a "special limits of liability" section in the personal property section of the HO-3 contract?

Answer: <https://biology-forums.com/index.php?topic=644030>

Question 447

Discuss the concept of funded risk assumption.

Answer: <https://biology-forums.com/index.php?topic=643448>

Question 448

The "reasonable person" standard changes based upon which one of the following factors?

- A) The extent and dollar amount of the injury that occurs
- B) The defendant's professional status relative to the event causing the injury
- C) The defendant's criminal record
- D) The insurer's duty to defend the policyholder

Answer: <https://biology-forums.com/index.php?topic=643293>

Question 449

Life annuities may be classified according to all but which one of the following criteria?

- A) When liquidation payments begin
- B) Method of paying premiums

- C) Number of lives insured
- D) Maximum number of payments guaranteed

Answer: <https://biology-forums.com/index.php?topic=644230>

Question 450

According to HIPPA, which of the following reasons can be used to legally exclude an employee from the employer's group health plan?

- A) Health status
- B) Medical history
- C) Disability
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=644355>

Question 451

All of the following are rights of insurance consumers except:

- A) the right to accurate information
- B) the right to have complaints heard
- C) the right to affordable prices
- D) the right to product development and improvement

Answer: <https://biology-forums.com/index.php?topic=643705>

Question 452

The preexisting condition clause in health insurance:

- A) makes a preexisting insurance contract pay for prior medical conditions
- B) eliminates coverage for conditions that existed before the effective date of the current contract
- C) coordinates the payment of already existing conditions among multiple policies
- D) provides blanket coverage for preexisting conditions

Answer: <https://biology-forums.com/index.php?topic=644268>

Question 453

Which of the following statements is correct about the loading expenses for insurance companies?

- A) The loading expenses are measured using the expense ratio.
- B) The loading expenses are governed by law.
- C) The loading expenses reduce the insurance premiums charged by insurance companies.
- D) The loading expenses compensate the insurance companies for the risk that they take.

Answer: <https://biology-forums.com/index.php?topic=643519>

Question 454

All the following statements are true concerning a general average loss under an ocean marine contract except:

- A) property is jettisoned voluntarily
- B) property is thrown overboard to try to save life and minimize loss of property
- C) anyone having a direct property interest in the voyage contributes toward the loss
- D) the ship owner does not have to contribute toward any loss since only cargo is destroyed

Answer: <https://biology-forums.com/index.php?topic=644620>

Question 455

Jerry has a property insurance policy on a building that would cost \$200,000 to replace. His insurance policy is written on an actual cash value basis. His building suffers fire damage that has a replacement cost of \$50,000. The building is 2 years old, with an estimate useful life of 20 years. How much will he collect for the fire damage?

- A) \$5,000
- B) \$10,000
- C) \$25,000
- D) \$45,000

Answer: <https://biology-forums.com/index.php?topic=643889>

Question 456

Members of the U.S. Army are covered by the Social Security program.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644476>

Question 457

To have one quarter of coverage in the Social Security program, you must have:

- A) worked 3 months
- B) worked 4 months
- C) earned a certain amount of covered income
- D) been retired at least 3 months

Answer: <https://biology-forums.com/index.php?topic=644444>

Question 458

Which of the following statements about the insurer death spiral is correct?

- A) The insurance pool is shrinking to those who really need insurance.
- B) The government has enacted laws to prevent the death spiral.
- C) The insurance pool is shrinking to those who are facing low risk.
- D) The insurance premium that needs to be paid is minimized.

Answer: <https://biology-forums.com/index.php?topic=643603>

Question 459

Evan has his house insured for \$200,000. He sells the house to Ann for \$225,000. Three days after the sale is complete the house is destroyed by fire. Evan has not canceled his homeowner's insurance policy, so he decides to file a claim for losses caused by the fire. What will most likely happen?

- A) Evan will collect \$200,000 in insurance payments.
- B) Evan will collect \$200,000 in insurance payments ONLY IF Ann has not yet purchased a homeowner's policy of her own.
- C) Evan will collect nothing because he has no insurable interest.
- D) Ann will collect \$200,000 from Evan's insurer.

Answer: <https://biology-forums.com/index.php?topic=643884>

Question 460

Unemployment benefits are usually available in which of the following situations?

- A) Worker voluntarily quits to find a better job
- B) Worker fired for theft
- C) Worker is laid-off when employer becomes bankrupt
- D) Worker is participating in a strike

Answer: <https://biology-forums.com/index.php?topic=644527>

Question 461

When an ordinary life insurance policy becomes payable as a death claim, the beneficiary is entitled to the:

- A) cash surrender value
- B) face amount plus the reserve value
- C) face amount
- D) face amount plus the cash value

Answer: <https://biology-forums.com/index.php?topic=644114>

Question 462

Output price risk is:

- A) when a change in the commodity market unfavorably affects the price at which a firm can buy their raw materials
- B) when a change in the commodity market unfavorably affects the price at which a firm can sell their products
- C) taking two positions whose gains and losses will offset each other
- D) when a company sells its products abroad and there is an unfavorable exchange rate movement

Answer: <https://biology-forums.com/index.php?topic=643453>

Question 463

Mary Jane divorces her husband Dustin. Dustin was previously covered by Mary Jane's group health insurance plan offered by her employer. How long can Dustin continue his health coverage, according to COBRA provisions?

- A) 0 months
- B) 18 months
- C) 24 months
- D) 36 months

Answer: <https://biology-forums.com/index.php?topic=644351>

Question 464

The traditional "tripod approach" to economic security assumed that who would provide economic security for the individual worker?

- A) The employer and the worker
- B) The employer and the government
- C) The government and the worker
- D) The employer, the worker, and the government

Answer: <https://biology-forums.com/index.php?topic=644345>

Question 465

Which of the following is correct concerning when insurable interest must exist?

- A) In property and liability insurance, it must exist at the inception of the contract.
- B) It is seldom required in property insurance unless there are liens on the property.
- C) It must exist at the time of death of the insured for the beneficiary to collect in life insurance.
- D) In life insurance, it must exist at the inception of the policy but it is not necessary at the time of the loss.

Answer: <https://biology-forums.com/index.php?topic=643864>

Question 466

The third step in risk management is:

- A) creating large enough pools to diversify risk
- B) the process of the assessment of risk
- C) the process of identifying risk tools
- D) the process of identifying possible risks that can occur

Answer: <https://biology-forums.com/index.php?topic=643362>

Question 467

Loss prevention and control:

- A) eliminate risk
- B) are an alternative to self insurance
- C) reduce the probability and severity of loss
- D) directly minimize the probability of a natural disaster occurring

Answer: <https://biology-forums.com/index.php?topic=643227>

Question 468

Which of the following statements about option contracts is not correct?

- A) The option writer has the right to exercise the option.
- B) Option contracts can create a legal right to buy or sell a financial asset.
- C) The option holder has the right to exercise the option.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643484>

Question 469

"Loss" and "chance of loss" are terms with the same meaning.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643246>

Question 470

Explain briefly the law of large numbers.

Answer: <https://biology-forums.com/index.php?topic=643259>

Question 471

Ira is a homeowner covered by an HO-3 policy. He lives with his wife and three children, ages 14, 16, and 19. Who in the household is not covered for personal liability by the HO policy?

- A) Both the 16 and 19-year old children
- B) Any of the children
- C) The 19-year-old child
- D) All of the persons listed are covered.

Answer: <https://biology-forums.com/index.php?topic=644013>

Question 472

From the employer's standpoint, workers' compensation insurance may be seen as a substitute for other types of liability insurance.
T/F?

Answer: <https://biology-forums.com/index.php?topic=643317>

Question 473

Which of the following is not a part of the HO-3 policy layout?

- A) Definitions
- B) Exclusions
- C) Conditions
- D) All of the above are a part of the HO-3 policy layout.

Answer: <https://biology-forums.com/index.php?topic=643981>

Question 474

Which of the following statements about the confidence interval is not correct?

- A) A confidence interval is based on the outcomes of the probability distribution.
- B) A confidence interval is calculated by adding and subtracting the standard deviation to/from the estimate of mean expected loss.
- C) A confidence interval tells the insurer something about the size of the risk pool.
- D) A confidence interval tells the insurer something about how much money it needs to cover potential losses.

Answer: <https://biology-forums.com/index.php?topic=643352>

Question 475

There are four basic components of an insurance premium. Which of the following is not one of those components?

- A) Losses suffered by the members of the insurance pool
- B) Law of large numbers
- C) An allowance for unexpected losses
- D) Earnings on investments

Answer: <https://biology-forums.com/index.php?topic=643219>

Question 476

The efficient insurance market requires all of the following conditions except:

- A) numerous sellers and buyers
- B) well-informed consumers
- C) numerous purchase substitutes (homogeneity)
- D) a government subsidy for lower-income citizens

Answer: <https://biology-forums.com/index.php?topic=643521>

Question 477

Congress passed McCarran-Ferguson Act as a response to the SEUA decision.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643808>

Question 478

Jackson has purchased Liability coverage limits of 100/200/50 on his PAP. He has an accident and finds himself liable for damages awarded in the following order:

- Bodily injury to A - \$250,000
- Bodily injury to B - \$200,000
- Bodily injury to C - \$150,000
- Property Damage to D - \$40,000

Which of the following is true?

- A) Jackson's insurer will pay nothing to A.
- B) Jackson's insurer will pay \$250,000 to A.
- C) Jackson's insurer will pay \$100,000 to A, \$150,000 to C, and \$40,000 to D.
- D) Jackson's insurer will pay nothing to C.

Answer: <https://biology-forums.com/index.php?topic=643920>

Question 479

All of the following legal doctrines result in more individuals being held liable for negligence except:

- A) last clear chance rule
- B) contributory negligence
- C) comparative negligence
- D) vicarious liability

Answer: <https://biology-forums.com/index.php?topic=643287>

Question 480

Assume that all of the life insurance policies listed below have a \$50,000 face value, are sold by the same insurer, and have identical expense and mortality rates. Which of these, sold to a 27 year old female, should be the least expensive?

- A) Term life
- B) Whole life
- C) Universal life
- D) Cannot be determined from the given information

Answer: <https://biology-forums.com/index.php?topic=644093>

Question 481

What is/are the advantage(s) to purchasing an annuity from your life insurer by using the cash value in your whole life policy, rather than cashing in the policy and using the withdrawn cash values to purchase an annuity from another company?

- A) No new acquisition costs are charged, and possibly better annuity assumptions
- B) No new acquisition costs are charged, and annuity prices are guaranteed to be low
- C) No new acquisition costs is the only advantage
- D) Cheaper annuity pricing is the only advantage

Answer: <https://biology-forums.com/index.php?topic=644180>

Question 482

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>

Question 483

When faced with a risk of loss that is low frequency-high severity in nature, a prudent risk manager would choose which of the following methods for handling the loss exposure?

- A) self-insure
- B) avoidance
- C) transfer
- D) mediate

Answer: <https://biology-forums.com/index.php?topic=643235>

Question 484

One life insurance nonforfeiture option may result in an insured receiving a new face amount of life insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644187>

Question 485

In Jason's agency contract, the insurer authorizes him to sell insurance policies. What type of authority is this?

- A) Actual
- B) Express
- C) Incidental
- D) Both A and B

Answer: <https://biology-forums.com/index.php?topic=643650>

Question 486

The regulator's objective with respect to insurance rates is to ensure that rates are:

- A) understood by consumers and affordable for most consumers
- B) equal for all applicants, adequate, and minimally discriminatory
- C) fair, adequate and not unfairly discriminatory
- D) fair, not excessive, and affordable

Answer: <https://biology-forums.com/index.php?topic=643769>

Question 487

If Fidelity Reinsurance agrees to reinsure all autos that meet the underwriting rules specified in the contract with the primary insurer, this type of arrangement is:

- A) an automatic treaty
- B) individually negotiated
- C) excess of loss
- D) facultative

Answer: <https://biology-forums.com/index.php?topic=643671>

Question 488

When you have an auto accident that is your fault, your PAP's Liability coverage will pay for all of the following except:

- A) bodily injuries of your family members riding with you
- B) bodily injuries of non-family members who are passengers in your car at the time of the accident
- C) bodily injuries of your best friend who is a passenger in your car at the time of the accident
- D) the cost to repair or replace property belonging to others that you damaged in the accident

Answer: <https://biology-forums.com/index.php?topic=643958>

Question 489

The typical grace period found in a life insurance policy is 60 days.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644197>

Question 490

It is a fact that supply chains have become increasingly more complicated in the past decade, with products moving across the globe. This means that:

- A) loss reduction measures also have become more important
- B) there has been a growth of captive insurers
- C) duplication as a risk mitigant has also become more important
- D) hold-harmless agreements have become less relevant

Answer: <https://biology-forums.com/index.php?topic=643425>

Question 491

Which of the following statements about the bundling risks into portfolios is not correct?

- A) Due to the randomness of business activity bundling risks into portfolios will be reducing risk.
- B) Natural diversification occurs across uncorrelated risks that are bundled into a portfolio.
- C) Bundling risk into a portfolio only reduces risk if uncorrelated and/or negatively correlated exposures are included.
- D) The best reduction in risk is accomplished by including negatively correlated exposures into a portfolio.

Answer: <https://biology-forums.com/index.php?topic=643489>

Question 492

Which of the following is not a characteristic of group insurance?

- A) Benefits are individually selected by the employee.
- B) One master contract is provided to the employer.
- C) For larger employer groups, there is no medical exam required for coverage.
- D) Group insurance premiums are lower than comparable individual coverage.

Answer: <https://biology-forums.com/index.php?topic=644316>

Question 493

Typically which of the following results from a financial plan?

- A) Start saving more
- B) Write or update a will
- C) Purchase more life insurance
- D) All of the above

Answer: <https://biology-forums.com/index.php?topic=644067>

Question 494

Which of the following best describes a pure risk?

- A) An uncontrollable risk that cannot be insured

- B) The outcome will either be a loss or no change
- C) The outcome will be either a loss or a gain
- D) A risk with three possible outcomes

Answer: <https://biology-forums.com/index.php?topic=643234>

Question 495

Brokers generally stand in the same position as life insurance agents with respect to the legal power to bind the insurer to a life insurance contract. T/F?

Answer: <https://biology-forums.com/index.php?topic=643683>

Question 496

Mr. Smalley is a retiree on the Medicare prescription drug plan. This year his drug expenditures are \$250. What percentage will Medicare pay of the \$250?

- A) 0
- B) 75
- C) 95
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=644472>

Question 497

Which of the following is true about speculative risks?

- A) A firm cannot profit from its exposure to speculative risk.
- B) The risk/return tradeoff is not applicable to speculative risks.
- C) Risk managers must be tolerant of negative outcomes related to speculative risks.
- D) Speculative risk is not a source of great concern for risk managers.

Answer: <https://biology-forums.com/index.php?topic=643269>

Question 498

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 499

A random variable:

- A) is a variable whose future value is known with certainty
- B) can be given a probability of occurrence by the risk manager
- C) is completely outside the control of the risk manager
- D) is not measurable

Answer: <https://biology-forums.com/index.php?topic=643326>

Question 500

Why would a company favor an entity plan over a cross-purchase plan?

- A) Tax benefits
- B) An entity plan has fewer policies
- C) When they have a lot of so-called "key employees"
- D) When a buy-and-sell agreement is not feasible

Answer: <https://biology-forums.com/index.php?topic=644064>

Question 501

Which of the following is not required for qualification of a group health or disability plan?

- A) Must cover all full-time and part-time employees from the first day of work
- B) Must be in writing
- C) Must create legally enforceable rights for the employees
- D) Must be for the exclusive benefit of the employees

Answer: <https://biology-forums.com/index.php?topic=644321>

Question 502

Which of the following policies would have the highest premium for a standard risk male age 27?

- A) Level term
- B) Whole life continuous premium
- C) Whole life paid-up at 65
- D) 10-pay whole life

Answer: <https://biology-forums.com/index.php?topic=644092>

Question 503

Less than half of the U.S. population is covered by health insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644301>

Question 504

Earthquake insurance:

- A) is provided too cheaply by insurance companies
- B) typically costs \$1 per \$20,000 protection
- C) is sold in only a limited number of geographical markets
- D) is bought by Californians only

Answer: <https://biology-forums.com/index.php?topic=643601>

Question 505

Explain the difference between a PPO and an HMO.

Answer: <https://biology-forums.com/index.php?topic=644390>

Question 506

In a negligence lawsuit, the jury's primary function is to:

- A) assist the judge in interpreting the law
- B) determine the facts
- C) decide guilt or innocence
- D) make sure neither plaintiff nor defendant cheats in presenting their case

Answer: <https://biology-forums.com/index.php?topic=643288>

Question 507

If a person installs an automatic sprinkler system to prevent serious fire damage, this action can be considered "insurance" as defined in the text.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643239>

Question 508

The aggregate increased costs to society of operating the insurance mechanism includes all of the following except:

- A) cost of operating the insurance company
- B) losses due to uninsured flood losses
- C) the occurrence of intentional losses to collect insurance
- D) the tendency of insureds to exaggerate the amount of actual losses in the claim process

Answer: <https://biology-forums.com/index.php?topic=643528>

Question 509

What is the essential difference between a call option and a put option?

- A) A call option transaction occurs now, while a put option transaction takes place in the future.
- B) An call option transaction is the right to purchase the underlying asset, while a put option is the right to sell the underlying asset.
- C) An call option transaction is not standardized, while put option transaction is standardized.
- D) An call option transaction deals with financial assets, while a put option transaction deals with commodities.

Answer: <https://biology-forums.com/index.php?topic=643485>

Question 510

An insurance applicant dying from cancer is not likely to be insured because:

- A) the loss is not definite as to time and place
- B) the probability of loss varies daily, ultimately reaching 1.0

C) the loss would be catastrophic for the insurer
D) the loss is certain to occur and the price for coverage would be uneconomical
Answer: <https://biology-forums.com/index.php?topic=643217>

Question 511

Which of the following is not a defense of the tort liability-system?
A) Encourages good driving
B) Reduces fraud
C) Places the blame for negligence on those responsible
D) Maximizes the dollars going to the injured due to legal involvement of attorneys
Answer: <https://biology-forums.com/index.php?topic=644724>

Question 512

Employee benefits have been strengthened in the last few years.
T/F?
Answer: <https://biology-forums.com/index.php?topic=643253>

Question 513

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 514

Unrestrained price competition does not work in the insurance market because prices have to be determined long before final costs are known.
T/F?
Answer: <https://biology-forums.com/index.php?topic=643819>

Question 515

The needs-based approach should be used to determine whether life insurance is needed and how much.
T/F?
Answer: <https://biology-forums.com/index.php?topic=644081>

Question 516

Describe the characteristics of a government insurance program.
Answer: <https://biology-forums.com/index.php?topic=644508>

Question 517

When two investments have a negative correlation coefficient it means that they are bad investments.
T/F?
Answer: <https://biology-forums.com/index.php?topic=643498>

Question 518

Which of the following is not likely to be found on a declarations page?
A) Duties following a loss
B) Identity of the named insured
C) List of coverages provided by the contract
D) Name of the insurer
Answer: <https://biology-forums.com/index.php?topic=643840>

Question 519

Jana loans a leather jacket to Brenda. Brenda must return the jacket to Jana in one week. This arrangement is called a/an:
A) mortgage
B) agency rent
C) assignment
D) bailment
Answer: <https://biology-forums.com/index.php?topic=644622>

Question 520

Why does a risk manager typically focus on the upper tail of the probability distribution?

- A) The upper tail shows the amount of coverage of the risk a firm faces.
- B) The upper tail shows the total risk pool.
- C) The upper tail shows the confidence interval of the loss distribution.
- D) The upper tail shows the sum of the estimated mean loss plus the risk charge.

Answer: <https://biology-forums.com/index.php?topic=643366>

Question 521

Antonius accidentally runs over his friend Shaq while Shaq is walking across the street. The police declare the accident to be Antonius' fault. Where could Shaq have his injuries covered?

- A) Antonius' PAP Medical Payments Coverage
- B) Antonius' PAP Liability Coverage
- C) Shaq's PAP Medical Payments Coverage
- D) Both B and C

Answer: <https://biology-forums.com/index.php?topic=643942>

Question 522

When choosing the right amount of life insurance to purchase, the consumer should first consider:

- A) how much money she can afford for monthly premiums
- B) her financial goals and reasons for buying it in the first place
- C) how many assets she already owns
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=643730>

Question 523

Insurance regulations require legal reserves and surplus because:

- A) assets have to equal liabilities plus owners' equity
- B) reserves are long-term obligations and must be met with long-term assets
- C) they provide a cushion against bad underwriting and investment results
- D) insurers must pre-fund all agent's commissions and underwriting expenses

Answer: <https://biology-forums.com/index.php?topic=643776>

Question 524

Jim S. buys a \$50,000 car. Rather than buying insurance on the car, he sets aside \$30,000 in a savings account to cover possible losses due to an accident. He is:

- A) self-insuring
- B) a moral hazard
- C) assuming risk
- D) decreasing his risk of physical loss

Answer: <https://biology-forums.com/index.php?topic=643405>

Question 525

Which of the following is not a factor that has caused the decline in defined benefit plans in the U.S.?

- A) Increasing mobility of the workforce
- B) Global competition causing employers to reduce expenses
- C) Reduced employer liability for pension plan results under a defined benefit plan
- D) Employee, and not the employer, bears the investment risk of a defined contribution plan

Answer: <https://biology-forums.com/index.php?topic=644361>

Question 526

Keith hosts a New Year's Eve party, and Margaret attends the party. She drinks several beers at the party, and Keith provided the beers. She leaves the party in her car, has an accident and is injured. Which of the following is true?

- A) All judges are required to find that Keith is liable for Margaret's injuries.
- B) No judge will find that Keith is liable for Margaret's injuries, since he was not serving alcohol for a profit.
- C) Margaret cannot sue Keith for any injuries sustained, since she voluntarily consumed the alcohol.
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=644710>

Question 527

Professional reinsurance companies:

- A) engage only in reinsurance transactions
- B) make up only a small part of the reinsurance market
- C) are located only in the United States
- D) also act as primary insurers

Answer: <https://biology-forums.com/index.php?topic=643676>

Question 528

Dividends from mutual insurers are a part of the contract, and minimum dividends are guaranteed.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643617>

Question 529

Your best friend discovers you just took an introductory insurance course. He asks you what type of life insurance policy he should buy, given that he is 28 years old. Which type of life insurance should you recommend?

- A) Term life
- B) Whole life
- C) Universal life
- D) Cannot be determined from the given information

Answer: <https://biology-forums.com/index.php?topic=644122>

Question 530

After taking an introductory course in insurance, your parents ask you what type of life insurance policy they should purchase to get permanent death protection with the option to pay more premiums some years, and less in other years. They also want a minimum guaranteed rate of return on their cash value. Which type of life insurance will you recommend?

- A) Term life
- B) Whole life
- C) Universal life
- D) Variable life

Answer: <https://biology-forums.com/index.php?topic=644120>

Question 531

Reciprocal exchanges provide a considerable amount of automobile insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643621>

Question 532

Credit life insurance is:

- A) a group life program designed specifically for employees who work in manufacturing
- B) commercial insurance sold in large amounts for key man life insurance
- C) purchased by a lender
- D) sold to employees who work in high-risk industrial manufacturing jobs

Answer: <https://biology-forums.com/index.php?topic=644112>

Question 533

Mindy is a member of the Zeta Omega Sorority. While driving to a local food bank to deliver donations from the sorority members, she causes an accident. She collides with a large carrot truck. The truck driver subsequently sues Mindy and her sorority for her negligent driving. Which of the following is a true statement?

- A) Mindy's PAP Liability coverage will cover her, but not the sorority.
- B) Mindy's PAP Liability coverage will cover the driver of the carrot truck, but not her.
- C) Mindy's PAP Liability coverage will cover both Mindy and the sorority.
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=643941>

Question 534

In the Paul v. Virginia decision, the U.S. Supreme Court decided that Paul was legally an agent of the state of Virginia.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643805>

Question 535

The beneficiary of a life insurance policy has the right to assign the policy as security for a loan.
T/F?

Answer: <https://biology-forums.com/index.php?topic=644195>

Question 536

Risk retention is not a good idea if:

- A) the risk is unimportant
- B) you did not identify the risk
- C) the frequency is so low it almost will never happen
- D) the exposure is potentially catastrophic

Answer: <https://biology-forums.com/index.php?topic=643229>

Question 537

Which one of the following is not usually involved in the provision of funding for college expenses?

- A) Needs based life insurance
- B) Life insurance trust
- C) Section 529 plan
- D) All of the above

Answer: <https://biology-forums.com/index.php?topic=644035>

Question 538

Which of the following clauses are associated with major medical coverage?

- A) Subrogation
- B) Mortgagee
- C) Replacement cost
- D) Deductible

Answer: <https://biology-forums.com/index.php?topic=644273>

Question 539

Explain why there is a savings element to a whole life insurance contract.

Answer: <https://biology-forums.com/index.php?topic=644143>

Question 540

The incontestability clause in life insurance primarily serves to protect the:

- A) beneficiary
- B) insured
- C) insurer
- D) annuitant

Answer: <https://biology-forums.com/index.php?topic=644171>

Question 541

Standardization increases the possibility that some insurance needs go unmet.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643895>

Question 542

Which of the following was a common law defense used by employers prior to the enactment of workers' compensation laws?

- A) Strict liability
- B) Comparative negligence
- C) Contributory negligence
- D) stare decisis

Answer: <https://biology-forums.com/index.php?topic=644545>

Question 543

Which of the following is not a factor in the cost of aircraft insurance?

- A) Perils covered

- B) Experience and training of the pilot
- C) Type of cargo carried
- D) Landing and hangar fees charged by local airports

Answer: <https://biology-forums.com/index.php?topic=644611>

Question 544

Risk avoidance and loss prevention are the same thing.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643312>

Question 545

After taking an introductory course in insurance, your parents ask you what type of life insurance policy they should purchase to get permanent death protection with a fixed premium amount, a guaranteed rate of return on their cash value, and a level death benefit. Which type of life insurance will you recommend?

- A) Term life
- B) Whole life
- C) Universal life
- D) Variable life

Answer: <https://biology-forums.com/index.php?topic=644119>

Question 546

For which year(s) is (are) the Federal Unified Estate Taxes known?

- A) 2011
- B) 2012
- C) 2011 and 2012
- D) All years after 2011

Answer: <https://biology-forums.com/index.php?topic=644039>

Question 547

Describe the Risk Management Process.

Answer: <https://biology-forums.com/index.php?topic=643260>

Question 548

You drink 19 beers to celebrate the end of your risk management and insurance class, and then have an accident while driving home from the bar. The police charge you with drunk driving, and with hitting another automobile from behind. What will your automobile insurer do when you file a claim for the damage to your car, and what will it do when the injured people in the other car file claims to have their bodily injuries paid for?

- A) Nothing. The insurer does not have to pay any of these claims.
- B) The insurer will pay all the claims.
- C) The insurer will pay the liability claims, but not the damages to your car, because of the fact that you were drunk.
- D) The insurer will say, "Who are you? Nobody here remembers selling you a policy."

Answer: <https://biology-forums.com/index.php?topic=643947>

Question 549

A "Certified Financial Planner":

- A) is a widely recognized financial planning credential
- B) can assist people in the financial planning process
- C) is not an existing credential
- D) A and B above

Answer: <https://biology-forums.com/index.php?topic=644053>

Question 550

Proponents of no-fault automobile legislation argue that the tort-liability insurance system:

- A) pays too much for big claims and too little for small claims
- B) pays claims too quickly and passes the increased cost on to motorists
- C) encourages bad driving and accidents
- D) is not efficient in returning dollars to automobile accident victims

Answer: <https://biology-forums.com/index.php?topic=644722>

Question 551

An agency contract determines the rights and duties of both the agent and the insurer.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643687>

Question 552

All of the following would be paid under the PAP's Other than Collision coverage except:

- A) the car skids out of control due to ice on the road, and hits a tree
- B) the driver of the car hits a bunny rabbit, loses control of the car, and runs into a ditch
- C) the windshield gets broken, and there is no known outside cause for the damage
- D) the car is damaged by a fire the insured negligently started while shooting off fireworks on the 4th of July

Answer: <https://biology-forums.com/index.php?topic=643957>

Question 553

Denny Crane was an agent for Mutual of Florida Insurance, but his agency contract was recently revoked. One of his clients, Shirley Schmidt, has not yet been informed that he no longer represents Mutual of Florida. She drops by his office to deliver a premium payment, which he accepts and deposits into his own account. When Mutual of Florida does not receive Shirley Schmidt's premium, it sends her a cancellation notice. Before receiving her cancellation notice, she suffers a loss and expects Mutual of Florida to pay her claim. What will likely happen in this scenario?

- A) Mutual of Florida will likely have to pay the claim.
- B) Mutual of Florida will not have to pay the claim, but Denny Crane likely will.
- C) Neither Mutual of Florida, nor Denny Crane, will have to pay the claim.
- D) The claim will be paid by the court, and it will then sue Mutual of Florida.

Answer: <https://biology-forums.com/index.php?topic=643654>

Question 554

Nonparticipating life insurance will generally have lower initial premiums than participating life insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644185>

Question 555

Which of the following statements about IRAs is false?

- A) Annual contributions made to the account are tax-deductible up to certain amounts.
- B) They earn tax-deferred investment income.
- C) Only people in certain income categories can make deductible IRA contributions.
- D) The maximum annual deductible contribution is \$4,000 per person.

Answer: <https://biology-forums.com/index.php?topic=644339>

Question 556

You are in an automobile accident with an uninsured motorist, and the accident is your fault. Your Uninsured Motorist limits are 10/20 and your medical bills are \$22,000. You collect from your UM coverage:

- A) \$0
- B) \$10,000
- C) \$20,000
- D) \$22,000

Answer: <https://biology-forums.com/index.php?topic=643933>

Question 557

Interest rate risk arises from changes in:

- A) currency discount rates
- B) the value of fixed income securities because of changes in interest rates
- C) interest rates caused solely by inflation
- D) the value of currency relative to another currency

Answer: <https://biology-forums.com/index.php?topic=643454>

Question 558

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 559

Which of the following statements is correct about the fair rate of return for insurance companies?

- A) The fair rate of return is measured using the expense ratio.
- B) The fair rate of return is governed by law.
- C) The fair rate of return reduces the insurance premiums charged by insurance companies.
- D) The fair rate of return compensates the insurance companies for the risk that they take.

Answer: <https://biology-forums.com/index.php?topic=643518>

Question 560

When a \$1 million insured loss occurs and \$300,000 of the loss is reinsured, the policy holder of the primary company will receive:

- A) \$1 million from the primary company
- B) \$1,000,000 from the primary insurer and \$300,000 from the reinsurer
- C) \$700,000 from the primary insurer and \$300,000 from the reinsurer
- D) fifty percent of the loss from each company

Answer: <https://biology-forums.com/index.php?topic=643669>

Question 561

What is the difference between an HMO and a PPO in providing health care?

Answer: <https://biology-forums.com/index.php?topic=644314>

Question 562

Social Security eligibility is based on how many _____ are earned.

- A) years of full-time employment
- B) total dollars
- C) quarters of coverage
- D) units of insurance

Answer: <https://biology-forums.com/index.php?topic=644456>

Question 563

Which of the following statements about joint underwriting associations is correct?

- A) All states have joint underwriting associations.
- B) All those who want to get insurance can join.
- C) Insurance companies charge the involuntary market losses to the voluntary market.
- D) They provide assigned risk plans.

Answer: <https://biology-forums.com/index.php?topic=643737>

Question 564

The face amount of group term life insurance is typically not selectable by the individual employee and therefore can be based on salary. T/F?

Answer: <https://biology-forums.com/index.php?topic=644371>

Question 565

When the variance of a probability distribution is \$360,000, the standard deviation equals:

- A) \$600
- B) \$3,600
- C) \$180,000
- D) \$12,000

Answer: <https://biology-forums.com/index.php?topic=643364>

Question 566

Why is Enterprise Risk Management so important for firms?

Answer: <https://biology-forums.com/index.php?topic=643258>

Question 567

The size of a firm:

- A) has no impact on the ability to retain risk
- B) is proportional to the amount of risk it is willing to take
- C) determines whether a firm can hedge its risk

D) has an impact on its ability to absorb losses

Answer: <https://biology-forums.com/index.php?topic=643422>

Question 568

Kelly owns a life insurance policy. On January 1 she pays her annual premium of \$20,000 to the insurer. On April 1, Kelly decides that she doesn't want her life insurance any more. She decides to cancel the policy, get back a pro-rata refund of the unused premium (\$15,000), and use the money to pay for liposuction and a tummy tuck. What, if anything, is wrong with this scenario?

A) Nothing; Kelly will get back \$15,000 and can have her surgery.

B) Kelly has made the faulty assumption that she will receive a pro-rata refund; she will instead receive a short-rate refund, which will be an amount less than \$15,000.

C) Kelly has made the faulty assumption that she will receive any refund; cancellation of a life insurance policy does not result in a refund of premiums paid.

D) Kelly has made the faulty assumption that any surgeon can help her.

Answer: <https://biology-forums.com/index.php?topic=644174>

Question 569

Facultative reinsurance is:

A) automatic, on a treaty basis

B) always revocable for first 30 days

C) arranged separately for each new exposure

D) placed with an alien insurer

Answer: <https://biology-forums.com/index.php?topic=643665>

Question 570

Provide a statement of the overall goal of the risk management function.

Answer: <https://biology-forums.com/index.php?topic=643320>

Question 571

Before workers' compensation laws, what legal defenses did employers use when they were sued by an employee injured at work? Briefly explain each of these defenses.

Answer: <https://biology-forums.com/index.php?topic=644587>

Question 572

Which of the following is not a type of health insurance coverage?

A) Basic medical expense insurance

B) Medicare supplemental coverage insurance

C) Double indemnity insurance

D) Major medical insurance

Answer: <https://biology-forums.com/index.php?topic=644272>

Question 573

The excess interest provision in life insurance means that the cash value will increase:

A) faster than the guaranteed rate if the insurer actually earns a greater return than the guaranteed rate

B) faster than the guaranteed rate even if the insurer does not earn a greater return than the guaranteed rate

C) faster than it would with a universal or variable life policy

D) slower than the guaranteed rate

Answer: <https://biology-forums.com/index.php?topic=644123>

Question 574

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 575

The Federal Estate Tax is a flat percent on all assets owned at death.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644075>

Question 576

If there were a \$200,000 loss and a \$500 straight deductible, the insured would pay:

- A) \$500
- B) \$199,500
- C) \$200,000
- D) \$200,500

Answer: <https://biology-forums.com/index.php?topic=643829>

Question 577

The PAP's coverage territory is the USA, Puerto Rico, U.S. Territories and Possessions, and countries bordering the USA.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643967>

Question 578

The term "aircraft" is restricted to "fixed-wing aircraft" capable of speeds in excess of 150 mph.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644688>

Question 579

All workers' compensation claims are reviewed by special courts.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644561>

Question 580

The covariance shows the risk of a single variable.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643494>

Question 581

A defined contribution retirement plan defines the amount of benefits to be contributed to the employee during retirement.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644377>

Question 582

JoEllen has a major medical policy with a \$500,000 lifetime aggregate limit, a \$1,000 annual deductible and 80% coinsurance. Her health losses for the year include the following: hospital bills of \$42,000; surgeon's fees of \$14,000, prescription medication expenses of \$5,000. How much will JoEllen's insurance pay for this loss?

- A) \$48,000
- B) \$48,800
- C) \$60,000
- D) \$61,000

Answer: <https://biology-forums.com/index.php?topic=644266>

Question 583

MaryJo owns a whole-life insurance policy on her own life. She has accumulated \$40,000 of cash value in the policy. Which of the following statements is/are true regarding this policy and the options MaryJo has?

- I. She can withdraw the entire \$40,000 at any time and forfeit her death protection.
- II. She can borrow the \$40,000, but will lose all her death protection until the loan is paid back.
- III. If MaryJo dies tomorrow with no policy loan outstanding, her beneficiary will receive the face value of the insurance policy, while the \$40,000 in cash value becomes a survivorship benefit for other insureds.

- A) I, II, and III
- B) I and II
- C) II and III
- D) I and III

Answer: <https://biology-forums.com/index.php?topic=644118>

Question 584

What are the requirements for a plaintiff to prove negligence against a defendant?

Answer: <https://biology-forums.com/index.php?topic=643322>

Question 585

The period during which the insured is making annuity payments to the insurer is the:

- A) retirement period
- B) deferral period
- C) accumulation period
- D) liquidation period

Answer: <https://biology-forums.com/index.php?topic=644242>

Question 586

An insured must pay the specified interest rate to borrow his own "savings" when a loan is made on a whole life policy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644190>

Question 587

A Risk Manager needs more information than just the loss frequency and loss severity to assess the risk exposure of their firm.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643374>

Question 588

A disadvantage of using a whole life policy for saving is:

- A) earnings outside the policy can be greater
- B) federal income tax must be paid on the yearly cash value increases
- C) creditor protection is available if bankruptcy occurs
- D) since premiums must be paid to keep the policy in force, there is the semi-compulsory nature of saving

Answer: <https://biology-forums.com/index.php?topic=644095>

Question 589

Finding the lowest price is the first responsibility of the smart insurance consumer.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643754>

Question 590

Which of the following are potential benefits of a 401(k) or 403(b) plan?

- I. You can make yourself low-interest loans.
- II. You can save for retirement.
- III. Your contributions to the plan are tax-free.
- IV. Your contributions to the plan are tax-deferred.

- A) I, II, III and IV
- B) I, II, and III only
- C) I, II and IV only
- D) I and II only

Answer: <https://biology-forums.com/index.php?topic=644330>

Question 591

The correlation coefficient is calculated by taking the square root of the variance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643496>

Question 592

Which of the following is false concerning concealment?

- A) Would be illustrated by a false answer to a question
- B) To make a contract avoidable must be material
- C) Typically involves an element of deception
- D) The result is treated very much like material misrepresentations in insurance law

Answer: <https://biology-forums.com/index.php?topic=643841>

Question 593

Which of the following is true about the relationship between direct and indirect losses?

- A) The impact of indirect losses can be much bigger than the original direct loss.
- B) They are unrelated events.
- C) Direct losses are the result of an indirect loss due to business interruption.
- D) Indirect losses are irrelevant compared to direct losses.

Answer: <https://biology-forums.com/index.php?topic=643272>

Question 594

Homogeneous Risk Characteristics refer to the concept that the parties in a pool exhibit the same level of risk.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643378>

Question 595

Which of the following benefits is not provided under the Social Security program?

- A) Survivor benefits
- B) Disability benefits
- C) Retirement benefits
- D) Welfare payments to poor people

Answer: <https://biology-forums.com/index.php?topic=644408>

Question 596

The maximum amount that can be contributed to an IRA is:

- A) 2% of your salary or \$4,000, whichever is less
- B) \$3,000 in 2012, and \$5,000 after 2012
- C) \$5,000 in 2012
- D) \$6,000 in 2012, and then it increases \$500 per year through 2020

Answer: <https://biology-forums.com/index.php?topic=644344>

Question 597

Which of the following would not normally be identified in the risk identification process?

- A) Property Risk
- B) External Risk
- C) Human Resource Risk
- D) Pure Risk

Answer: <https://biology-forums.com/index.php?topic=643265>

Question 598

Which of the following would be least important in making a self-insurance decision?

- A) The size of the risk pool
- B) Social and ethical concerns
- C) Historical management policy
- D) Financial ability to pay losses

Answer: <https://biology-forums.com/index.php?topic=643357>

Question 599

The principle of utmost good faith:

- A) holds the insurer to a higher standard of honesty
- B) does not apply in life insurance
- C) holds the insured to a higher standard of honesty
- D) requires the insurer and insured to enter the contract with utmost good faith

Answer: <https://biology-forums.com/index.php?topic=643846>

Question 600

A risk pool needs a small group of similar exposures for predictive accuracy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643375>

Question 601

Smoking cigarettes is an example of:

- A) moral hazard

- B) peril
- C) speculate risk
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=643522>

Question 602

The Family and Medical Leave Act:

- A) applies to employers having 15 or more employees
- B) gives employees the right to have paid leave for the birth of a child
- C) gives employees the right to have unpaid leave to care for a foster child
- D) does not require employees to give employers medical evidence of the illness that requires their leave

Answer: <https://biology-forums.com/index.php?topic=644338>

Question 603

Which of the following statements about the risk pooling is correct?

- A) Risk pooling works best if the number of parties involved is small.
- B) Risk pooling reduces the standard deviation of the loss distribution.
- C) Risk pooling increases the loss probability.
- D) Risk pooling can be used to increase the cost of bearing risk.

Answer: <https://biology-forums.com/index.php?topic=643345>

Question 604

What is a charitable deduction?

- A) A deduction from the cash value to a qualified charitable organization
- B) A deduction from the taxable estate to a church
- C) A deduction from the taxable estate to a qualified charitable organization
- D) A deduction from the gross estate to a qualified charitable organization

Answer: <https://biology-forums.com/index.php?topic=644071>

Question 605

Disability income insurance replaces income that cannot be earned while a person is disabled according to the contract's definition of disability. T/F?

Answer: <https://biology-forums.com/index.php?topic=644304>

Question 606

If the Average Loss Severity is \$457 and the Average Loss Frequency is 0.21, the Average Loss is \$95.97.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643376>

Question 607

Which of the following statements is false concerning the taxation of life insurance?

- A) Beneficiaries receive death benefits free from any federal taxation.
- B) The value of the life insurance death benefit is always included in the insured's estate.
- C) If a non-insured/owner dies, the value included in the decedent's estate is approximately the cash value of the insurance contract.
- D) Interest earned on settlement proceeds is taxable.

Answer: <https://biology-forums.com/index.php?topic=644046>

Question 608

All of the following are ways of transferring risk mentioned in the text, except:

- A) competitive bidding
- B) exculpatory clauses
- C) hold-harmless agreements
- D) creating an LLP or LLC

Answer: <https://biology-forums.com/index.php?topic=643426>

Question 609

Which of the following is not an issue when planning for retirement?

- A) Estimating the age of retirement
- B) Estimating the income of the children, if any

- C) Estimating the age at death
- D) Estimating expenses during retirement

Answer: <https://biology-forums.com/index.php?topic=644069>

Question 610

Describe the changes that were brought about by the Gramm-Leach-Bliley Act, and, its overall impact on financial services today.

Answer: <https://biology-forums.com/index.php?topic=643628>

Question 611

A "guaranteed renewable" health insurance policy is also known as a "noncancellable" policy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644300>

Question 612

Of all evaluation criteria to determine whether a risk classification is appropriate, simplicity is the most important one.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643610>

Question 613

Neither explosion nor smoke damage is covered by a commercial property contract.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644676>

Question 614

Pro-rata reinsurance means:

- A) losses, premiums, and expenses are divided proportionately between the primary insurer and reinsurer
- B) reinsurance is automatic
- C) coverage is available at market rates
- D) reinsurance is layered horizontally after the primary's retention

Answer: <https://biology-forums.com/index.php?topic=643666>

Question 615

Which of the following types of claims adjusters do not represent insurance companies?

- A) Public adjusters
- B) The insurance agent
- C) The independent adjustment bureau
- D) Company adjusters

Answer: <https://biology-forums.com/index.php?topic=643637>

Question 616

Which of the following statements about the exposure units and risk pooling is not correct?

- A) Exposure units should not be exposed to risk in order to be added to the risk pool.
- B) Risk pooling is the ability to reduce the risk of an exposure unit by creating more homogenous pool of units.
- C) Risk pooling works best if the number of exposure units is small.
- D) Risk pooling is the ability to reduce the risk of an exposure unit by making more accurate predictions about a large pool of units.

Answer: <https://biology-forums.com/index.php?topic=643344>

Question 617

The brokerage function does not exist in life insurance sales.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643690>

Question 618

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 619

Which of the following plans provide retirement benefits?

- A) 401(k) plans
- B) Cafeteria plans
- C) 403(b) plans
- D) Both A and C

Answer: <https://biology-forums.com/index.php?topic=644328>

Question 620

Life insurance provides protection from the peril of death.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643552>

Question 621

_____ cannot be a designated life insurance beneficiary.

- A) The insured's estate
- B) A business corporation
- C) The insured
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=644175>

Question 622

A cash refund annuity would have lower monthly benefits per \$1,000 of premium than an installment refund annuity.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644246>

Question 623

Major medical insurance provides first dollar coverage for any in-hospital expenses.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644375>

Question 624

Insurers have greater administrative charges for flexible-premium deferred annuities (FPDAs) than they do for single-premium deferred annuities (SPDAs) because:

- A) they do not have minimum required deposits for FPDAs
- B) there is considerably more adverse selection among persons purchasing FPDAs
- C) FPDA purchasers have much greater flexibility in making premium payments
- D) This is a trick question; insurers do not impose higher administrative charges on FPDAs versus SPDAs

Answer: <https://biology-forums.com/index.php?topic=644237>

Question 625

Which of the following is not an exclusion from the HO policy's Liability coverage?

- A) Liability assumed under any unwritten contract
- B) Property damage to property owned by the insured
- C) Damage to property in the care, custody or control of the insured by all perils
- D) Liability arising out of the ownership or maintenance of the residence premises

Answer: <https://biology-forums.com/index.php?topic=643991>

Question 626

The insurance market's structure has no major flaws.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643749>

Question 627

CLU stands for:

- A) Chartered Life Underwriter
- B) Casualty Life Underwriter
- C) Claims Litigation Underwriter

D) Chartered Legal Underwriter

Answer: <https://biology-forums.com/index.php?topic=643724>

Question 628

The replacement cost of a home covered under the HO-3 policy is \$100,000. Assume the home is insured for \$50,000 and a \$10,000 loss occurs (replacement cost). Also assume depreciation is set at 10% and a \$500 deductible applies. How much will the insured recover if the damage is repaired?

- A) \$9,000
- B) \$8,500
- C) \$5,937
- D) \$6,250

Answer: <https://biology-forums.com/index.php?topic=643988>

Question 629

Vicarious liability will be covered under a:

- A) professional liability policy
- B) directional liability policy
- C) illegal activities liability policy
- D) direct liability policy

Answer: <https://biology-forums.com/index.php?topic=644715>

Question 630

Major medical insurance usually requires the insured to pay a percentage of all losses after a deductible up to an out-of-pocket limit. T/F?

Answer: <https://biology-forums.com/index.php?topic=644298>

Question 631

The United States' Life-Health insurance industry wrote how many billion worth of premiums in 2008?

- A) 96.5
- B) 223.6
- C) 518.1
- D) 641.6

Answer: <https://biology-forums.com/index.php?topic=643598>

Question 632

Which of the following is not a duty of the agent?

- A) No self-dealing at principal's expense
- B) Forwarding all premiums to the principal
- C) Not submitting any type of business the insurer does not want
- D) To guarantee the insurance buyer that the insurer will write them a policy at an affordable rate

Answer: <https://biology-forums.com/index.php?topic=643639>

Question 633

In an insurer death spiral only people who do not really need insurance purchase it.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643609>

Question 634

Which of the following is not a goal of the government, employer or employee in providing employee benefits?

- A) Raise tax revenue
- B) Provide security for employees
- C) Retain, attract and compensate employees
- D) Encourage savings for retirement

Answer: <https://biology-forums.com/index.php?topic=643238>

Question 635

Under ERISA, which of these is not required of a qualified plan?

- A) Plans must cover all full-time employees with at least one year of service.
- B) Plans should not provide disproportionately high benefits to the highly compensated employees.

- C) Defined benefit plans must be funded in advance according to ERISA requirements.
D) All employees must receive the same percentage of wages as benefits.

Answer: <https://biology-forums.com/index.php?topic=644323>

Question 636

A sushi bar is concerned about lawsuits from customers who may become ill after eating raw fish. Avoidance is not an option, since a sushi bar's main product line is raw fish. Which of the following would be the most practical loss prevention technique the restaurant could use?

- A) Posting a sign in the restaurant that says "Not responsible for anything"
B) Requiring each customer to sign a legal waiver before serving them sushi
C) Posting a warning on the menu that explains the risks of consuming raw fish
D) Training servers to identify patrons who are feeling ill

Answer: <https://biology-forums.com/index.php?topic=643305>

Question 637

Which of the following is a true statement?

- A) Insurers are significant financial intermediaries in the U.S. economy.
B) Property insurers are prohibited from insuring commercial real estate.
C) The insurance companies in the U.S. are estimated to be very profitable.
D) Both A and C above are true statements.

Answer: <https://biology-forums.com/index.php?topic=643524>

Question 638

If the Average Loss Severity is \$1,150 and the Average Loss Frequency is 0.12, what is the Average Loss?

- A) \$9,583.33
B) \$104.35
C) \$138
D) There is not enough information to calculate the Average Loss.

Answer: <https://biology-forums.com/index.php?topic=643340>

Question 639

The transfer/retention risk management decision is unimportant and therefore risk managers should not waste their time on the decision.
T/F?

Answer: <https://biology-forums.com/index.php?topic=643434>

Question 640

Which of the following factors would generally not be considered in a class rating scheme?

- A) Community firefighting capability
B) Use of the structure
C) External surrounding exposures
D) The existence of sidewalks around the building

Answer: <https://biology-forums.com/index.php?topic=644636>

Question 641

The term "tax deferral" refers to the ability to pay taxes at a later date on otherwise currently taxable income.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644367>

Question 642

In homeowner's insurance, coinsurance is:

- A) an agreement between two or more insurance companies to jointly cover a large risk
B) a contractual agreement to make the insured bear a portion (usually small) of every loss
C) a contractual agreement to prevent over-insurance
D) a contractual agreement that penalizes the insured when under-insured

Answer: <https://biology-forums.com/index.php?topic=644006>

Question 643

One of the benefits of bearing risk collectively is that the group can better afford to obtain better data compared to one company alone.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643495>

Question 644

The Appleton Rule applies to all insurance companies doing business in Wisconsin.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643810>

Question 645

The first step in the Risk Management Process is choosing appropriate risk handling techniques.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643255>

Question 646

Mr. Smalley is a retiree on the Medicare prescription drug plan. This year his drug expenditures are \$15,100. What percentage will Medicare pay of the medications that cost between \$6,657.50 and \$15,100?

A) 0

B) 75

C) 95

D) None of the above

Answer: <https://biology-forums.com/index.php?topic=644470>

Question 647

Increasing litigation risk is one of the main drivers of the growth of organizational forms of business with limited liability characteristics.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643440>

Question 648

Discuss how probability distributions are used in estimating future losses.

Answer: <https://biology-forums.com/index.php?topic=643385>

Question 649

It may be correctly claimed that insurers usually do not pay for losses because:

A) it is the insured's money that is used to pay the claims

B) most insurers do not pay claims until the insured sues them

C) almost all claims are caused by fraud

D) insurers estimate claims actuarially in advance in order to avoid payments

Answer: <https://biology-forums.com/index.php?topic=643523>

Question 650

The loading expenses plus a fair rate of return minus any investment income is the starting point for the calculation of the risk premium for an insurance policy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643556>

Question 651

Exchange rate losses arise when the value of the domestic currency falls relative to foreign currencies.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643499>

Question 652

Which of the following statements about option contracts is correct?

A) Option contracts can create a legal right to buy a commodity.

B) Option contracts can create a legal right to sell a financial asset.

C) The option holder has the right to exercise the option.

D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643483>

Question 653

The best financial plan for financing a child's college education requires:

- A) a savings plan
- B) a 401(k) plan
- C) premature death protection
- D) both A and C

Answer: <https://biology-forums.com/index.php?topic=644061>

Question 654

Indirect loss coverage (business income insurance) will cover all the following except:

- A) lost profits
- B) continuing expenses
- C) income taxes on lost profits
- D) extra expenses incurred to maintain operations after a loss

Answer: <https://biology-forums.com/index.php?topic=644601>

Question 655

Explain what happens with regard to the insured misstating his/her age. Does the incontestable clause modify this result? Explain.

Answer: <https://biology-forums.com/index.php?topic=644206>

Question 656

The best argument for continued state insurance regulation is that state regulation is cheaper and more efficient than federal regulation would be. T/F?

Answer: <https://biology-forums.com/index.php?topic=643812>

Question 657

The main financial problem associated with the early adult years is:

- A) compensating for loss of income to the family in the event of a premature death of main wage earner
- B) loss of retirement income in the event of a premature death of main wage earner
- C) the problem of paying estate taxes
- D) providing lifelong income for the children

Answer: <https://biology-forums.com/index.php?topic=644042>

Question 658

Long-term care policies:

- A) are not standardized
- B) are purchased by more than 70% of U.S. senior citizens
- C) provide coverage that is normally triggered by an inability of the insured to understand the ramifications of their actions
- D) are legal in only 38 states

Answer: <https://biology-forums.com/index.php?topic=644283>

Question 659

The irrevocable beneficiary cannot be changed by the owner.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644198>

Question 660

Under the PAP Liability Coverage, the "insured" is:

- A) the person who causes the accident and/or damages
- B) the person or persons who is/are injured in the accident
- C) both the at-fault driver and those persons injured
- D) the police officer who arrives at the scene and beats up the at-fault driver

Answer: <https://biology-forums.com/index.php?topic=643944>

Question 661

Which of the following statements about captive insurers is not correct?

- A) They are typically a subsidiary of a larger firm or firms.
- B) They are typically located in places where insurance regulation is less restrictive.
- C) They capitalize on their size to mitigate risks.
- D) They are typically located in places where insurance regulation is less costly.

Answer: <https://biology-forums.com/index.php?topic=643423>

Question 662

Which of the following is not a duty of an actuary?

- A) Calculate rates
- B) Calculate dividends
- C) Calculate loss reserves
- D) Identify individual exposures that are going to have a loss

Answer: <https://biology-forums.com/index.php?topic=643642>

Question 663

If a term life policy is convertible, the insured has the option to convert it to:

- A) cash
- B) an annuity
- C) a decreasing term policy
- D) a permanent form of coverage

Answer: <https://biology-forums.com/index.php?topic=644116>

Question 664

One duty of the insurance company actuary is to:

- A) handle claims when they involve property exposures and losses in multiple states
- B) manage all contract negotiations when the agency agreement is signed by the agent and company
- C) determine premium rates and classification schemes for the underwriters to apply
- D) eliminate exposures from the pool that are going to have a loss

Answer: <https://biology-forums.com/index.php?topic=643641>

Question 665

Term insurance is normally purchased by people between the ages of:

- A) 25 and 65
- B) 45 and 65
- C) 20 and 60
- D) 25 and 75

Answer: <https://biology-forums.com/index.php?topic=644125>

Question 666

An aircraft owner would need all of the following coverages except:

- A) hull insurance
- B) freight insurance
- C) fire insurance
- D) liability insurance

Answer: <https://biology-forums.com/index.php?topic=644640>

Question 667

In a key-employee insurance purchase, the business should be the owner and the beneficiary of the policy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644076>

Question 668

What are the main financial planning problems encountered in the "early adult" years?

Answer: <https://biology-forums.com/index.php?topic=644088>

Question 669

Which of the following statements about the insurer death spiral is not correct?

- A) The insurance pool is shrinking to those who really need insurance.
- B) The remaining policyholders are not susceptible to the peril being insured.
- C) The insurance pool is shrinking to those who are facing high risk.
- D) The insurance premium that needs to be paid is very high.

Answer: <https://biology-forums.com/index.php?topic=643604>

Question 670

If you were an underwriter of personal auto insurance, which of the following underwriting criteria would you most prefer to use because of its incentive value?

- A) Gender
- B) Age
- C) Driving record
- D) Health

Answer: <https://biology-forums.com/index.php?topic=643548>

Question 671

Risk identification:

- A) is something completely different from loss identification
- B) is only relevant for firms making products that have moving parts
- C) can lead to financial loss
- D) is also called loss identification in the insurance industry

Answer: <https://biology-forums.com/index.php?topic=643264>

Question 672

All of the following are true concerning marine insurance except:

- A) bottomry was an early form of insurance that covered the outstanding balance on a loan for a ship
- B) respondentia was an early form of insurance that covered outstanding loans on cargo
- C) the earliest ocean marine contracts only covered losses caused by pirates and ship owner's fraud
- D) originally coverage did not specify (list) the individual perils causing loss

Answer: <https://biology-forums.com/index.php?topic=644599>

Question 673

Which of the following would not be a reason influencing whether or not an insurance company provides insurance?

- A) The size of the pool
- B) The current market interest rate
- C) Whether or not the losses are independently distributed
- D) Whether or not the losses can financially ruin the insurance company

Answer: <https://biology-forums.com/index.php?topic=643359>

Question 674

The term "PPO" means:

- A) Preferred Participation Organization
- B) Participating Physician Organization
- C) Physicians' Participation Organization
- D) Preferred Provider Organization

Answer: <https://biology-forums.com/index.php?topic=644293>

Question 675

Each of the following is a Social Security benefit except:

- A) retirement
- B) unemployment
- C) survivor
- D) disability

Answer: <https://biology-forums.com/index.php?topic=644404>

Question 676

All of the following are true about OSHA, except:

- A) that it promotes a safe working environment for all U.S. workers
- B) that it encourages employers to remove all recognized hazards from the work environment
- C) that it provides for heavy fines for employer noncompliance with standards
- D) that it is directly responsible for reducing worker turnover

Answer: <https://biology-forums.com/index.php?topic=643397>

Question 677

Which of the following statements about IRAs is false?

- A) Withdrawals made after age 59-1/2 are taxed as ordinary income in the year they are received.
- B) Only deductible contributions and tax deferred interest paid out during retirement are taxed as income.

C) Early withdrawal from an IRA causes a 20% tax penalty to be incurred.

D) Withdrawal of IRA funds must begin by age 70-1/2.

Answer: <https://biology-forums.com/index.php?topic=644340>

Question 678

The most difficult and important step in the risk management process generally is:

A) evaluating risk

B) reviewing the program

C) selecting the best method(s) to handle the risk

D) identifying the risk

Answer: <https://biology-forums.com/index.php?topic=643225>

Question 679

Traditional Blue Cross benefits are expressed in terms of services rather than dollars.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644309>

Question 680

Stare decisis means:

A) to stand by decisions

B) to stand for decisiveness

C) to let the thing speak for itself

D) to stare indecisively

Answer: <https://biology-forums.com/index.php?topic=643723>

Question 681

Why is there an "ordinance-or-law exclusion" in a typical HO-3 policy?

A) Because it is too costly to include

B) Because there is a federal insurance policy that covers this aspect

C) Because it is better insured under another insurance policy

D) There is no such exclusion.

Answer: <https://biology-forums.com/index.php?topic=644017>

Question 682

The variable annuity:

A) pays a fixed dollar amount for a variable length of time

B) pays an annuity to a variable number of people

C) overcomes the problem of inflation and the loss of purchasing power

D) accepts variable amounts of deposits on a periodic basis during the accumulation period

Answer: <https://biology-forums.com/index.php?topic=644222>

Question 683

Social security tax applies only until an annual covered maximum wage is reached. What was that wage in 2012?

A) \$84,600

B) \$90,400

C) \$110,100

D) \$119,000

Answer: <https://biology-forums.com/index.php?topic=644446>

Question 684

A bailees' customer policy is a type of ocean marine insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644692>

Question 685

The principle of indemnity says that the insured should profit from insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643900>

Question 686

Lloyd's of London is the largest mutual insurance company in the world measured by total premiums written.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643623>

Question 687

Only "currently insured" workers are entitled to a Social Security retirement benefit.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644478>

Question 688

A male age 65 will receive lower monthly benefits per \$1,000 of premium payment than a female age 65, because of the female's better longevity.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644251>

Question 689

Which of the following statements about risk-bearing financial institutions is not correct?

- A) They are a good example of creating self-insurance by the customers of these institutions.
- B) They allow its customers to transfer their financial risks to the institution for a fee.
- C) They capitalize on their size to mitigate risks.
- D) They finance the cost of any losses by the fees they get from their customers.

Answer: <https://biology-forums.com/index.php?topic=643416>

Question 690

Which of the following is not an advantage of risk-bearing financial institutions?

- A) They provide diversification benefits.
- B) They can save on investments in financial infrastructure.
- C) They provide administrative services.
- D) They provide professional management.

Answer: <https://biology-forums.com/index.php?topic=643478>

Question 691

HMOs are health insurers specializing in cancer insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644302>

Question 692

Which of the following is false regarding the incontestable clause?

- A) Applies to misstatement of age
- B) Does not restrict suits challenging accidental death benefits
- C) Eliminates suits by the insurer if a more hazardous occupation is discovered by the insurer three years after the policy has been in force
- D) Was voluntarily added to policies by some insurers

Answer: <https://biology-forums.com/index.php?topic=644148>

Question 693

Medical Payments coverage in the HO-3 policy covers all of the following except:

- A) a guest slips and falls in the shower
- B) during a delivery, a milkman stumbles over a child's wagon and breaks his leg
- C) the insured stumbles down the porch while entering his own home and breaks his arm
- D) the insured accidentally hits someone with a golf ball on the golf course; the person needs medical treatment

Answer: <https://biology-forums.com/index.php?topic=643986>

Question 694

All the following are true about underwriting except:

- A) a major purpose of underwriting is to reduce adverse selection against the insurance company
- B) fair rates should be charged so that each group of insureds is not subsidized by other groups
- C) the underwriter should select only those insureds that are expected to have no losses
- D) the underwriter makes decisions based on criteria established by the company management

Answer: <https://biology-forums.com/index.php?topic=643634>

Question 695

When a reinsurer cedes coverage to another reinsurer, it is called retrocession.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643678>

Question 696

What are considered the benefits and the costs to society of operating an insurance mechanism?

Answer: <https://biology-forums.com/index.php?topic=643565>

Question 697

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 698

Which of the following statements is false?

- A) People with a small amount of assets do not typically need a will.
- B) A parent can use a will to appoint a guardian for his/her children.
- C) A valid will can minimize probate problems.
- D) A legally enforceable will must be made when a person is of sound mind.

Answer: <https://biology-forums.com/index.php?topic=644036>

Question 699

After taking an introductory course in insurance, your parents ask you what type of life insurance policy they should purchase if they want permanent death protection and the potential for earning a relatively high rate of return on their cash value. Which type of life insurance would you suggest?

- A) Term life
- B) Whole life
- C) Universal life
- D) Variable life

Answer: <https://biology-forums.com/index.php?topic=644121>

Question 700

The majority of workers' compensation coverage comes from state-operated insurance pools.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644570>

Question 701

Since the homeowners' insurance policy is written by the insurer, ambiguities are interpreted in favor of the insured.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643896>

Question 702

Lack of supply of insurance:

- A) can be the result of inefficient insurance regulation
- B) is a reason why companies now get their insurance on Bermuda or the Cayman Islands
- C) is no problem when it comes to risk against earthquakes
- D) is no problem when it comes to private unemployment insurance

Answer: <https://biology-forums.com/index.php?topic=643428>

Question 703

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 704

Ira is a homeowner covered by an HO-3 policy. He lives with his wife and three teenage children, plus one teenage foster child. Who in the household is not covered for personal liability by the HO policy?

- A) Ira's foster child
- B) Ira's wife
- C) Any of the Ira's three teenage children
- D) All of the persons listed above are covered.

Answer: <https://biology-forums.com/index.php?topic=644012>

Question 705

An office building is an example of:

- A) personal property
- B) intangible property
- C) intellectual property
- D) real property

Answer: <https://biology-forums.com/index.php?topic=644652>

Question 706

Which of the following statements about convolution is not correct?

- A) Regardless of the number of possible outcomes, risk managers still perform convolution calculations by hand.
- B) Convolution uses joint probabilities to estimate the combined effects of frequency and severity.
- C) The outcome of the calculation using convolution will be expressed in dollars.
- D) The total probability of all loss combinations have to add up to 1.

Answer: <https://biology-forums.com/index.php?topic=643339>

Question 707

Examine the following list of "risks." Determine which of these are "pure risks."

- I. The risk that your antique Corvette will depreciate in market value
- II. The risk that you will have a collision in your Corvette, thus causing you to spend thousands of dollars in repair costs
- III. The risk that someone will steal your Corvette
- IV. The risk that you will buy a house and lightning will strike your roof, thus causing you to have to purchase a new roof
- V. The risk that you will invest your life savings in a business venture that fails, thus causing you to lose your entire investment

- A) I, II, III, IV, and V
- B) I, II, and IV
- C) I, II, III, and IV
- D) II, III, and IV

Answer: <https://biology-forums.com/index.php?topic=643214>

Question 708

Grave markers are usually covered by HO policies.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644028>

Question 709

The purpose of the insuring agreement of an insurance policy is to:

- A) specify the perils covered
- B) list reasons allowing the insurer to cancel the policy
- C) present the language giving force to the contract
- D) indicate who can collect for a covered loss

Answer: <https://biology-forums.com/index.php?topic=643835>

Question 710

The popularity of defined benefit pension plans has:

- A) increased
- B) decreased
- C) remained about the same
- D) become so low that these plans are no longer legal

Answer: <https://biology-forums.com/index.php?topic=644350>

Question 711

The combined ratio is:

- A) the loss ratio plus the expense ratio
- B) a measure of underwriting losses
- C) the loss ratio divided by the expense ratio
- D) a measure of capital gains and dividend returns

Answer: <https://biology-forums.com/index.php?topic=643542>

Question 712

Financial planners:

- A) should be knowledgeable of many topics
- B) will make decisions for their clients
- C) can assist people in the financial planning process
- D) A and C above

Answer: <https://biology-forums.com/index.php?topic=644065>

Question 713

Which of the following statements about stock insurance companies is true?

- A) Stockholders provide operating capital and receive dividends.
- B) They are nonprofit organizations.
- C) The insureds own the company.
- D) They are more likely to provide lower-cost insurance than mutuals.

Answer: <https://biology-forums.com/index.php?topic=643579>

Question 714

Which of the following statements about the loss control is not correct?

- A) Loss control is also known as risk control.
- B) Loss control can be classified into two categories, namely loss prevention and loss reduction.
- C) A number of activities associated with loss control simultaneously reduce both loss frequency as well as severity.
- D) Risk transfer is an example of loss control.

Answer: <https://biology-forums.com/index.php?topic=643408>

Question 715

The liability coverage of the HO policy commits the insurer to defend lawsuits brought against the homeowner, even if the lawsuits are frivolous and groundless.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644025>

Question 716

Explain the purpose of the annuity contract in a financial plan.

Answer: <https://biology-forums.com/index.php?topic=644258>

Question 717

Which of the following statements about the correlation coefficient is correct?

- A) The correlation coefficient measures risk.
- B) The correlation coefficient is a number between -1 and +1.
- C) The correlation coefficient measures how two variables move relative to each other.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643468>

Question 718

The Broad Cause of Loss form adds perils to the Basic Cause of Loss form but does not increase the dollar amount of coverage.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644678>

Question 719

In Austin's agency contract, the insurer authorizes him to sell insurance policies, but does not specifically authorize him to make telephone calls to

prospective clients. He makes such calls anyway. Does he have the authority to make these calls, and if so, what type of authority is this?

- A) No, he has no such authority.
- B) Yes, and it is express authority.
- C) Yes, and it is incidental authority.
- D) Yes, and it is apparent authority.

Answer: <https://biology-forums.com/index.php?topic=643651>

Question 720

A statement of opinion by the insured on a life insurance application:

- A) is a sufficient reason to allow an insurer to later void the contract
- B) is illegal, and insurers must not request such information
- C) is not a sufficient reason for an insurer to later void the contract
- D) provides reliable information to the underwriter

Answer: <https://biology-forums.com/index.php?topic=643887>

Question 721

Which of the following is not a reason for using deductibles in property insurance?

- A) They reduce the morale hazard
- B) They eliminate payment for frequent small losses
- C) They allow consumers to customize contracts based on financial considerations
- D) To split large losses in excess of the policy limits equitably between the insured and the insurer

Answer: <https://biology-forums.com/index.php?topic=643838>

Question 722

Choose the true statement.

- A) FAIR plans were developed to provide insurance to automobile drivers when coverage is otherwise unavailable.
- B) FAIR plans are now found in all states.
- C) FAIR plans require that each property owner that requests it, be given an inspection of his property and an offer of insurance at an appropriate rate or written notice of improvements needed before insurance can be offered.
- D) In general, FAIR plans have shown underwriting gains in most states in most years.

Answer: <https://biology-forums.com/index.php?topic=643718>

Question 723

Compulsory Liability Insurance laws are designed to:

- A) reduce automobile insurance rates
- B) decrease the number of people who carry automobile insurance
- C) reduce the number of automobile accidents
- D) force individuals to purchase auto liability insurance

Answer: <https://biology-forums.com/index.php?topic=643924>

Question 724

Assume that you own a house in rural Arkansas with a pier foundation (concrete blocks on each of the four corners). Your prospective insurance company indicates that they will not insure your home unless you take some loss prevention steps. Which of the following steps is the best loss prevention measure?

- A) Join a local volunteer fire department
- B) Put fire extinguishers on the front porch, bathroom, and kitchen
- C) Enclose the open foundation with bricks to stop trash and leaves from accumulating
- D) Put a smoke alarm in every room

Answer: <https://biology-forums.com/index.php?topic=643404>

Question 725

Leasing is an example of risk identification.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643308>

Question 726

Conditional receipts are associated with life insurance rather than non-life insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643903>

Question 727

What are the advantages of saving with cash value whole life insurance?

Answer: <https://biology-forums.com/index.php?topic=644144>

Question 728

Which of the following was not listed in the text as a duty of an agent?

- A) Loyalty to the principal
- B) Carefully handling all money and keeping proper records
- C) Carefully conveying all relevant information
- D) Duty to select profitable business for carriers

Answer: <https://biology-forums.com/index.php?topic=643643>

Question 729

United Insurance Company insures Travelco for fire insurance. United reinsures 40% of this exposure with Promises Reinsurance company on a pro-rata basis. If a \$400,000 insured loss occurs at Travelco, Promises Reinsurance will pay United:

- A) \$0
- B) \$400,000
- C) \$160,000
- D) \$240,000

Answer: <https://biology-forums.com/index.php?topic=643673>

Question 730

Which of the following is false concerning unemployment insurance?

- A) It is experience-rated.
- B) It originated in the Social Security Act of 1935.
- C) It is paid for by both the employee and employer in the form of a wage-based tax.
- D) It does not provide benefits to a worker who voluntarily quits a job.

Answer: <https://biology-forums.com/index.php?topic=644539>

Question 731

Explain briefly the operation of the guaranteed insurability rider, the waiver of premium rider, and the double indemnity rider.

Answer: <https://biology-forums.com/index.php?topic=644211>

Question 732

Most states require licensed insurance agents to be at least age 18, to have good morals, and to pass an examination.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643693>

Question 733

Which of these health insurers normally rewards its doctors through profit sharing?

- A) Traditional Health Insurers
- B) Blue Cross/Blue Shield Organizations
- C) Health Maintenance Organizations
- D) Preferred Provider Organizations

Answer: <https://biology-forums.com/index.php?topic=644280>

Question 734

Insurance brokers are:

- A) compensated by a flat salary
- B) legally, agents of the insurance company
- C) only used in life insurance
- D) legally, agents of the insurance consumer

Answer: <https://biology-forums.com/index.php?topic=643631>

Question 735

The South-Eastern Underwriters Association Case:

- A) preceded the Paul V. Virginia case
- B) upheld the precedent set in Paul v. Virginia

C) reversed the Paul v. Virginia decision

D) none of the above

Answer: <https://biology-forums.com/index.php?topic=643779>

Question 736

Identify the exposure that is not shared by aircraft and marine insurance policies.

A) Cargo loss exposure

B) Legal liability exposure

C) Freight loss exposure

D) All of the above are similar in aircraft and marine coverage.

Answer: <https://biology-forums.com/index.php?topic=644605>

Question 737

The maximum estate tax rate is 58.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644074>

Question 738

Intentionally self-inflicted injuries are usually, though not always, covered by workers' compensation insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644566>

Question 739

Ocean marine policies are typically "specified perils" contracts.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644666>

Question 740

The United States' Property-Liability insurance industry wrote how many billion worth of premiums in 2008?

A) 25.4

B) 97.4

C) 317

D) 439.8

Answer: <https://biology-forums.com/index.php?topic=643599>

Question 741

Sarah has a house valued at \$200,000 and insured for \$180,000. It is totally destroyed by fire, due to the negligence of Courtney. Sarah recovers \$180,000 from her insurer, which then subrogates against Courtney. Suppose the courts decide that Courtney must pay \$100,000 in damages, because that's all the money she has. How much of this \$100,000 can the insurer keep, assuming that the policy has no special provision regarding the distribution of subrogation amounts?

A) \$0 (The entire \$100,000 must be passed on to Sarah)

B) \$20,000 (Sarah gets the other \$80,000)

C) \$80,000 (Sarah gets the other \$20,000)

D) \$100,000 (Sarah will get no additional funds)

Answer: <https://biology-forums.com/index.php?topic=643881>

Question 742

Enterprise Risk Management is typically described as having the following characteristics, except:

A) a top-down corporate focus

B) a broad scope of loss exposures

C) a portfolio perspective

D) a loose approach to risk identification, assessment, and treatment

Answer: <https://biology-forums.com/index.php?topic=643220>

Question 743

Which of the following is not a type of property and liability insurance?

A) Boiler and machinery insurance

B) Personal lines insurance

C) Health insurance

D) Commercial lines insurance

Answer: <https://biology-forums.com/index.php?topic=643515>

Question 744

Most investment income of insurance companies comes from medium to high risk investments in order to reduce the price of insurance as much as possible.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643557>

Question 745

The guaranteed insurability option allows the insured to:

- A) purchase additional amounts of life insurance without proof of insurability
- B) purchase life insurance for his friends without proof of insurability
- C) retain coverage even if the insurer learns that the insured lied on the insurance application
- D) receive a discount for taking an extensive physical examination before coverage begins

Answer: <https://biology-forums.com/index.php?topic=644170>

Question 746

When life insurance is provided on a level premium basis, the premium payments increase as the insured ages.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644139>

Question 747

A commercial package policy:

- A) covers packages in transit
- B) is one in which two or more coverages are combined
- C) both A and B above
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=644664>

Question 748

What is cash flow underwriting? Why is it a concern for insurance companies?

Answer: <https://biology-forums.com/index.php?topic=643564>

Question 749

Which of the following is not a form of internal loss-financing technique?

- A) Hedging
- B) Risk retention
- C) Self-insurance
- D) Captive insurance

Answer: <https://biology-forums.com/index.php?topic=643430>

Question 750

What is the purpose of the interest maintenance reserve?

- A) To absorb losses arising from sales of assets for less than their cost (capital losses)
- B) To absorb losses arising from the insolvency of debtors (credit losses)
- C) To absorb losses caused by changes (increases) in interest rates on government securities
- D) To absorb losses caused by guaranty fund assessments made against insurer assets

Answer: <https://biology-forums.com/index.php?topic=643789>

Question 751

Cheryl buys a life insurance policy with a two-year incontestable clause, and dies three years later. When she dies, her insurer discovers that she lied on application for coverage about her diabetes. What will happen?

- A) The insurer will pay the claim.
- B) The insurer will void the policy and not pay the claim because Cheryl made a material misrepresentation on her application.
- C) The insurer will void the policy and not pay the claim based on the principle of indemnity.
- D) Both B and C above

Answer: <https://biology-forums.com/index.php?topic=644173>

Question 752

Shicara owns a jewelry store. In exchange for a discount on her burglary insurance premium, she promises the insurer that her trained guard dog will be on the premises at all times, even when the store is closed. One evening she takes the dog home with her instead of leaving him at the store, and a burglar breaks in and steals everything. The insurance company finds out the dog wasn't in the store when the burglary happened, and denies the claim. WHY does the insurer do this?

- A) Because Shicara committed a material misrepresentation
- B) Because Shicara breached a warranty
- C) Because Shicara committed a concealment
- D) Because Shicara violated the principle of adhesion

Answer: <https://biology-forums.com/index.php?topic=643883>

Question 753

Falling objects is a named peril for coverage of personal property in a HO-3 policy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644020>

Question 754

If assumption of the risk is established, it means the defendant usually must pay for damages.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643315>

Question 755

All the following are requirements for perfect competition except:

- A) a well-established regulatory environment
- B) numerous sellers, each holding a small market share
- C) numerous well-informed consumers
- D) a homogeneous, perfectly substitutable product

Answer: <https://biology-forums.com/index.php?topic=643712>

Question 756

List and explain briefly the purposes of the workers' compensation laws.

Answer: <https://biology-forums.com/index.php?topic=644589>

Question 757

Which of the following is one of the three largest financial problems facing middle income Americans?

- A) Financing a teenager's automobile
- B) Financing college
- C) Financing the income needs of a surviving spouse with children
- D) Financing the early working years

Answer: <https://biology-forums.com/index.php?topic=644056>

Question 758

Assessment mutuals:

- A) primarily provide fire and windstorm coverage for small towns and farmers
- B) do a lot more business than advance premium mutuals
- C) do about the same amount of business as advance premium mutuals
- D) are shareholder owned

Answer: <https://biology-forums.com/index.php?topic=643600>

Question 759

There is never any income tax when an individual surrenders his life insurance contract.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644079>

Question 760

The term "HMO" means:

- A) Health Maintenance Organization
- B) Health Management Organization

- C) Healthy Mamas Organization
- D) Hospital Management Organization

Answer: <https://biology-forums.com/index.php?topic=644292>

Question 761

Assume Gerald is injured because his landlord, Barbara, fails to replace burned-out light bulbs in the hallway of his apartment building. If Gerald trips and falls and then sues Barbara for his injuries, the basis of his suit most likely will be:

- A) negligence
- B) intentional interference
- C) res ipsa loquitor
- D) breach of contract (lease)

Answer: <https://biology-forums.com/index.php?topic=643285>

Question 762

Which of the following types of risk lend themselves well to self-insurance?

- A) Car insurance and earthquake insurance
- B) Workers' compensation and car insurance
- C) Workers' compensation and health insurance
- D) Health insurance and earthquake insurance

Answer: <https://biology-forums.com/index.php?topic=643429>

Question 763

Under a group life insurance plan, in general, individuals do not have to pass an insurer's medical examination.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644133>

Question 764

Which of the following is not a requirement for receiving unemployment benefits?

- A) Experience a waiting period before benefits are paid
- B) Have an earnings record
- C) Have a continuing interest in employment
- D) The national unemployment percentage must exceed a certain level

Answer: <https://biology-forums.com/index.php?topic=644531>

Question 765

Direct writing insurance companies typically use independent agents to represent them in the sales process.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643688>

Question 766

The term "named insured" includes spouses and children (if any are living at home) in the homeowners (HO) insurance policy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644023>

Question 767

What are the generic tools used to deal with the exposures in the area of financial risk management?

Answer: <https://biology-forums.com/index.php?topic=643504>

Question 768

Ron Liven is a retiree receiving a monthly annuity payment. This year his annuity payment is \$4,000 per month. Last year, it was \$3,700 per month, and the year before it was \$3,500. Ron does NOT know what his payment will be NEXT year. What type of annuity does he have?

- A) Fixed incremental increase
- B) Installment refund
- C) Cash refund
- D) Variable annuity

Answer: <https://biology-forums.com/index.php?topic=644243>

Question 769

The entire-contract clause is one reason the handwritten application for coverage is never attached to the life insurance contract.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644201>

Question 770

Indhar suffers minor injuries when Monica negligently crashes her car into his. Monica is also slightly injured in the accident. Both of them have automobile liability policies in force. Under the no-fault liability system:

- A) Indhar will be compensated by Monica's automobile liability insurer
- B) Indhar will be compensated by his liability insurer, which will also compensate Monica
- C) Indhar and Monica will each collect from the Federal Emergency Management Agency
- D) each will collect from their own auto insurance policy

Answer: <https://biology-forums.com/index.php?topic=644728>

Question 771

Which one of the following is false concerning the PAP?

- A) A pedestrian struck by an automobile can collect under his Medical Payments coverage
- B) Defense, settlement, and supplementary payments are in excess of the stated limits of liability in the PAP
- C) Other than Collision coverage will pay for theft of the automobile
- D) Medical Payments coverage will not pay for the insured's injuries if the accident is the insured's fault

Answer: <https://biology-forums.com/index.php?topic=643922>

Question 772

The Gramm-Leach-Bliley (GLB) Act:

- A) allows banks to acquire insurance companies
- B) prohibits banks from acquiring insurance companies
- C) allows banks to form insurance companies
- D) both A and C

Answer: <https://biology-forums.com/index.php?topic=643584>

Question 773

Oprah has \$250,000 and wishes to purchase a single-premium annuity. All other things being equal, which of the following annuities will provide her with the smallest monthly liquidation payment?

- A) 20-year period certain, joint and 2/3 survivor, single premium
- B) 20-year period certain, single premium
- C) 20-year period certain, joint and survivor, single premium
- D) Straight life annuity, single premium.

Answer: <https://biology-forums.com/index.php?topic=644231>

Question 774

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 775

Describe the purposes of deductibles.

Answer: <https://biology-forums.com/index.php?topic=643914>

Question 776

Insurance agents must never give clients legal advice.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643694>

Question 777

If you were an underwriter of homeowners insurance coverage, asking which of the following underwriting questions would probably be socially unacceptable to the homeowner applicant?

- A) What religious beliefs do you have?
- B) Does anyone in your family smoke cigarettes in the house?

C) Do you have an alarm system installed and working?

D) Do you have a swimming pool?

Answer: <https://biology-forums.com/index.php?topic=643578>

Question 778

What is the purpose of the reinstatement provision? What are the requirements for reinstatement?

Answer: <https://biology-forums.com/index.php?topic=644205>

Question 779

The NAIC is a federal regulatory agency for administering federal insurance programs for armed service personnel.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643811>

Question 780

What is the difference between a SPDA and a FPDA?

Answer: <https://biology-forums.com/index.php?topic=644259>

Question 781

Quaniqua is an insurance agent who sells the products of over 20 different insurance companies. What type of agent is she?

A) Exclusive

B) Direct-writing

C) Independent

D) Soliciting

Answer: <https://biology-forums.com/index.php?topic=643658>

Question 782

The insurance mechanism:

A) redistributes the cost of insured losses

B) intends to make profits for social insurance policies

C) only applies to private insurance companies

D) is defined by law

Answer: <https://biology-forums.com/index.php?topic=643508>

Question 783

Billy is driving to the beach for spring break. Before leaving on his trip, he takes some cold medicine that makes him sleepy. He falls asleep at the wheel and collides with another car on the highway and breaks his leg. In this context, which of the following is the hazard?

A) Spring break

B) Knowing how to drive

C) Taking the medicine

D) Broken leg

Answer: <https://biology-forums.com/index.php?topic=643538>

Question 784

In choosing an insurance company, the most important factor is:

A) how many dollars it pays for claims

B) the amount of liquid assets the insurer has

C) its financial strength

D) the state in which it is domiciled

Answer: <https://biology-forums.com/index.php?topic=643714>

Question 785

Life insurance policy owners have several ways by which to access the cash savings in their life insurance policies while the insured is still alive.

Which of the following is not one of those ways?

A) Invest cash value in the insurer's stock and then receive shareholder dividends

B) Participating policy dividends

C) Withdraw the cash value

D) Take a lump sum settlement if the insured is terminally ill

Answer: <https://biology-forums.com/index.php?topic=644062>

Question 786

Choose the recipient of the largest dollar amount of annual annuity receipts for a \$100,000 single-premium immediate annuity:

- A) male age 65
- B) female age 65
- C) male age 25
- D) female age 20

Answer: <https://biology-forums.com/index.php?topic=644220>

Question 787

The main outcome of the Gramm-Leach-Bliley Act of 1999 is to allow:

- A) banks, insurers and security dealers to openly compete with one another
- B) banks, insurers and security dealers to form financial services holding companies
- C) insurers to choose between state or federal regulation
- D) banks to evade the provisions of the Glass-Steagall Act

Answer: <https://biology-forums.com/index.php?topic=643793>

Question 788

Which statement is false about the United States?

- A) Health care spending per capita in 2008 was \$7,720.
- B) The share of personal health spending associated with hospital services has increased since 2000.
- C) The percentage of the U.S. population without health insurance was 19% in 2009.
- D) The share of personal health spending growth associated with prescription drug spending has declined since 2000.

Answer: <https://biology-forums.com/index.php?topic=644289>

Question 789

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 790

To have your bodily injuries covered under your Uninsured Motorist Coverage, you must have been at fault in the auto accident that caused your bodily injuries.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643970>

Question 791

Which of the following is false with respect to universal life insurance (ULI)?

- A) Is interest sensitive
- B) Has flexible premiums and benefits
- C) Is cheaper than ordinary whole life
- D) Has the tax benefits of ordinary life insurance

Answer: <https://biology-forums.com/index.php?topic=644111>

Question 792

In the context of ERM, which of the following is an example of hazard risk?

- A) Human Resource losses
- B) Property losses
- C) Liability losses
- D) Supply Chain interruption losses

Answer: <https://biology-forums.com/index.php?topic=643222>

Question 793

With respect to a trust fund, what is the role of the trustee?

- A) Provide the initial funding for the trust
- B) Receive the benefits of the trust

- C) Provide management of the trust's property
- D) Determine the beneficiary of the trust

Answer: <https://biology-forums.com/index.php?topic=644058>

Question 794

All of the following are considered a financial risk handled by financial risk management except:

- A) currency risk
- B) liquidity risk
- C) product marketability risk
- D) commodity price risk

Answer: <https://biology-forums.com/index.php?topic=643302>

Question 795

When a primary insurer "cedes" coverage to a reinsurer, the process is called:

- A) reinsurance
- B) automatic coverage
- C) retrocession
- D) cession

Answer: <https://biology-forums.com/index.php?topic=643675>

Question 796

A cash balance pension plan guarantees the participating employee:

- A) nothing
- B) a minimum interest rate on the employee's retirement savings
- C) a minimum monthly pension amount for the first 10 years of retirement
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=644359>

Question 797

The contract feature that waives life insurance premiums if the insured becomes permanently disabled is the:

- A) disability assignment rider
- B) premium waiver clause
- C) disability income option rider
- D) waiver of premium rider

Answer: <https://biology-forums.com/index.php?topic=644157>

Question 798

Calculate the Standard Deviation of the following investment:

State of the Economy Probability Outcome

Recession 30% -7%

Stability 40% 8%

Boom 30% 13%

The expected return for this investment is 5%

- A) 0.66%
- B) 5.77%
- C) 8.12%
- D) 10.41%

Answer: <https://biology-forums.com/index.php?topic=643464>

Question 799

The standard deviation measures the degree to which the actual losses from a loss distribution deviate from the expected loss.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643373>

Question 800

A mutual insurer:

- A) is not a corporation
- B) is run by an attorney-in-fact
- C) is legally a nonprofit organization
- D) technically is a charitable organization

Answer: <https://biology-forums.com/index.php?topic=643585>

Question 801

Underinsured Motorist coverage:

- A) is the same as Uninsured Motorist coverage
- B) is automatically included in the PAP's Part C coverage
- C) pays for property damage you cause when victims have no coverage
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=643955>

Question 802

The frequency with which losses occur and their severity are two key statistical measures for evaluating loss exposure.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643368>

Question 803

The primary difference between an insurance agent and an insurance broker is:

- A) their compensation scheme
- B) the parties they each legally represent
- C) the fringe benefits their employers provide
- D) there is no practical or legal difference between them, other than their titles.

Answer: <https://biology-forums.com/index.php?topic=643646>

Question 804

A life annuity that pays nothing to the beneficiary after the annuitant dies is called a _____ annuity.

- A) period certain
- B) straight life
- C) refund
- D) joint-and-last-survivor

Answer: <https://biology-forums.com/index.php?topic=644226>

Question 805

Which of the following is not a method of protection of risk?

- A) Group insurance plans
- B) Employee benefits
- C) Social insurance
- D) Humanitarian aid

Answer: <https://biology-forums.com/index.php?topic=643194>

Question 806

Our government gets several advantages from the private employee benefit systems. Which of the following is not one of those advantages?

- A) Fewer people are dependent on welfare programs.
- B) The burden on the Social Security program is reduced if people have private pensions and life insurance.
- C) Government control of the economy is avoided if the funds to finance benefits remain in private hands.
- D) All of the above are advantages.

Answer: <https://biology-forums.com/index.php?topic=644337>

Question 807

Diversifiable risk is defined as:

- A) risk with two possible outcomes
- B) risk with three possible outcomes
- C) an individual's perception of risk
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=643211>

Question 808

A joint-and-one-half survivor annuity covers two people, but the annuity payments are cut in half at the death of the first annuitant.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644248>

Question 809

Calculate the Expected Value of the following Probability Distribution:

Loss Outcome Probability

-16 15%

-19 50%

-22 35%

A) -19.6

B) -19

C) -17.8

D) -17.2

Answer: <https://biology-forums.com/index.php?topic=643330>

Question 810

The probability distribution associated with the role of a die:

A) can be used to forecast the risk of restaurant law suits

B) is a non-normal distribution

C) is known in advance

D) can not be identified

Answer: <https://biology-forums.com/index.php?topic=643363>

Question 811

Which of the following is not provided on the private insurance market?

A) Bank deposit insurance

B) Life insurance

C) Health insurance

D) Commercial lines insurance

Answer: <https://biology-forums.com/index.php?topic=643514>

Question 812

If the Bartow Publishing House sends a shipment of textbooks to the university bookstore via a common carrier, it needs:

A) no inland marine insurance because the trucking company already has this coverage

B) inland marine insurance because a shipper cannot recover from a common carrier

C) liability insurance to sue the common carrier for the carrier's legal liability

D) inland marine insurance, even though it can collect a liability claim from the carrier, because such collection could be slow and potentially expensive

Answer: <https://biology-forums.com/index.php?topic=644644>

Question 813

The participation provision is generally associated with major medical insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644303>

Question 814

Which of the following statements about the loss severity distribution is correct?

A) The loss severity distribution estimates the average size of an expected loss.

B) The loss severity distribution can be used to estimate the average severity of loss if a loss occurs.

C) The loss severity distribution represents the number of losses likely to happen.

D) The loss severity distribution is measured as a percentage of loss.

Answer: <https://biology-forums.com/index.php?topic=643338>

Question 815

If an insured has actual cash value coverage, how much would he collect given the following facts?

1) Replacement cost of the building is \$200,000,

2) Replacement cost of the loss is \$30,000,

3) Estimated total useful life is 30 years, and

4) Building has been in use 15 years.

A) \$70,000

B) \$45,000

C) \$30,000

D) \$15,000

Answer: <https://biology-forums.com/index.php?topic=643856>

Question 816

The Financial Definition of insurance:

- A) is that insurance is a contract in which one party agrees to compensate another party for losses covered by the contract
- B) is that insurance is a financial agreement that transfers the risk of insured losses to a risk pool by an insurer
- C) differs from state to state
- D) is that it is any pool for which the insurance mechanism works

Answer: <https://biology-forums.com/index.php?topic=643510>

Question 817

Jane is offered a pension plan through her employer. The plan agrees that if she will deposit 6% of her salary to a retirement account, the employer will deposit a matching amount. When Jane retires, whatever money is in the account will belong to her. What is the proper name for this type of pension plan?

- A) A vested pension plan
- B) A defined contribution plan
- C) A defined benefit plan
- D) A tax-deferred savings plan (401(k))

Answer: <https://biology-forums.com/index.php?topic=644336>

Question 818

What are some of the reasons exclusions are found in insurance contracts?

Answer: <https://biology-forums.com/index.php?topic=643913>

Question 819

Ramone works as a claims adjuster. He is hired by insureds to evaluate their claims when they need his services. What kind of claims adjuster is Ramone?

- A) Independent
- B) Public
- C) Private
- D) Reserve

Answer: <https://biology-forums.com/index.php?topic=643644>

Question 820

Fergie is a salaried claims adjuster who works exclusively for Mutual of Kentucky Insurance. What kind of claims adjuster is Fergie?

- A) Independent
- B) Public
- C) Private
- D) Direct

Answer: <https://biology-forums.com/index.php?topic=643649>

Question 821

Explain the difference between a defined contribution and a defined benefit plan.

Answer: <https://biology-forums.com/index.php?topic=644392>

Question 822

What is the contractual significance of having high limits of legal liability coverage in the HO contract?

Answer: <https://biology-forums.com/index.php?topic=644034>

Question 823

An annuity 5 years certain pays for 5 years or the death of the annuitant, whichever comes first.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644255>

Question 824

The present value of an education fund increases as one gets closer to the college years.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644086>

Question 825

Stock insurers:

- A) are unincorporated
- B) only sell property and liability insurance
- C) cannot sell automobile insurance
- D) are organized as profit-making ventures

Answer: <https://biology-forums.com/index.php?topic=643595>

Question 826

Which of the following is not covered by the HO-3 Form?

- A) Additional living expense and rental value
- B) Death (loss) of domestic animals
- C) Personal liability defense costs
- D) Loss of trees, shrubs and other plants

Answer: <https://biology-forums.com/index.php?topic=644002>

Question 827

One result of the Gramm-Leach-Bliley act has been:

- A) the separation of banks and insurance companies
- B) greater consistency of agent licensing requirements across state lines
- C) increased restrictions on where agents and insurers may operate
- D) both A and C

Answer: <https://biology-forums.com/index.php?topic=643802>

Question 828

Which of the following is true?

- A) Suing an uninsured motorist for damages they cause you to suffer is not a promising source of recovery.
- B) If you are struck by an uninsured motorist and want your PAP's Uninsured Motorist coverage to pay for your bodily injuries, you must convince your insurer that the Uninsured Motorist was at-fault in the incident.
- C) If you cannot clearly establish that an uninsured motorist was at fault in the accident, you may have to enter the arbitration process to get your insurer to pay for your damages under the PAP's Uninsured Motorist coverage.
- D) All of the above

Answer: <https://biology-forums.com/index.php?topic=643953>

Question 829

What is the difference between Collision and Other than Collision coverages? Why does the PAP list certain perils in Other than Collision when they can be caused by collision? What happens if the cause of loss is not listed?

Answer: <https://biology-forums.com/index.php?topic=643978>

Question 830

The _____ clause in an insurance policy says that when the insurer indemnifies the insured for a loss, it takes over the insured's right to collect payment from any negligent third party that may have caused the loss.

- A) indemnity
- B) proof of loss
- C) adhesion
- D) subrogation

Answer: <https://biology-forums.com/index.php?topic=643848>

Question 831

The HO policy's Mortgage Clause continues to protect the lender (mortgagee) even if the insured/homeowner has committed fraud against the insurer. T/F?

Answer: <https://biology-forums.com/index.php?topic=644024>

Question 832

No medical exam is required for the purchase of an annuity, no matter how old the applicant.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644252>

Question 833

A stock insurer is managed by:

- A) an attorney-in-fact
- B) an agency supervisor
- C) a fraternal representative
- D) representatives chosen by shareholders

Answer: <https://biology-forums.com/index.php?topic=643596>

Question 834

Mike is dying of AIDS and knows it, but does not tell his agent when applying for life insurance. The contract is issued and Mike dies three years later, at which time the insurer learns of Mike's condition. In this case the insurer must:

- A) pay the face of the policy to the beneficiary
- B) return all premiums plus interest
- C) return all premiums without interest
- D) pay the beneficiary, but the insurer can then subrogate against the insured's estate

Answer: <https://biology-forums.com/index.php?topic=644158>

Question 835

Which of the following is true about pure risks?

- A) They are also known as hazard risks.
- B) They are completely unrelated to hazard risks.
- C) Are only recently being considered by risk managers.
- D) Consist of Property and associated Human Resource risk only.

Answer: <https://biology-forums.com/index.php?topic=643275>

Question 836

Explain why the standard deviation represents risk.

Answer: <https://biology-forums.com/index.php?topic=643386>

Question 837

United Insurance Company insures Travelco for fire insurance. United reinsures part of the exposure with Promises Reinsurance Company on an excess of loss basis, with United's retention loss level equal to \$150,000. In this instance, assuming a \$400,000 insured loss, Promises will pay to United:

- A) \$0
- B) \$100,000
- C) \$150,000
- D) \$250,000

Answer: <https://biology-forums.com/index.php?topic=643674>

Question 838

Why would "groom decides he doesn't want to get married" not be covered by a typical wedding insurance policy?

- A) It is a catastrophic event, and insurance companies do not cover that.
- B) The groom has the right to make that decision, and therefore it is not covered under a typical insurance policy.
- C) It is not an independent outside event.
- D) The risk pool size is too small.

Answer: <https://biology-forums.com/index.php?topic=643356>

Question 839

Risk avoidance is the best risk management tool when the change of loss is _____ and the potential severity of loss is _____.

- A) low, low
- B) high, high
- C) low, high
- D) high, low

Answer: <https://biology-forums.com/index.php?topic=643393>

Question 840

Which of the following is not a type of term life insurance?

- A) Single-year term

- B) Single-month term
- C) Multiyear term
- D) Term to a specific age

Answer: <https://biology-forums.com/index.php?topic=644128>

Question 841

The Big Boy Toy Company's best seller is a futuristic radio-controlled car. The toy is manufactured using a custom mold designed especially for the company by a local artist. If anything were to happen to this mold, the company would have to stop manufacturing the toys until the artist could reproduce the mold. The risk manager's primary concern regarding damage to this mold is probably the:

- A) indirect loss that will result while production of the toy is halted
- B) expense of paying the artist to reproduce the mold
- C) extra cost of manufacturing additional toys while the car cannot be manufactured
- D) direct damage to employees that will be laid off while production is halted

Answer: <https://biology-forums.com/index.php?topic=643298>

Question 842

The correct order of the steps in the Risk Management Process is:

- A) Establish Goals, Identify Potential Loss Exposure, Measure Potential Loss Exposure, Choose Risk Handling Techniques, Implement Techniques and Monitor Effectiveness
- B) Establish Goals, Choose Risk Handling Techniques, Identify Potential Loss Exposure, Measure Potential Loss Exposure, Implement Techniques and Monitor Effectiveness
- C) Establish Goals, Choose Risk Handling Techniques, Measure Potential Loss Exposure, Identify Potential Loss Exposure, Implement Techniques and Monitor Effectiveness
- D) Establish Goals, Measure Potential Loss Exposure, Identify Potential Loss Exposure, Choose Risk Handling Techniques, Implement Techniques and Monitor Effectiveness

Answer: <https://biology-forums.com/index.php?topic=643199>

Question 843

The gender of the person receiving periodic income payments is a factor in the settlement of life insurance proceeds under the:

- A) fixed period option
- B) interest option
- C) fixed amount option
- D) life income option

Answer: <https://biology-forums.com/index.php?topic=644161>

Question 844

One requirement of group insurance is that the group be formed for the purpose of purchasing coverage.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644369>

Question 845

The insured is the person whose death causes the insurer to pay the claim.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644200>

Question 846

A foreign insurer is a non-U.S. insurer.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643818>

Question 847

What is the difference between pro-rata reinsurance and excess of loss reinsurance?

Answer: <https://biology-forums.com/index.php?topic=643702>

Question 848

Tiffany, who is married to Saul, takes out a \$1,000,000 life insurance policy on Saul's life in 2008. Two years later they get divorced and Tiffany immediately remarries. Saul is not required to pay any alimony or child support to Tiffany after the divorce. In 2015, Saul dies. What will Tiffany collect on the life insurance policy, assuming she continued to pay all premiums due following their divorce?

- A) \$0, because Tiffany has no insurable interest

- B) \$1,000,000, because Tiffany had insurable interest in Saul's life when the policy was purchased
C) \$1,000,000, because Tiffany had insurable interest in Saul's life at the time of his death
D) \$0, because Saul was not ordered to pay alimony to Tiffany

Answer: <https://biology-forums.com/index.php?topic=643878>

Question 849

Bearing risk collectively is:

- A) not very cost-efficient
B) more effective for larger groups
C) not reducing risk
D) only effective when all group members experience the same negative consequences simultaneously

Answer: <https://biology-forums.com/index.php?topic=643459>

Question 850

Risk averse people have a tendency to shy away from insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643244>

Question 851

A misrepresentation:

- A) always voids a contract
B) makes a contract voidable if it is material
C) is sometimes referred to as a "concealment"
D) is legally treated the same way as a breach of warranty

Answer: <https://biology-forums.com/index.php?topic=643857>

Question 852

The functional replacement provision in some property insurance policies is used when:

- A) replacing a lost item is impossible
B) replacing a lost item is much cheaper than expected
C) replacing a building will cost much more than its market value
D) an insured set of objects is collectively worth more than the sum of its individual components

Answer: <https://biology-forums.com/index.php?topic=643860>

Question 853

Why is a large number of exposure units generally required for a risk to be insurable?

- A) It prevents the insurer from losing money.
B) It guarantees that losses will be unintentional and measurable.
C) It enables the insurer to better predict the frequency and severity of losses (moderate).
D) It minimizes physical hazards.

Answer: <https://biology-forums.com/index.php?topic=643213>

Question 854

All the following are advantages of level premium whole life insurance except:

- A) furnishes permanent protection
B) small initial outlay v. single premium whole life
C) combines savings with insurance
D) provides inflation protection

Answer: <https://biology-forums.com/index.php?topic=644098>

Question 855

A futures contract is:

- A) selling two investments that are both expected to lose in the future
B) buying two investments that are both expected to make a profit in the future
C) taking two positions whose gains and losses will offset each other
D) an agreement to buy or sell a commodity or financial asset at a specified price on a later date

Answer: <https://biology-forums.com/index.php?topic=643480>

Question 856

Which of the following statements about insurance laws is not correct?

- A) Insurance laws are generally fairly flexible.
- B) There are insurance laws that deal with fair prices for insurance.
- C) There are insurance laws that deal with the solvency of insurance companies.
- D) Insurance laws protect the rights of the insured.

Answer: <https://biology-forums.com/index.php?topic=643746>

Question 857

The major change established by the passage of workers' compensation laws was to:

- A) help lawyers obtain more business
- B) substitute the employer's liability without fault for the common law doctrine of negligence
- C) enable the employer to effectively defend itself in a liability suit
- D) bar the employee from recovery for job related injuries

Answer: <https://biology-forums.com/index.php?topic=644529>

Question 858

List some of the reasons why insurance companies engage in the reinsurance transaction.

Answer: <https://biology-forums.com/index.php?topic=643703>

Question 859

Fixed dollar annuities are widely used as a hedge against inflation.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644250>

Question 860

Your PAP's Medical Payments coverage will pay for your bodily injuries if you get hit by a car as a pedestrian.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643971>

Question 861

From the insurance company's perspective, what is the difference between written premium and earned premium?

- A) There is no difference; they are effectively the same thing.
- B) Written premiums are those that belong to the insurer; earned premiums do not belong to the insurer.
- C) Written premiums are the total premiums collected by the insurer; earned premiums are those that belong to the insurer.
- D) Written premiums reflect the total amount of coverage provided to insureds; earned premiums reflect the net profit of the insurer.

Answer: <https://biology-forums.com/index.php?topic=643545>

Question 862

In the Personal Automobile Policy, "your covered auto" includes all of the following except:

- A) any car listed on the declarations page
- B) a newly acquired auto
- C) your trailer, if being towed by a passenger car, pickup, panel truck, or van
- D) a motorcycle, just as long as it is not borrowed

Answer: <https://biology-forums.com/index.php?topic=643935>

Question 863

Savings bank life insurance:

- A) is sold only in a few Eastern states in the U.S.
- B) is a form of group credit life and disability coverage
- C) can only be purchased in amounts of \$5,000 or less
- D) is the same as industrial life insurance

Answer: <https://biology-forums.com/index.php?topic=643588>

Question 864

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 865

Mr. Smalley is a retiree on the Medicare prescription drug plan. This year his drug expenditures are \$5,100. What percentage will Medicare pay of the medications that cost between \$2,930 and \$5,100?

- A) 0
- B) 75
- C) 95
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=644468>

Question 866

Workers' compensation insurance today is primarily a federal, rather than a state, program.
T/F?

Answer: <https://biology-forums.com/index.php?topic=644559>

Question 867

The principle of indemnity:

- A) is illegal in many countries
- B) reduces the occurrence of overstating claims
- C) only applies in life and health insurance
- D) eliminates insurance fraud

Answer: <https://biology-forums.com/index.php?topic=643862>

Question 868

Generally, the justification from the employer's point of view in providing employee benefits is to attract, retain and motivate employees.
T/F?

Answer: <https://biology-forums.com/index.php?topic=644365>

Question 869

Explain the financial definition and the legal definition of "insurance."

Answer: <https://biology-forums.com/index.php?topic=643257>

Question 870

Which of the following is paid for under most workers' compensation systems?

- A) Injuries resulting from intoxication
- B) Self-inflicted intentional injuries
- C) Injuries resulting from willful failure to follow safety rules
- D) Injuries occurring from "horse-play" on the job

Answer: <https://biology-forums.com/index.php?topic=644518>

Question 871

In making your personal risk management decisions, which method would be the most feasible and the most economical for handling chipped windshields on your automobile?

- A) Avoid (don't drive)
- B) Retain (pay for them yourself)
- C) Insure (file a claim under your auto insurance)
- D) Expose (remove your windshield from your car)

Answer: <https://biology-forums.com/index.php?topic=643291>

Question 872

The PAP coverage that pays the largest claims, and is possibly the most important coverage is:

- A) other than collision
- B) medical payments
- C) liability
- D) collision

Answer: <https://biology-forums.com/index.php?topic=643918>

Question 873

Which of the following is not a feature of universal life insurance?

- A) Single-year term
- B) Flexibility of premium payment
- C) Ability to benefit from interest rate increases
- D) Flexibility of death benefits

Answer: <https://biology-forums.com/index.php?topic=644129>

Question 874

Which of the following is not an argument for federal regulation?

- A) There will be substantial improvement in efficiency due to fewer jurisdictional requirements.
- B) There will be less influence over federal regulators by insurance companies.
- C) There will be more expertly trained personnel.
- D) It will bring more tax money to the federal government.

Answer: <https://biology-forums.com/index.php?topic=643767>

Question 875

Standardized insurance policies make it easier to calculate an insurance rate than do non-standardized policies.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643906>

Question 876

Which of the following is true about indirect losses?

- A) Includes smoke damage to a building
- B) Is unrelated to business interruption
- C) Often results as a consequence of a direct loss
- D) Is a non-financial loss

Answer: <https://biology-forums.com/index.php?topic=643271>

Question 877

What is the overall regulatory objective for a state's rate regulations?

Answer: <https://biology-forums.com/index.php?topic=643824>

Question 878

Unemployment insurance is both a state and a federal program.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644576>

Question 879

Explain the principle of subrogation. Provide a mathematical example of its use.

Answer: <https://biology-forums.com/index.php?topic=643909>

Question 880

The personal feature of property insurance contracts means that:

- A) subrogation always applies
- B) ambiguities in the wording will always be construed against the insurer
- C) insurance contracts cannot be freely transferred to other parties
- D) the buyer of insurance must have insurable interest in property before the policy is issued

Answer: <https://biology-forums.com/index.php?topic=643845>

Question 881

Subsidization in insurance pools occurs if a 40-year-old male is charged the same life insurance premium as a 20-year-old male.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643615>

Question 882

Which of the following perils is not covered by the HO-3 form?

- A) Windstorm or hail
- B) Riot or civil commotion
- C) Sudden and accidental smoke damage

D) Volcanic earthquakes

Answer: <https://biology-forums.com/index.php?topic=644011>

Question 883

If insurers didn't practice pooling, what would happen?

- A) They would save a lot of time and money by not having to do difficult calculations.
- B) They would make a handsome profit since they would get to sell a lot of insurance to a lot of people.
- C) The insurance mechanism would become unfeasible.
- D) The insurance mechanism would become the largest money-making venture in the United States.

Answer: <https://biology-forums.com/index.php?topic=643350>

Question 884

All the following are direct losses except:

- A) a car is stolen
- B) a house suffers flood damage
- C) an apartment must be rented after a house is destroyed by fire
- D) a business loses \$100,000 in a law suit

Answer: <https://biology-forums.com/index.php?topic=643191>

Question 885

For most people, the greatest need for life insurance is to retire the debts of the primary wage earner.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644083>

Question 886

Which of the following potential losses is not an example of a pure risk?

- A) Loss of a home by fire
- B) Theft of a car
- C) Loss of \$10,000 in the stock market
- D) Theft of your wallet containing \$100

Answer: <https://biology-forums.com/index.php?topic=643205>

Question 887

Which of the following statements about the Probability Distribution is correct?

- A) A Probability Distribution deals with random variables.
- B) A Probability Distribution shows the probability of occurrence of a variable.
- C) A Probability Distribution shows all possible outcomes of a variable.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643327>

Question 888

Social Security survivor benefits cannot be paid to:

- A) husbands of deceased workers
- B) wives of deceased workers
- C) children of deceased workers
- D) nonprofit charities

Answer: <https://biology-forums.com/index.php?topic=644435>

Question 889

The incontestable clause states that the insurer:

- A) may not contest the policy after it has been in force for five years
- B) cannot void or contest the policy after it is issued
- C) may contest the policy at any time
- D) may not contest the policy after it has been in force one or two years

Answer: <https://biology-forums.com/index.php?topic=644150>

Question 890

Proximate cause means:

- A) the first insured peril in a chain of events leading to a loss

- B) the event nearest the peril in time
- C) the event nearest the peril in space
- D) the event nearest the loss in time and space

Answer: <https://biology-forums.com/index.php?topic=643526>

Question 891

Which of the following is/are advantages of tax-deferred income benefits?

- I. Postponing tax payments allows interest to accrue on dollars owed to the government.
- II. Deferral allows compound interest to also accumulate on a tax-deferred basis.

- A) I only
- B) II only
- C) Both I and II
- D) Neither I nor II

Answer: <https://biology-forums.com/index.php?topic=644341>

Question 892

Change of Law insurance is a type of health insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643559>

Question 893

"Independence" in an insurance pool means:

- A) the bad risks pay more for insurance than good risks
- B) the members of the pool exhibit the same level of risk
- C) those who experience losses have their premiums raised
- D) the occurrence of one event makes it neither more nor less probable that the other occurs

Answer: <https://biology-forums.com/index.php?topic=643342>

Question 894

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 895

What is the principle of indemnity?

- A) A court precedent that gives insureds the right to sue their insurers if they get bad claims service
- B) The rule that a person may not collect more than his actual loss in the event of damage caused by an insured peril
- C) The rule that a person will not be reimbursed for a loss unless he can show proof of loss
- D) A way of requiring a person to pay a premium

Answer: <https://biology-forums.com/index.php?topic=643852>

Question 896

Life income annuities could be beneficial to all of the following persons except:

- A) individuals just beginning retirement
- B) childless couples without close living relatives
- C) individuals in poor health
- D) couples with adult children who are helping to support their parents

Answer: <https://biology-forums.com/index.php?topic=644223>

Question 897

Why is there unequal knowledge and bargaining power in the insurance transaction?

- A) The complexity of the insurance contract and the intangible nature of the product
- B) The insurance companies want to confuse consumers so it is difficult to make choices.
- C) Consumers do not receive the policy until months after the contract goes into effect.
- D) There is no competition in the industry, therefore the consumer is stuck with inferior products.

Answer: <https://biology-forums.com/index.php?topic=643766>

Question 898

Blue Cross is:

- A) owned by the doctors
- B) owned by Blue Shield
- C) not sold on a group basis
- D) a hospital service prepayment plan

Answer: <https://biology-forums.com/index.php?topic=644290>

Question 899

A Pure Risk is defined as:

- A) an event that offer no opportunity for financial gain
- B) the chance a loss will occur
- C) a diversifiable risk
- D) a contingency that increases the chance of a loss

Answer: <https://biology-forums.com/index.php?topic=643190>

Question 900

What is the essential difference between an option and a futures contract?

- A) An option transaction occurs now, while a futures contract takes place in the future.
- B) An option transaction is a right to transact for the option holder, while a futures contract is an obligation to transact in the future.
- C) An option transaction is not standardized, while a futures contract is standardized.
- D) An option transaction deals with financial assets, while a futures contract deals with commodities.

Answer: <https://biology-forums.com/index.php?topic=643481>

Question 901

An automobile's airbag is primarily there for:

- A) loss prevention
- B) loss avoidance
- C) loss reduction
- D) risk assumption

Answer: <https://biology-forums.com/index.php?topic=643403>

Question 902

Marine insurance protects property in transit from damage.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643555>

Question 903

The scope of the insurance market is clearly defined.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643551>

Question 904

The failure of three large life insurance companies resulted in the NAIC's development of which of the following for life insurers?

- A) Interest maintenance reserves
- B) Asset valuation reserves
- C) Risk-based capital requirements
- D) National guaranty funds

Answer: <https://biology-forums.com/index.php?topic=643792>

Question 905

What are the three basic methods of dealing with risk in the risk management process?

Answer: <https://biology-forums.com/index.php?topic=643262>

Question 906

A group disability plan that considers Social Security disability benefits is referred to as an integrated plan.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644373>

Question 907

The states can finance deficits in their unemployment compensation programs with interest-free loans from the federal government.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644574>

Question 908

Which of the following is not correct with respect to universal life insurance?

- A) Is interest sensitive
- B) Has flexible premiums and benefits
- C) Usually involves more guarantees than ordinary whole life
- D) The pattern of face amount may be selected

Answer: <https://biology-forums.com/index.php?topic=644097>

Question 909

It is not possible to have a level premium, immediate annuity.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644254>

Question 910

NAIC stands for:

- A) National Association of Investment Commissioners
- B) National Affiliated Insurance Commissioners
- C) National Association of Insurance Commissioners
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=643791>

Question 911

A void contract is:

- A) voided by the insurer
- B) voided by the insured
- C) voided by law
- D) voided by the court

Answer: <https://biology-forums.com/index.php?topic=643870>

Question 912

Which one of the following is not a basic part of an insurance contract?

- A) Deductibles
- B) Conditions
- C) Declarations
- D) All of the above are a basic part of an insurance contract.

Answer: <https://biology-forums.com/index.php?topic=643891>

Question 913

Uninsured Motorist coverage:

- A) provides first-dollar coverage for damage to the insured's own autos
- B) protects the insured against financially irresponsible drivers who have no auto liability insurance
- C) doubles the premium for liability coverage
- D) is available only to drivers with excellent driving records

Answer: <https://biology-forums.com/index.php?topic=643939>

Question 914

Why have term life insurance rates decreased in recent years?

- A) Improved human longevity
- B) Decrease in percentage of the population infected with HIV/AIDS
- C) Regulatory intervention
- D) They have not decreased; this is a trick question.

Answer: <https://biology-forums.com/index.php?topic=644126>

Question 915

A flood is an example of a non-diversifiable risk.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643241>

Question 916

Credit life insurance is life insurance sold on credit; the premium payments are borrowed.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644132>

Question 917

All the following are coverages available in an ocean marine policy except:

- A) freight
- B) cargo
- C) liability
- D) wharf physical damage coverage

Answer: <https://biology-forums.com/index.php?topic=644632>

Question 918

Brak purchased a \$25,000 life insurance policy from INSCO on January 1. After failing his introductory insurance class, he committed suicide on December 15 of the same year. At the time of his death, he had paid \$1,500 in premiums, and his policy had a cash value of \$600. How much will INSCO pay Brak's beneficiary, assuming that the policy contained a 2-year suicide clause?

- A) \$600
- B) \$1,500
- C) \$23,500
- D) \$1,500 plus interest

Answer: <https://biology-forums.com/index.php?topic=644167>

Question 919

Why is the damage to the property of others also relevant for a firm?

- A) It is a speculative risk.
- B) Since a firm needs to pay for the damage to the property of others
- C) Due to the complex supply chains upon which firms rely
- D) It is not relevant at all.

Answer: <https://biology-forums.com/index.php?topic=643281>

Question 920

Assume you own an antique car. Your prospective insurance company indicates that they will not insure your car unless you take some loss prevention steps to avoid theft. Which of the following steps is the best loss prevention measure with regards to theft?

- A) Always keep a canvas cover over the car to hide it.
- B) Never drive in rainy weather.
- C) Never drive in big cities.
- D) Store the car in a closed and locked garage.

Answer: <https://biology-forums.com/index.php?topic=643406>

Question 921

Which of the following factors would not be considered in setting an ocean marine insurance rate?

- A) Route of the ship
- B) Type of cargo being transported
- C) Experience of the captain and crew
- D) ISO's standard base rate for marine exposures

Answer: <https://biology-forums.com/index.php?topic=644615>

Question 922

Only whole life insurance policies have a grace period.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644202>

Question 923

Why are employers interested in providing employee benefits to their employees?

Answer: <https://biology-forums.com/index.php?topic=644384>

Question 924

Which of the following is not a purpose of workers' compensation laws?

- A) Give broad coverage to employees for work related injuries
- B) Protect workers against lost earnings
- C) Protect employers against the business interruption risk
- D) Provide sufficient medical care for the injured worker

Answer: <https://biology-forums.com/index.php?topic=644524>

Question 925

Comparison shopping for insurance is generally not worthwhile since very little price variation is found in either life or property insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643750>

Question 926

ET Insurance Company cedes to MJ Insurance Company \$60,000 of a \$100,000 exposure on an excess of loss basis. A loss occurs for \$60,000.

- A) MJ pays \$36,000; ET pays \$24,000.
- B) MJ pays \$20,000; ET pays \$40,000.
- C) MJ pays \$40,000, ET pays \$20,000.
- D) MJ pays \$30,000; ET pays \$30,000.

Answer: <https://biology-forums.com/index.php?topic=643667>

Question 927

Which of the following would be most important in making the decision to provide insurance?

- A) Whether or not the probability distribution is normal
- B) The current market interest rate
- C) Whether or not the losses are independently distributed the accident
- D) All are equally important

Answer: <https://biology-forums.com/index.php?topic=643358>

Question 928

Which of the following is not exclusion in a typical HO-3 policy?

- A) Catastrophic events
- B) Coverage where another policy is specifically designed to provide coverage
- C) Failure of power or another utility
- D) All of the above are a typical exclusion in a HO-3 policy.

Answer: <https://biology-forums.com/index.php?topic=644003>

Question 929

When the chance of loss is great and the potential for loss severity is also very high, insurance is the best approach to the risk management problem.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643437>

Question 930

Long-tail claims are those filed:

- A) as a result of animal injuries
- B) by shareholders against the board of directors of a corporation
- C) several years after the actual injury takes place
- D) in a no-fault state

Answer: <https://biology-forums.com/index.php?topic=644730>

Question 931

All of the following losses are covered in an HO-3 policy except:

- A) damage done to the house by neighborhood vandals
- B) damage done to shrubbery during a fire
- C) loss of use of the property following a fire
- D) damage done to the building and contents caused by a flash flood

Answer: <https://biology-forums.com/index.php?topic=643990>

Question 932

The private insurance system and the Social Security system are both "fully-funded."
T/F?

Answer: <https://biology-forums.com/index.php?topic=644500>

Question 933

Because medical expenses may be covered by more than one policy, health insurance policies normally contain a _____ clause to prevent unnecessary termination of the insured.

- A) coordination of benefits
- B) reinstatement
- C) pro-rata
- D) cost containment

Answer: <https://biology-forums.com/index.php?topic=644326>

Question 934

Why is it more difficult to choose a good life insurance policy than to choose a good auto insurance policy?

- A) People don't like thinking about death or dying, and thus cannot be objective in the selection process.
- B) Most people rarely need life insurance, while auto insurance is required by law.
- C) Life insurance policies are not standardized, while many non-life policies are.
- D) Both B and C are correct.

Answer: <https://biology-forums.com/index.php?topic=643731>

Question 935

Criticisms of the American health care system include all of the following except:

- A) waiting to repair the system will make cost control and universal access worse
- B) the current system is more consistent with the American political philosophy than socialized medicine
- C) Americans pay too much for health care
- D) too many Americans do not have adequate access to health care

Answer: <https://biology-forums.com/index.php?topic=644263>

Question 936

Which of the following is not a feature of a 529 Plan?

- A) Withdrawals for nonqualified expenses are prohibited.
- B) The contributor owns the account.
- C) The account owner can change the beneficiary.
- D) The account owner determines the investment strategy.

Answer: <https://biology-forums.com/index.php?topic=644068>

Question 937

What is the rationale for having a special limit of liability on for example a stamp collection?

- A) There is no limit on the liability for a stamp collection.
- B) To prevent moral hazard
- C) It is difficult to determine the amount of loss.
- D) Both B and C

Answer: <https://biology-forums.com/index.php?topic=643998>

Question 938

A person can be found negligent even though his failure to perform some act was unintentional.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643309>

Question 939

When an insured dies with an incident of ownership in a life insurance contract:

- A) the face amount is included in the gross estate
- B) the face amount is not taxed at all due to a loophole in estate tax laws
- C) only the cash value at death is included in the estate
- D) only is taxed due to the spouse's assumed half ownership

Answer: <https://biology-forums.com/index.php?topic=644047>

Question 940

Which of the following statements about the confidence interval is correct?

- A) A confidence interval tells the insurer something about how confident it should be about the calculated risk premium.
- B) A confidence interval tells the insurer something about the size of the risk pool.
- C) A confidence interval tells the insurer something about how much money it has reserved in the past year to cover potential losses.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643351>

Question 941

An annuity mortality table:

- A) has the same numbers as a life insurance mortality table
- B) projects that people live longer than a life insurance mortality table
- C) projects that people live shorter than a life insurance mortality table
- D) is always printed on yellow paper

Answer: <https://biology-forums.com/index.php?topic=644235>

Question 942

Which of the following statements about hold-harmless agreements is correct?

- A) Hold-harmless agreements create moral hazard.
- B) In a hold-harmless agreement, a party assumes a second party's financial responsibility in the case of a loss.
- C) Hold-harmless agreements are created after a loss occurs.
- D) All of the above are incorrect.

Answer: <https://biology-forums.com/index.php?topic=643417>

Question 943

The confidence interval:

- A) decreases with a larger pool size
- B) increases with a larger pool size
- C) decreases and increases with a larger pool size
- D) does not change with the pool size

Answer: <https://biology-forums.com/index.php?topic=643355>

Question 944

The use of an applicant's personal opinions by underwriters for rating criteria directly violates which guiding principle of underwriting?

- A) Separation and class homogeneity
- B) Reliability
- C) Incentive value
- D) Social acceptability

Answer: <https://biology-forums.com/index.php?topic=643569>

Question 945

David and Kathy have asked you about A.M. Best Reports services. They specifically want to know if there are any criticisms of Best's and other rating agencies. You would be correct if you told them:

- A) all the agencies tend to agree on the ratings for a given company, so it's difficult to compare them
- B) ratings are merely estimates, and are no guarantee that the future of the insurer will remain the same
- C) it only takes one letter grade to sum up the condition of a company
- D) the ratings firms have almost never made mistakes in their assessments of companies, so they're due to make one any time now

Answer: <https://biology-forums.com/index.php?topic=643729>

Question 946

Pro-rata reinsurance determines the reinsurer's share of losses in a different manner than excess of loss reinsurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643680>

Question 947

A life insurer's policy reserve equals the difference between the mathematical liability of a future death claim and the value of:

- A) future premiums the insured will have to refund to its policyholders
- B) future premiums the insured will pay the insurer

- C) future investment earnings on premiums the insured will pay the insurer
D) all present death claims

Answer: <https://biology-forums.com/index.php?topic=643786>

Question 948

"Cargo" and "freight" losses are the same thing in ocean marine insurance.
T/F?

Answer: <https://biology-forums.com/index.php?topic=644668>

Question 949

Dividends from mutual insurers are not subject to federal income tax.
T/F?

Answer: <https://biology-forums.com/index.php?topic=643618>

Question 950

Property Damage Liability of the Personal Automobile Policy provides coverage to reimburse you if your automobile is damaged.
T/F?

Answer: <https://biology-forums.com/index.php?topic=643974>

Question 951

While driving home from work, Bailey's car is struck from behind by a van full of drunken college students. Asimov is the driver of the van. The resulting damage to Bailey's car totals \$7,000. Bailey files a claim under his own auto insurance policy to have his car repaired, but his insurance policy only covers \$6,000 of the \$7,000 loss. Bailey pays the remaining \$1,000 of the loss out of his pocket. Which of the following is a true statement?

- A) Bailey has no legal right of subrogation against Asimov for the \$1,000 that he had to pay out of his pocket.
B) Bailey's insurer has no legal right of subrogation against Asimov for the \$6,000 of damages it had to pay to Bailey.
C) Bailey has the right under the principle of indemnity to now sue Asimov personally for the \$7,000 damages to his car.
D) Both Bailey and his insurer have subrogation RIGHTS against Asimov for the damages he (Asimov) caused.

Answer: <https://biology-forums.com/index.php?topic=643879>

Question 952

Damages awarded to compensate for pain and suffering are called:

- A) punitive damages
B) personal injuries
C) non-bodily injury damages
D) exemplary damages

Answer: <https://biology-forums.com/index.php?topic=643300>

Question 953

Explain how an annuity 10 years certain would work.

Answer: <https://biology-forums.com/index.php?topic=644260>

Question 954

To estimate potential property losses, risk managers must know:

- A) the accounting book value of property
B) the replacement cost of property
C) the actual cash value of property
D) the original purchase price of property

Answer: <https://biology-forums.com/index.php?topic=643297>

Question 955

Medicare covers all the following except:

- A) 95% of the cost of all outpatient prescriptions
B) operating room costs
C) payment for doctor bills
D) outpatient therapy

Answer: <https://biology-forums.com/index.php?topic=644438>

Question 956

Which of the following is not a valid reason to reinsure an exposure?

- A) To make insured exposures similar in dollar size
- B) To provide the insured access to Lloyd's of London
- C) To buy services from the reinsurer
- D) To allow agents to be more competitive

Answer: <https://biology-forums.com/index.php?topic=643670>

Question 957

Distinguish between a guaranteed renewable and a noncancellable health insurance contract.

Answer: <https://biology-forums.com/index.php?topic=644311>

Question 958

The Social Security normal retirement age for a person born in 1970 is 65.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644492>

Question 959

By applying the law of large numbers the insurance companies can predict the loading expenses.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643558>

Question 960

You have an HO policy with the following limits:

- A = \$50,000 (dwelling)
- B = \$5,000 (other structures)
- C = \$25,000 (personal property).

A tornado strikes your property. You lose your house, which is worth \$40,000 at the time of the loss. You also lose an unattached shed worth \$8,000, and personal property worth \$30,000. You will collect:

- A) \$78,000
- B) \$70,000
- C) \$58,000
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=644000>

Question 961

More than half of all health insurance in the U.S. is provided by:

- A) Blue Cross Plans
- B) Traditional Health Insurers
- C) HMOs & PPOs
- D) HMOs only

Answer: <https://biology-forums.com/index.php?topic=644294>

Question 962

A reciprocal exchange is:

- A) a nonprofit corporation
- B) unincorporated
- C) a mutual insurance company
- D) a federal insurance company

Answer: <https://biology-forums.com/index.php?topic=643582>

Question 963

All of the following are rights extended to mortgagees (banks) under the mortgage clause in the HO contract except:

- A) to sue under the policy in its own name
- B) to foreclose on property if the insured homeowner tries to defraud the insurer
- C) to receive payments from the insurer
- D) to be economically protected

Answer: <https://biology-forums.com/index.php?topic=643987>

Question 964

The named insured leaves a suitcase filled with clothing on the seat of his unattended, unlocked automobile. The loss is valued at \$900 replacement

cost and a depreciated value of \$700. The HO-3 contract has a \$200 deductible on Section I. How much will the HO-3 contract pay for this loss?

- A) \$0 (because the clothing was in an automobile)
- B) \$700
- C) \$500
- D) \$0 (because the automobile was unlocked)

Answer: <https://biology-forums.com/index.php?topic=643994>

Question 965

Insurers do not sell Medicaid policies; they are provided by the government.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644306>

Question 966

Which of the following is not a valid reason to carry Medical Payments coverage?

- A) Guests injured in an automobile accident might hesitate to sue their hosts.
- B) A negligent host would probably feel a moral obligation to pay for medical bills for injured guests.
- C) To facilitate settlement for relatively small amounts of medical expense
- D) To provide reasonably priced health insurance for the insured and his family

Answer: <https://biology-forums.com/index.php?topic=643938>

Question 967

Which of the following is not a risk handling technique?

- A) Loss control
- B) Loss diversification
- C) Loss transfer
- D) Loss financing

Answer: <https://biology-forums.com/index.php?topic=643204>

Question 968

Explain what a guarantee fund is. How are guarantee funds financed?

Answer: <https://biology-forums.com/index.php?topic=643823>

Question 969

George forgot to pay his monthly life insurance premium that was due on March 1. The policy had a face value of \$100,000. On March 21, George died. How much will the insurer pay George's beneficiary for this death claim, assuming the policy contained a standard grace period clause?

- A) Whatever cash value has accumulated in the policy
- B) \$100,000
- C) \$0
- D) An amount equal to the face value of the policy, MINUS the overdue premiums and any interest or late penalties George owed them

Answer: <https://biology-forums.com/index.php?topic=644166>

Question 970

"Actual cash value" means "historical cost less depreciation."

T/F?

Answer: <https://biology-forums.com/index.php?topic=643904>

Question 971

Regarding variable life insurance, all of the following are true except:

- A) provides no mortality or investment guarantees
- B) has flexible benefits based on investment returns
- C) allows the insured to choose how the cash value is invested
- D) is transparent with respect to costs and returns

Answer: <https://biology-forums.com/index.php?topic=644109>

Question 972

The expense ratio equals:

- A) total underwriting expenses divided by insured losses
- B) net income divided by total expenses
- C) total expenses divided by net income

D) total expenses divided by premiums written

Answer: <https://biology-forums.com/index.php?topic=643544>

Question 973

Which of the following statements about bearing risk collectively is correct?

- A) Bearing risk collectively means that the risk is spread over a larger group.
- B) Bearing risk collectively results in a more cost-efficient outcome.
- C) Bearing risk collectively is an application of risk diversification.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643457>

Question 974

The lack of availability of life insurance is a serious problem in the U.S.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643752>

Question 975

Universal life insurance is an interest sensitive product.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644138>

Question 976

In the year 2012, what is the maximum amount you can contribute to a 401(k) plan per year?

- A) 10% of your salary
- B) \$10,000
- C) 12.4% of your salary, or, \$11,000 (whichever is greater)
- D) \$17,000

Answer: <https://biology-forums.com/index.php?topic=644343>

Question 977

Indhar is seriously injured by Monica's negligence when she crashes her car into his. Both have automobile liability policies in force. Under the tort liability system:

- A) Indhar will be compensated by Monica's automobile liability insurer
- B) Indhar will be compensated by his liability insurer, which will also compensate Monica
- C) Indhar and Monica will each collect from the Federal Emergency Management Agency.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=644719>

Question 978

Purchasing life insurance on the homemaker:

- A) makes no sense because the homemaker generates no income
- B) should not be done because of the moral hazard it creates in the working spouse
- C) makes sense in many cases due to the cost of service replacement and it would help the family maintain a "normal" lifestyle
- D) is very necessary when the homemaker has no minor children

Answer: <https://biology-forums.com/index.php?topic=644043>

Question 979

Legally, life insurance agents are not employees of the companies they represent.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643689>

Question 980

Which of the following is not an indirect loss?

- A) Loss of income subsequent to a direct property loss
- B) Continuing expenses incurred during a shutdown after a direct property loss
- C) Extra expenses to keep a business operating after a direct property loss
- D) Production machine is destroyed due to fire

Answer: <https://biology-forums.com/index.php?topic=644638>

Question 981

"Subsidization" in an insurance pool means:

- A) the bad risks pay more for insurance than good risks
- B) the premiums collected by the insurers don't adequately cover the losses experienced by the pool
- C) those who experience losses have their premiums raised
- D) exposures that should be charged higher insurance rates are averaged in a pool so that the good as well as bad exposures pay the same rate

Answer: <https://biology-forums.com/index.php?topic=643574>

Question 982

The law of large numbers states that as the number of exposure units increases:

- A) accuracy of predictions should improve
- B) the chance of loss declines
- C) Speculative risk increases
- D) the number of accidents decreases

Answer: <https://biology-forums.com/index.php?topic=643215>

Question 983

Which of the following is true about internal risks?

- A) They deal with issues related to the operations of the firm.
- B) They are harder to manage than external risks.
- C) They are beyond the control of the risk manager.
- D) They are more costly than external risks.

Answer: <https://biology-forums.com/index.php?topic=643266>

Question 984

What is the purpose of the asset valuation reserve?

- A) To absorb losses arising from sales of assets for less than their cost (capital losses)
- B) To absorb losses arising from the insolvency of debtors (credit losses)
- C) To absorb losses caused by changes (increases) in interest rates on government securities
- D) To absorb losses caused by guaranty fund assessments made against insurer assets

Answer: <https://biology-forums.com/index.php?topic=643788>

Question 985

Which of the following is not a business use of life insurance?

- A) To protect a business against loss caused by the death of a key person
- B) To provide a means of rewarding and retaining valuable personnel
- C) To lower business losses when an employee is fired
- D) To provide some amount of life insurance to employees

Answer: <https://biology-forums.com/index.php?topic=644037>

Question 986

Explain the concept of self-insurance. Why is all self-insurance assumption, but not all assumption self-insurance?

Answer: <https://biology-forums.com/index.php?topic=643447>

Question 987

Reciprocal exchanges are operated by managers known as notary publics.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643620>

Question 988

If insurance did not exist in the United States, which of the following might reasonably be expected to happen?

- A) Banks would lower their interest rates on car loans.
- B) Moral hazards would increase.
- C) The occurrence of perils would decrease.
- D) In general, only small businesses would be able to survive.

Answer: <https://biology-forums.com/index.php?topic=643536>

Question 989

If you were the risk manager of the World Trade Center buildings, what loss prevention or reduction technique could you have implemented before the 9/11/01 tragedy that might have made a significant difference in the number of lives lost?

- A) Guards on the roof of each building
- B) Evacuation procedures that required everyone to leave after any sign of loss
- C) Stronger exterior building materials
- D) Better background screening of all who were allowed to work in the building

Answer: <https://biology-forums.com/index.php?topic=643236>

Question 990

The needs-based approach is one technique for calculating how much life insurance one needs. Explain briefly the method for calculating this amount.

Answer: <https://biology-forums.com/index.php?topic=644087>

Question 991

What are the features that distinguish universal life from traditional forms of life insurance?

Answer: <https://biology-forums.com/index.php?topic=644146>

Question 992

A insured person will generally collect on his insurance policy when:

- A) he caused the event
- B) the event was outside his control
- C) the event affected everybody else also, for example a war
- D) the event was statistically dependent upon his actions

Answer: <https://biology-forums.com/index.php?topic=643361>

Question 993

The entire-contract provision makes the application for life insurance a part of the contract itself if attached.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644184>

Question 994

A terminally ill insured may be able to withdraw life insurance death benefits on tax-free basis while still alive.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644084>

Question 995

Which of the following statements about loss prevention is correct?

- A) All losses can be prevented.
- B) Some losses cannot be prevented.
- C) Loss prevention activities aim to minimize the impact of losses.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643411>

Question 996

The strictest definition of "disability" used in disability insurance products is the:

- A) inability to engage in any occupation
- B) inability to make the same income earned before the onset of the disability
- C) inability to earn non-wage income
- D) inability to engage in one's regular occupation

Answer: <https://biology-forums.com/index.php?topic=644274>

Question 997

Explain what a direct writer company is. Explain what the independent agency system is.

Answer: <https://biology-forums.com/index.php?topic=643699>

Question 998

If two random variables are uncorrelated:

- A) their correlation coefficient cannot be calculated
- B) their correlation coefficient is zero
- C) their correlation coefficient depends on the covariance

D) All of the above are incorrect.

Answer: <https://biology-forums.com/index.php?topic=643474>

Question 999

Which of the following perils is not covered by the HO-3 form?

- A) Aircraft & vehicles
- B) Flood
- C) Theft
- D) Falling objects

Answer: <https://biology-forums.com/index.php?topic=644009>

Question 1000

One reason catastrophes are difficult to insure is because the damage is so unpredictable.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643251>

Question 1001

Mr. Murray has asked you to help him choose an insurance company. Which of the following criteria would you not recommend that he take into consideration?

- A) Insurer's financial strength
- B) Insurer's claims service
- C) Insurer's service both before and after a loss
- D) The recommendation of at least two different insurance agents

Answer: <https://biology-forums.com/index.php?topic=643710>

Question 1002

Loss of income after a fire loss is an indirect loss.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644682>

Question 1003

The eligibility test for Social Security is known as the "needs" test.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644498>

Question 1004

Does the PAP provide any loss of use (indirect coverage) in the contract? What is it and how does it work (if any)?

Answer: <https://biology-forums.com/index.php?topic=643979>

Question 1005

A common exclusion in health insurance policies is any preexisting condition.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644305>

Question 1006

Hedging is:

- A) selling two investments that are both expected to lose
- B) buying two investments that are both expected to make a profit
- C) taking two positions whose gains and losses will offset each other
- D) buying insurance against a fortuitous loss

Answer: <https://biology-forums.com/index.php?topic=643452>

Question 1007

Which of the following is false regarding the annuity contract?

- A) At the beginning of the accumulation phase, the annuitant irrevocably selects the distribution method for the liquidation phase.
- B) There is considerable flexibility in choosing the length of the accumulation phase.
- C) The liquidation period is a function of several factors including when the annuitant dies.
- D) Generally, a longer accumulation period results in higher liquidation payments (all other things being equal).

Answer: <https://biology-forums.com/index.php?topic=644213>

Question 1008

What is the difference between an agent and a broker?

Answer: <https://biology-forums.com/index.php?topic=643698>

Question 1009

The personal articles floater is a type of inland marine coverage.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644690>

Question 1010

Discuss the building blocks of an insurance premium.

Answer: <https://biology-forums.com/index.php?topic=643563>

Question 1011

What is the correlation coefficient between the following two investments?

Year Return A Return B

1 2% -3%

2 2% 5%

3 2% -6%

4 2% 2%

5 2% 8%

A) Positive

B) Negative

C) Zero

D) Unable to determine without knowing the covariance

Answer: <https://biology-forums.com/index.php?topic=643469>

Question 1012

The items in an insurance pool must be similar to reduce subsidization.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643614>

Question 1013

A domestic insurer is:

A) one that is home-officed outside the U.S.

B) one that has offices both in the U.S. and in other countries

C) one that is incorporated in another state

D) none of the above

Answer: <https://biology-forums.com/index.php?topic=643797>

Question 1014

Each of the following describes a condition under which an employee is injured on the job. Under which of these would the employer not have to provide workers' compensation benefits to the injured employee?

A) Employee falls asleep on the job

B) Employee is distracted by a fellow employee

C) Employee was late for work

D) Employee had several beers before work

Answer: <https://biology-forums.com/index.php?topic=644547>

Question 1015

A binder is:

A) part of most property insurance contracts

B) a release of any additional claims against the insurer

C) a legal response when the insurer informs the insured a claim is denied

D) a temporary contract

Answer: <https://biology-forums.com/index.php?topic=643853>

Question 1016

Calculate the Standard Deviation of the following investment:

State of the Economy Probability Outcome

Recession 25% -5%

Stability 50% 6%

Boom 25% 11%

The expected return for this investment is 4.5%

A) 5.85%

B) 0.34%

C) 8.19%

D) 14.43%

Answer: <https://biology-forums.com/index.php?topic=643463>

Question 1017

Which of the following is not an economic benefit to society of unemployment insurance?

A) Provides employers a liability-free way to discharge employees without cause

B) Provides spendable cash for dismissed employees

C) Abates the downward spiral of the economy because of reduced spending

D) Helps keep families together under hard economic times

Answer: <https://biology-forums.com/index.php?topic=644537>

Question 1018

The individual consumer must ultimately deal with several issues to make an efficient purchase in the insurance market. Which of the following generally should not be a major consideration?

A) The type of policy covering the exposure(s)

B) The maximum amount of insurance coverage

C) The commission the agent will receive from the sale

D) The insurance agent's expertise

Answer: <https://biology-forums.com/index.php?topic=643711>

Question 1019

Which of the following statements about FAIR plans is correct?

A) The success of FAIR plans is unclear.

B) FAIR plans are a good solution to the problem of unavailability of property insurance.

C) FAIR plans show that the provision of property insurance by the private market is a success.

D) FAIR plans benefit property owners in the suburbs.

Answer: <https://biology-forums.com/index.php?topic=643743>

Question 1020

Which of the following is not a characteristic of a public assistance program benefits?

A) Based on demonstrated need

B) Subject to change

C) Fully funded

D) Funded by general taxes

Answer: <https://biology-forums.com/index.php?topic=644433>

Question 1021

When an annuitant receives liquidation payments, part of the payment is a return of principal and is thus exempt from Federal Income tax. The tax-exempt portion of the payment is calculated using the:

A) exclusion ratio

B) refund ratio

C) vested ratio

D) combined ratio

Answer: <https://biology-forums.com/index.php?topic=644241>

Question 1022

Actual cash value is defined as:

A) replacement cost minus accounting depreciation

B) replacement cost minus depreciation

C) actual replacement cost

D) original purchase price minus depreciation

Answer: <https://biology-forums.com/index.php?topic=643876>

Question 1023

Explain the economic significance for the existence of unemployment insurance.

Answer: <https://biology-forums.com/index.php?topic=644582>

Question 1024

Explain when and why a call option has value.

Answer: <https://biology-forums.com/index.php?topic=643506>

Question 1025

The range of values found by adding and subtracting three standard deviations to the mean of the random variable accounts for 99.74 percent of the area under the curve.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643380>

Question 1026

An insured has a legal right to borrow an amount up to the face amount of insurance with a whole life policy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644189>

Question 1027

Which of the following is an example of an admitted asset?

- A) Office furniture
- B) Supplies
- C) Equipment
- D) Real estate holdings

Answer: <https://biology-forums.com/index.php?topic=643783>

Question 1028

Which of the following statements about the average loss severity and average loss frequency is not correct?

- A) The average loss severity represents the average size of losses that might occur.
- B) The average loss frequency represents the average number of losses that might occur.
- C) Both the average loss severity and the average loss frequency are outside the control of the risk manager.
- D) The average loss can be estimated by multiplying the average loss severity with the average loss frequency.

Answer: <https://biology-forums.com/index.php?topic=643337>

Question 1029

A difference between a contract issued on a "named peril" basis versus an "open peril" or "all-risk" basis is:

- A) the "named peril" contract usually covers more perils
- B) the "named peril" contract is usually more expensive than the "open peril" contract
- C) in the "named peril" contract the insured must prove the peril is covered where in the "open peril" contract the burden of proof is on the insurer to show no coverage
- D) in the "open peril" or "all risk" contract there are no exclusions to loss

Answer: <https://biology-forums.com/index.php?topic=643530>

Question 1030

Enterprise Risk Management is the response of the accounting profession to corporate fraud.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643256>

Question 1031

The insurer's efficiency and underwriting practices are much more important to the consumer than where the insurer is located, for example Bermuda or the Cayman Islands.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643444>

Question 1032

The ideal insurance system:

- A) reduces the probability of accidental and fortuitous losses due to increased predictability
- B) requires the transfer of a large number of exposures to loss to a pool, where a fund exists in advance of losses having to be paid
- C) works best when a large proportion of the participants in the pool submits a claim
- D) eliminates all hazards

Answer: <https://biology-forums.com/index.php?topic=643208>

Question 1033

Risk managers are concerned with policy limits and deductible size contained in insurance contracts because:

- A) an increased deductible amount increases the policy's premium
- B) the policy limit and the deductible are the only determinants of whether the policy will pay the claim
- C) they determine how much of the exposure the insured retains and transfers
- D) premiums set by policy limit and deductible are not tax deductible whereas uninsured losses are deductible

Answer: <https://biology-forums.com/index.php?topic=643390>

Question 1034

The incontestable clause means that the insurer may uncover an unquestionable fraud and be unable to do anything about it if the incontestable period has expired.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644182>

Question 1035

Which of the following is excluded by the HO-3 Form?

- A) Additional living expense and rental value
- B) Debris removal
- C) Loss of trees, shrubs and other plants
- D) Loss caused by ordinance or law

Answer: <https://biology-forums.com/index.php?topic=644001>

Question 1036

The CPP's building and personal property insurance form is designed to cover residential property for individuals.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644670>

Question 1037

Risk diversification is based on the principle that:

- A) one should not be exposed to only one event
- B) one should put all her "eggs in one basket"
- C) risk can be measured subjectively
- D) pure risk seldom happens

Answer: <https://biology-forums.com/index.php?topic=643237>

Question 1038

Which of the following is true about direct losses?

- A) Does not include smoke damage to a building
- B) Is a non-financial loss
- C) Has no direct liability consequences for the firm
- D) Often is followed by an indirect loss due to business interruption

Answer: <https://biology-forums.com/index.php?topic=643270>

Question 1039

From the standpoint of the insured, deductibles in insurance contracts are a form of:

- A) risk transfer
- B) loss control
- C) risk retention
- D) risk avoidance

Answer: <https://biology-forums.com/index.php?topic=643401>

Question 1040

Explain briefly why insurance functions as an antimonopoly device.

Answer: <https://biology-forums.com/index.php?topic=643560>

Question 1041

In property insurance, to collect for a loss, insurable interest must exist:

- A) at the beginning of the contract
- B) at all times
- C) when the insurer waives it
- D) at the time of the loss

Answer: <https://biology-forums.com/index.php?topic=643828>

Question 1042

Which of the following is a subject of state insurance regulation?

- A) Equal employment practices of the insurer
- B) Standards of financial solvency
- C) Business acquisition practices
- D) Insurance contract provisions

Answer: <https://biology-forums.com/index.php?topic=643768>

Question 1043

Which of the following is not a type of risk when identifying a pure risk?

- A) Retention Risk
- B) Property Risk
- C) Liability Risk
- D) Human Resource Risk

Answer: <https://biology-forums.com/index.php?topic=643201>

Question 1044

The trustee of a trust fund is responsible for determining the beneficiary of the fund's assets.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644072>

Question 1045

Major medical insurance has relatively large deductibles.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644297>

Question 1046

If insurance policies were not designed to support the principle of indemnity, then we would have fewer moral hazards in our society.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643899>

Question 1047

Which of the following is not typically included in a major medical insurance policy?

- A) Large deductible
- B) Participating provision
- C) Large number of exclusions
- D) High face amount

Answer: <https://biology-forums.com/index.php?topic=644264>

Question 1048

All of the following are individually-purchased health insurance products except:

- A) Medicaid insurance
- B) long-term care insurance
- C) basic medical insurance
- D) major medical insurance

Answer: <https://biology-forums.com/index.php?topic=644285>

Question 1049

A tontine is:

- A) a form of endowment insurance
- B) used frequently to provide retirement income
- C) a life insurance contract paying a death claim on the second person to die
- D) one reason for the divisible surplus provision

Answer: <https://biology-forums.com/index.php?topic=644147>

Question 1050

If the covariance between two stocks is 115 and the standard deviation of both stocks are 17 and -8 respectively, what is the Correlation Coefficient between the two stocks?

- A) 0.18
- B) 0.85
- C) -0.85
- D) There is not enough information to calculate the Correlation Coefficient.

Answer: <https://biology-forums.com/index.php?topic=643472>

Question 1051

Self-employed people:

- A) are exempt from Social Security
- B) must pay in 15.3% of their earnings in Social Security taxes
- C) are not eligible for Social Security
- D) must pay in 7.65% of their earnings in Social Security taxes

Answer: <https://biology-forums.com/index.php?topic=644454>

Question 1052

Which of the following is not an exception to the rule that insurance contracts are contracts of indemnity?

- A) Life insurance
- B) Replacement cost insurance
- C) Functional replacement
- D) Valued insurance policies

Answer: <https://biology-forums.com/index.php?topic=643854>

Question 1053

Floater policies are used to insure:

- A) property that is not waterproof
- B) property that is easily and frequently moved
- C) property that can't be covered by any other type of insurance
- D) small boats, canoes, rafts, etc

Answer: <https://biology-forums.com/index.php?topic=644630>

Question 1054

Which of the following is not a source of consumer protection in the insurance industry?

- A) Insurance commissioners
- B) Laws
- C) Politicians
- D) Courts

Answer: <https://biology-forums.com/index.php?topic=643745>

Question 1055

When the variance of a probability distribution is \$81,000 the risk equals:

- A) \$900
- B) \$6,561,000,000
- C) \$284.61
- D) There is not enough information to calculate the risk.

Answer: <https://biology-forums.com/index.php?topic=643365>

Question 1056

Federal Estate Taxes:

- A) are also called uniform transfer taxes
- B) are different from state to state

- C) are levied on the fair market value of the gross estate
- D) are levied on the taxable estate

Answer: <https://biology-forums.com/index.php?topic=644041>

Question 1057

Gerry has a PAP with Liability coverage limits of 25/50/10 and a \$1,000 Medical Payments coverage limit. He collides with another car (he is at fault) and the following losses are incurred:

- Bodily injury to the driver of the other car = \$100,000.
- Bodily injury to the passenger of the other car = \$3,000.
- Property damage to the other car = \$11,000.
- Bodily injury to Gerry's wife = \$5,000.

How much will the PAP pay, in total, for this accident?

- A) \$119,000
- B) \$60,000
- C) \$43,000
- D) \$39,000

Answer: <https://biology-forums.com/index.php?topic=643915>

Question 1058

McCartney lied on his life insurance application. He said he was 40, but he was really 60. McCartney dies during the seventh year his policy is in force. When the insurance company finds out about the misstatement of age, what will it do?

- A) Deny the claim, based on fraud
- B) Pay the face value of McCartney's policy to his beneficiary
- C) Pay some fraction of the face value of McCartney's policy to his beneficiary
- D) Pay the face value of McCartney's policy to his beneficiary if the beneficiary submits documentation attesting to the fact that he/she knew nothing of the misstatement

Answer: <https://biology-forums.com/index.php?topic=644168>

Question 1059

Large employers with a large number of employees often use pooling to self-insure some of their risk.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643384>

Question 1060

The confidence interval increases with a larger pool size.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643383>

Question 1061

Plumbers who serve as subcontractors are often held liable for:

- A) professional liability
- B) completed operations liability
- C) toilet clog liability
- D) This is a trick question; subcontracted plumbers cannot be held liable for anything once they complete a job.

Answer: <https://biology-forums.com/index.php?topic=644713>

Question 1062

In group insurance, the conversion privilege allows an insured to convert from a whole life to a term policy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644134>

Question 1063

What is the difference between a single limit and a split limit in expressing liability limits in the PAP?

Answer: <https://biology-forums.com/index.php?topic=643975>

Question 1064

An affirmative warranty states that:

- A) something is true only at the present time
- B) something will be true in the future

C) all information provided on the application for coverage is affirmed to be truthful

D) none of the above

Answer: <https://biology-forums.com/index.php?topic=643851>

Question 1065

Which of the following is not an available endorsement to the HO policy?

A) Professional Liability Coverage Endorsement

B) Home Day Care Coverage Endorsement

C) Business Pursuits Endorsement

D) Scheduled Personal Property Endorsement

Answer: <https://biology-forums.com/index.php?topic=644014>

Question 1066

What is the so-called Risk Charge?

A) Risk Charge represents how much an insurance company should charge for people not paying their insurance premium.

B) Risk Charge represents the margin of error arising from estimating an unknown variable.

C) Risk Charge represents the standard deviation of the variance.

D) Risk Charge represents how much an insurance company should charge for uncertainty.

Answer: <https://biology-forums.com/index.php?topic=643353>

Question 1067

What is the correlation coefficient between the following two investments?

Year Return A Return B

1 -4% -3%

2 2% 5%

3 -3% -6%

4 1% 2%

5 4% 8%

A) Positive

B) Negative

C) Zero

D) Unable to determine without knowing the covariance

Answer: <https://biology-forums.com/index.php?topic=643470>

Question 1068

One reason insurable losses must be definite is to allow measurability of the losses.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643370>

Question 1069

Exclusions are not a basic part of an insurance contract.

T/F?

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

Question 1070

Short term disability programs continue the employee's salary for six or fewer months.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644381>

Question 1071

Mary's house is burglarized and \$22,000 in jewelry is stolen. What is the maximum amount her HO-3 policy will pay for this loss?

A) \$12,000

B) \$9,600

C) \$2,500

D) \$1,500

Answer: <https://biology-forums.com/index.php?topic=644016>

Question 1072

The automatic premium loan provision in life insurance:

- A) pays the face amount of a life insurance policy to a terminally ill insured
- B) pays premiums due out of the policy's cash value if the policy owner forgets to pay
- C) provides spendable cash to a terminally ill insured out of the cash value
- D) provides disability income payments as a loan from the cash value

Answer: <https://biology-forums.com/index.php?topic=644165>

Question 1073

All of the following are examples of loss reduction, except:

- A) improved lighting in the work place
- B) fire walls
- C) salvage operations
- D) training replacement personnel

Answer: <https://biology-forums.com/index.php?topic=643398>

Question 1074

All of the following can result from a damaged reputation, except:

- A) declined earnings
- B) lower cost of capital
- C) lower credit rating
- D) smaller market share

Answer: <https://biology-forums.com/index.php?topic=643280>

Question 1075

One life insurance nonforfeiture option allows the insured to convert a whole life policy into term insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644188>

Question 1076

The principle of insurable interest is important because it:

- A) makes insurance companies more profitable
- B) supports the principle of indemnity
- C) prevents insurers from unfairly denying insurance claims
- D) prevents an insurer from subrogating against a negligent third party

Answer: <https://biology-forums.com/index.php?topic=643877>

Question 1077

Currently, the extent of the federal government's right to exercise regulatory authority over insurance companies is dictated by:

- A) SEUA case
- B) Paul v. Virginia decision
- C) Robinson-Patman Act
- D) McCarran-Ferguson Act

Answer: <https://biology-forums.com/index.php?topic=643773>

Question 1078

What is the main reason for the increase in employee benefit costs during the last 15 years?

- A) Cost of funding retirement income
- B) Cost of sick leave and worker absenteeism
- C) Cost of health insurance
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=644348>

Question 1079

A universal life insurance policy (ULI) is considered to be:

- A) term insurance only
- B) a form of fixed face, fixed premium whole life insurance
- C) a whole life policy where the face amount may be changed at any time
- D) providing more flexibility in paying premiums

Answer: <https://biology-forums.com/index.php?topic=644104>

Question 1080

Mortality tables assume that all people die at age 95.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644141>

Question 1081

There is no provision to coordinate benefits received under Social Security and Workers' Compensation.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644490>

Question 1082

Which of the following statements about liability losses is true?

- A) They arise from two sources: the obligation to pay legal damages, and the resulting bad publicity.
- B) The obligation to pay legal damages is always more expensive than the cost of defense.
- C) Defense costs can be expensive, unless the court finds that the plaintiff's claims are groundless.
- D) None of the above is true.

Answer: <https://biology-forums.com/index.php?topic=643290>

Question 1083

Which of the following is not correct about hedging speculators?

- A) They charge a fee for their services.
- B) They are the counterparty to a risk management derivatives contract.
- C) They take risks which they mitigate by having superior knowledge of the market they trade in.
- D) They provide professional management.

Answer: <https://biology-forums.com/index.php?topic=643491>

Question 1084

The suicide clause states that the life insurer will not have to pay benefits in the event death is caused by suicide after a short (one or two year) waiting period.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644183>

Question 1085

The NAIC requires life insurers to have reserve accounts that protect insureds from the:

- A) insurer's poor underwriting decisions
- B) insurer's poor investment results
- C) catastrophic hurricane years
- D) effects of terrorism risk on the insurer's stability

Answer: <https://biology-forums.com/index.php?topic=643790>

Question 1086

The variance is independent of the shape of the probability distribution.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643379>

Question 1087

Why is risk reduced by creating a large pool of exposure units?

Answer: <https://biology-forums.com/index.php?topic=643387>

Question 1088

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 1089

Which of the following statements about the insurance market is not correct?

- A) Compulsory insurance laws make the insurance market more efficient.
- B) The insurance market has many buyers and sellers.
- C) Insurance companies do not hold constrictive rights to their clients.
- D) The insurance market consist of buyers , sellers, and regulators.

Answer: <https://biology-forums.com/index.php?topic=643732>

Question 1090

What is meant by "Medical Payments to others"? Why does the coverage exist?

Answer: <https://biology-forums.com/index.php?topic=644032>

Question 1091

The main thrust of state insurance regulation with respect to the consumer has been to protect consumers from abusive practices, and to protect them from insolvent insurers.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643751>

Question 1092

Which of the following is true about external risks?

- A) They deal with issues related to the operations of the firm.
- B) They are beyond the control of the risk manager.
- C) They are easier to manage than external risks.
- D) They are predictable.

Answer: <https://biology-forums.com/index.php?topic=643267>

Question 1093

Which of the following statements about the standard deviation is correct?

- A) The standard deviation measures the expected loss for the firm.
- B) The standard deviation is calculated by taking the square root of the variance.
- C) The standard deviation is a subjective measure of risk.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643334>

Question 1094

Moody's Investors Service provides what type of information about insurers?

- A) Financial strength
- B) Average time it takes them to pay valid claims
- C) Daily stock price reports
- D) Complaint history

Answer: <https://biology-forums.com/index.php?topic=643728>

Question 1095

Explain what a policy reserve is. How is a policy reserve calculated?

Answer: <https://biology-forums.com/index.php?topic=643827>

Question 1096

Catastrophic losses are not insured by the private insurance industry because:

- A) if a truly catastrophic loss occurs, it can threaten the solvency of the insurer
- B) catastrophic losses can result from an individual's moral hazard
- C) the federal government wants to insure catastrophic losses
- D) the losses require foreign reinsurance companies to operate in the U.S.

Answer: <https://biology-forums.com/index.php?topic=643209>

Question 1097

Unemployment insurance is financed by a _____ on covered wages.

- A) 7.65% federal tax on covered wages up to \$7,000
- B) 6% federal tax on covered wages up to \$7,000

C) 5.4% federal tax on covered wages up to \$87,000

D) 6% state tax on covered wages up to \$7,000

Answer: <https://biology-forums.com/index.php?topic=644551>

Question 1098

Which one of the following is not a concern of the risk manager with respect to workers' compensation?

A) Health-related costs

B) Cumulative injury problems

C) The increasing frequency of litigation concerning compensation

D) The increasing use of the assumption of risk defense to deny workers' compensation claims

Answer: <https://biology-forums.com/index.php?topic=644543>

Question 1099

The Chief Risk Officer is concerned primarily with the management of:

A) operational risks

B) financial risks

C) strategic risks

D) all of the above

Answer: <https://biology-forums.com/index.php?topic=643233>

Question 1100

When entering into a legally enforceable insurance contract consideration must exist. Explain what consideration is and the form it takes in insurance contracts.

Answer: <https://biology-forums.com/index.php?topic=643907>

Question 1101

Explain the advantages to an employer of a defined benefit pension plan versus a defined contribution pension plan.

Answer: <https://biology-forums.com/index.php?topic=644394>

Question 1102

If an insured is using his/her own private passenger car under normal circumstances, in what situations can the insured lose legal liability coverage?

Answer: <https://biology-forums.com/index.php?topic=643976>

Question 1103

The HO policy provides professional liability insurance coverage to the insured, provided the work leading to the lawsuit is done at home.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644026>

Question 1104

The plaintiff in a negligence suit is the party who allegedly injured the defendant.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643313>

Question 1105

Explain what a will is. What happens when a person dies without a valid will?

Answer: <https://biology-forums.com/index.php?topic=644090>

Question 1106

Financing retirement is a challenge for many Americans. Which of the following is not a reason that retirement planning has become more challenging?

A) Many employers no longer fund retirement programs for their employees.

B) Many employees have complicated but generous health insurance plans provided by their employer.

C) Social Security has increased the normal retirement age and lowered benefit targets.

D) Increases in longevity put a greater burden on retirement savings.

Answer: <https://biology-forums.com/index.php?topic=644060>

Question 1107

Joe has a dispute with his insurance company regarding how much he is entitled to recover on a claim. Joe believes he is entitled to get \$8,000 based

upon his interpretation of the policy wording. The insurer says the claim is not covered by the policy. Joe sues and a court of law decides that the policy wording is vague and ambiguous, and rules that the loss IS covered. What legal characteristic of insurance resulted in the court's decision?

- A) Insurance is aleatory.
- B) Insurance is a contract of indemnity.
- C) Insurance is a contract of adhesion.
- D) Insurance is personal.

Answer: <https://biology-forums.com/index.php?topic=643882>

Question 1108

A life insurer has a legal obligation to make a policyholder loan if requested by an insured.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644191>

Question 1109

Which of the following is true about pure risks?

- A) The risk/return tradeoff is applicable to pure risks.
- B) A firm cannot profit from its exposure to pure risk.
- C) Risk managers must be tolerant of negative outcomes related to pure risks.
- D) Pure risk is not a source of great concern for risk managers.

Answer: <https://biology-forums.com/index.php?topic=643268>

Question 1110

Explain briefly why increasing or decreasing price artificially can decrease the supply of insurance.

Answer: <https://biology-forums.com/index.php?topic=643761>

Question 1111

The amount an insurer charges per \$100 of exposed property value is called the:

- A) rate
- B) premium
- C) expense ratio
- D) funding ratio

Answer: <https://biology-forums.com/index.php?topic=644654>

Question 1112

Lloyd's of London:

- A) is an unincorporated, not-for-profit insurer
- B) is partly a mutual company and partly a stock company
- C) sells mainly homeowners insurance to residents of London
- D) operates in the surplus lines and marine insurance markets

Answer: <https://biology-forums.com/index.php?topic=643594>

Question 1113

When a hospital performs preadmission testing, in which it determines the most optimal treatment before the patient actually enters the hospital, it is considered to be performing:

- A) utilization review
- B) cost containment
- C) catastrophe prevention
- D) adverse selection

Answer: <https://biology-forums.com/index.php?topic=644284>

Question 1114

All of the following are true about the CPSC, except:

- A) that it promotes companies to sell safe products
- B) that it requires manufacturers and retailers to notify it of any hazardous products
- C) that it provides for heavy fines for the noncompliance of firms with standards
- D) that it is directly responsible for increasing the sale of more products

Answer: <https://biology-forums.com/index.php?topic=643415>

Question 1115

The first step in the underwriting process is:

- A) the desk underwriter review
- B) the agent's field appraisal
- C) the general agent's confidential report
- D) the inspection report from Equifax or similar investigator

Answer: <https://biology-forums.com/index.php?topic=643633>

Question 1116

Dane Cook has a \$50,000 property loss. His insurance policy's coverage limit is \$35,000, and has a \$500 deductible applied to the loss. How much will Dane collect?

- A) \$50,000
- B) \$49,500
- C) \$35,000
- D) \$34,500

Answer: <https://biology-forums.com/index.php?topic=643830>

Question 1117

What are the two broad categories of the private insurance industry? Break down the broad categories into their main parts.

Answer: <https://biology-forums.com/index.php?topic=643566>

Question 1118

Which of the following is not a tort?

- A) Battery
- B) Assault
- C) Negligence
- D) Breaking a contractual agreement

Answer: <https://biology-forums.com/index.php?topic=643296>

Question 1119

Explain how a worker can be disqualified for unemployment benefits.

Answer: <https://biology-forums.com/index.php?topic=644584>

Question 1120

Explain the purpose of the declaration page found in insurance contracts.

Answer: <https://biology-forums.com/index.php?topic=643912>

Question 1121

Which of the following is true about indirect losses?

- A) A lawsuit is a good example of an indirect loss.
- B) They can have a spill-over effect to other product lines.
- C) They are only a result of significant property losses.
- D) Indirect losses are irrelevant compared to direct losses.

Answer: <https://biology-forums.com/index.php?topic=643274>

Question 1122

Which of the following statements about the covariance is correct?

- A) The covariance measures risk.
- B) The covariance is a number between -1 and +1.
- C) The covariance measures how two variables move relative to each other.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643467>

Question 1123

"OSHA" stands for:

- A) Occupational Safety Hearings Administration
- B) Occupational Servants and Homemakers Act
- C) Obligatory Standards for Health Act
- D) Occupational Safety and Health Act

Answer: <https://biology-forums.com/index.php?topic=643410>

Question 1124

Which of the following statements is false?

- A) Assessment mutuals provide primarily fire and windstorm insurance.
- B) A stock insurance company is a profit-making venture in both life and property insurance.
- C) Dividends are paid to stockholders of stock companies.
- D) In stock companies, non-insured stockholders bear none of the risk of loss.

Answer: <https://biology-forums.com/index.php?topic=643590>

Question 1125

Loss prevention activities, if successful, may increase risk.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643435>

Question 1126

Which part of the insurance contract personalizes the coverage to the individual's exposure?

- A) Exclusions
- B) Insuring agreements
- C) Declaration page
- D) Conditions

Answer: <https://biology-forums.com/index.php?topic=643834>

Question 1127

List and explain the major types of ocean marine loss exposures.

Answer: <https://biology-forums.com/index.php?topic=644704>

Question 1128

Lloyd's of London is not an insurance company. What is it and how does it provide insurance?

Answer: <https://biology-forums.com/index.php?topic=643630>

Question 1129

Adverse selection results in which of the following?

- A) No underwriting is necessary.
- B) Applicants for insurance have a higher probability of loss than the average group of insureds.
- C) The federal government must write the insurance.
- D) Better insureds are attracted to the group.

Answer: <https://biology-forums.com/index.php?topic=643568>

Question 1130

In general, all of the following statements about Lloyd's of London are true except:

- A) members have unlimited personal liability
- B) individual members ("names") cooperate in groups known as syndicates
- C) if a syndicate is unable to pay its portion of a loss, the insured has the right to collect that unpaid portion from Lloyd's of London
- D) Lloyd's is not as preeminent in the insurance marketplace today as it once was

Answer: <https://biology-forums.com/index.php?topic=643592>

Question 1131

Tammy has a PAP with Medical Payments coverage of \$5,000, and Uninsured Motorist coverage of \$100,000/\$200,000. She is hit by an uninsured motorist and suffers bodily injuries in the amount of \$225,000. In total, her PAP will pay her:

- A) \$100,000
- B) \$105,000
- C) \$205,000
- D) \$225,000

Answer: <https://biology-forums.com/index.php?topic=643937>

Question 1132

Ron's PAP has a \$500 deductible for Collision and a \$0 deductible for Other than Collision. Ron collides with a wild deer, causing \$6,000 of damage to his car. He can recover from the insurer:

- A) \$6,000

- B) \$5,500
- C) \$6,500
- D) \$0

Answer: <https://biology-forums.com/index.php?topic=643930>

Question 1133

Loss exposures which are both high-frequency and high-severity in nature are best handled by assumption.
T/F?

Answer: <https://biology-forums.com/index.php?topic=643442>

Question 1134

What is the difference between compensation for personal injuries and punitive damages?

Answer: <https://biology-forums.com/index.php?topic=643321>

Question 1135

All lapsed life insurance policies may be reinstated.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644204>

Question 1136

Wex Enterprises hires you as a benefit consultant. Mr. Wex wants to reduce the number of employees covered by the company's group health insurance plan. Which of the following reasons would you advise him to use to legally determine who to exclude from the health insurance plan?

- A) Health status of the employee
- B) Job classification (hourly employee versus salaried employee)
- C) Genetic information about employees
- D) Disability of employees

Answer: <https://biology-forums.com/index.php?topic=644357>

Question 1137

The owner of a life insurance policy has which of the following rights under the contract?

- A) Select the beneficiary
- B) Discontinue the policy's coverage
- C) Borrow the cash value
- D) All of the above

Answer: <https://biology-forums.com/index.php?topic=644177>

Question 1138

Cumulative injuries refer to disabling illnesses that occur over time in a working career.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644578>

Question 1139

Ocean marine insurance typically covers all the following categories of loss except:

- A) losses caused by ship owner's fraud
- B) loss of ship by pirates
- C) loss of cargo in a tidal wave
- D) loss of freight

Answer: <https://biology-forums.com/index.php?topic=644624>

Question 1140

The exclusive remedy of workers' compensation law states that the:

- A) compensation scheme for a work-related injury is the employee's choice
- B) employer can sue employees for misconduct after compensation is paid
- C) employee can only collect from the workers' compensation system for work-related injuries
- D) worker must exclusively use the tort system to resolve liability claims against the employer

Answer: <https://biology-forums.com/index.php?topic=644533>

Question 1141

In the context of ERM, hazard risk is defined as:

- A) being associated with the strategic direction of a firm
- B) being associated with the operations of a firm
- C) adverse financial losses associated with diversifiable risks.
- D) adverse financial losses associated with pure risks.

Answer: <https://biology-forums.com/index.php?topic=643221>

Question 1142

Which of the following is the most important goal of insurance regulation?

- A) Limiting the number of insurance companies in the state
- B) Promoting the solvency of insurance companies
- C) Mandating that all citizens purchase auto insurance and health insurance
- D) Approving the contractual language of insurance policies sold in the state

Answer: <https://biology-forums.com/index.php?topic=643770>

Question 1143

Choose the best example of a promissory warranty.

- A) The cargo is not flammable
- B) This vessel is seaworthy
- C) The building's fire sprinkler system works and will work
- D) The dump truck is in good condition

Answer: <https://biology-forums.com/index.php?topic=643859>

Question 1144

The text mentioned several reasons for purchasing "business" life insurance. Which of the following reasons was not mentioned?

- A) Business continuation
- B) Fringe benefits
- C) Key person insurance
- D) Protection from creditors' claims

Answer: <https://biology-forums.com/index.php?topic=644048>

Question 1145

Which of the following is not true about property risks?

- A) They can cause financial harm to the firm.
- B) They encompass tangible and intangible property.
- C) They do not include the reputation of a firm.
- D) They also refer to damage to the property of others.

Answer: <https://biology-forums.com/index.php?topic=643278>

Question 1146

"Loss of use" coverage will not provide payment for:

- A) extra expenses incurred to stay in operation after an insured loss occurs
- B) payment for a direct loss caused by fire at a described premises
- C) lost profits after an insured loss due to the interruption of business
- D) coverage for any continuing fixed expenses due to the loss of cash flow

Answer: <https://biology-forums.com/index.php?topic=644646>

Question 1147

An annuity, five years certain, makes payments to the annuitant:

- A) for 5 years or until the annuitant's death, whichever event happens last
- B) for only the first 5 years of the liquidation period
- C) only if the insured dies within the first five years
- D) for 5 years or until the annuitant's death, whichever event happens first

Answer: <https://biology-forums.com/index.php?topic=644227>

Question 1148

A tornado causes the garage to collapse on Mr. Woody's car, and the damage to the car is \$5,000. Mr. Woody has a PAP with both Collision and Other than Collision coverages. A \$200 deductible applies to the Collision coverage. There is a \$0 deductible on Other than Collision coverage. How much is paid by the PAP for the tornado damage?

- A) \$0
- B) \$4,000

C) \$4,800

D) \$5,000

Answer: <https://biology-forums.com/index.php?topic=643923>

Question 1149

Property insurance policies are standardized for all the following reasons except:

A) to improve the accuracy of insurance rates

B) to help reduce costs to consumers

C) to eliminate competition between insurers

D) to reduce litigation over policy meaning

Answer: <https://biology-forums.com/index.php?topic=643892>

Question 1150

All of the following are typical business uses of life insurance except:

A) protect the business against loss caused by the death of a key person

B) provide a means of rewarding and retaining valuable employees

C) provide severance pay to employees when jobs are terminated

D) protect the value of the partnership at the death of an owner/insured

Answer: <https://biology-forums.com/index.php?topic=644038>

Question 1151

Which of the following are examples of loss reduction techniques?

I. Wearing your seat belt while driving your car

II. Polio vaccinations

III. Keeping poisons locked up and out of reach of small children

IV. Wearing a helmet while skateboarding

A) I and III only

B) I, II, and III only

C) I and IV only

D) I, II, III, and IV

Answer: <https://biology-forums.com/index.php?topic=643409>

Question 1152

The law of large numbers allows the insurer to predict aggregate dollar losses in advance of their occurrence.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643248>

Question 1153

What is the doctrine of utmost good faith? What situations arise out of its application? Explain.

Answer: <https://biology-forums.com/index.php?topic=643910>

Question 1154

Explain how dividends may be used when distributed to the policy owner in a participating contract.

Answer: <https://biology-forums.com/index.php?topic=644208>

Question 1155

Reciprocal exchanges are unincorporated.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643622>

Question 1156

A coinsurance requirement, if not met, serves to limit the recovery of loss under the policy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644021>

Question 1157

Which one of the following is false concerning the standardization of insurance policies?

A) It reduces the risk for the insurance companies resulting from the principle of adhesion.

B) It holds rates below what they would otherwise be.

C) It reduces adverse selection.

D) It increases flexibility.

Answer: <https://biology-forums.com/index.php?topic=643890>

Question 1158

Alberto has an HO-3 contract with \$100,000 of Liability Coverage. He is ordered by a judge to pay his neighbor \$162,000 because of bodily injuries the neighbor suffered while he and Alberto were fishing in Alberto's old, undeclared 35 horse-power outboard motor boat. How will the contract respond?

A) Nothing is paid because liability arising out of this boat is excluded.

B) \$61,500 is paid because of the deductible.

C) \$62,000 is paid to the injured party.

D) \$100,000 is paid to the neighbor.

Answer: <https://biology-forums.com/index.php?topic=644008>

Question 1159

Which of the following statements is correct?

A) Net Premiums Written by Life-Health Insurers have decreased between 1998 and 2008.

B) Net Premiums Written by Property-Liability Insurers have stayed basically the same between 1998 and 2008.

C) Net Premiums Written by Life-Health Insurers were higher than those written by Property-Liability Insurers in 1998.

D) Net Premiums Written by Life-Health Insurers were lower than those written by Property-Liability Insurers in 2008.

Answer: <https://biology-forums.com/index.php?topic=643608>

Question 1160

How do deductibles affect moral hazard?

Answer: <https://biology-forums.com/index.php?topic=643449>

Question 1161

Which of the following statements about put options is correct?

A) If the option writer exercises the put option, the option holder has to sell the underlying asset to him or her.

B) If the option writer exercises the put option, the option holder has to buy the underlying asset from him or her.

C) If the option holder exercises the put option, the option writer has to buy the underlying asset from him or her.

D) If the option holder exercises the put option, the option writer has to sell the underlying asset to him or her.

Answer: <https://biology-forums.com/index.php?topic=643486>

Question 1162

Businesses typically insure their primary liability exposures using:

A) the commercial general liability policy

B) the business owners liability package policy

C) hold-harmless agreements

D) the comprehensive business policy

Answer: <https://biology-forums.com/index.php?topic=644707>

Question 1163

With five owners of a business, an entity purchase plan usually makes more sense than a cross-purchase plan.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644078>

Question 1164

From the employer's stand point, workers' compensation insurance may be seen as a substitute for other types of liability insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644568>

Question 1165

What is the relationship between the underwriter and the actuary? How do they interact?

Answer: <https://biology-forums.com/index.php?topic=643701>

Question 1166

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 1167

Input price risk and output price risk are both a form of commodity price risk.
T/F?
Answer: <https://biology-forums.com/index.php?topic=643500>

Question 1168

The maximum tax-deductible contribution an employer can take on a profit-sharing plan distribution is:
A) \$25,000 per employee
B) 25% of all eligible employees' compensation
C) 50% of all eligible employees' compensation
D) 5% of after-tax corporate profits
Answer: <https://biology-forums.com/index.php?topic=644342>

Question 1169

Which of the following does not influence how an insurer calculates monthly annuity benefits?
A) Age
B) Health status of insured annuitant
C) Sex
D) Amount of the premium the annuitant has paid
Answer: <https://biology-forums.com/index.php?topic=644238>

Question 1170

CFP stands for:
A) Chartered Financial Planner
B) Certified Financial Planner
C) Casualty Finance Professional
D) Claims and Financial Planner
Answer: <https://biology-forums.com/index.php?topic=643726>

Question 1171

Which of the following is an example of intangible property?
A) Custom-designed accounting software
B) Leased shopping center space that your business occupies
C) Custom-made cabinetry in a retail space
D) A limited edition automobile
Answer: <https://biology-forums.com/index.php?topic=644648>

Question 1172

Under the provisions of the Gramm-Leach-Bliley Act, all of the following are true except:
A) state insurance commissioners oversee insurers operating in their state
B) within a financial services holding company, insurance records must be kept separate from other financial records
C) only licensed insurance agents can receive commissions for insurance sales
D) state insurance commissioners and the Federal Reserve jointly oversee the banking activities of insurer-owned banks
Answer: <https://biology-forums.com/index.php?topic=643794>

Question 1173

Which of the following best describes what life insurance is designed to protect against?
A) Dying before financial obligations have been met
B) Outliving your income
C) Probability of dying increasing as you grow older
D) Loss of income due to retirement
Answer: <https://biology-forums.com/index.php?topic=644103>

Question 1174

Which of the following is true?

- A) Term life insurance is most suitable when the need for protection is permanent.
- B) Decreasing term insurance is useful when the insured's debt is increasing at a steady, predictable rate.
- C) Whole life insurance is best when the insured desires temporary coverage because its cash values will refund nearly all premiums paid.
- D) Whole life insurance can provide funds whether the insured dies or survives the policy period.

Answer: <https://biology-forums.com/index.php?topic=644113>

Question 1175

What are the rules to be considered a qualified plan?

Answer: <https://biology-forums.com/index.php?topic=644386>

Question 1176

The primary purpose of a 401(k) plan is to:

- A) save for retirement on a tax-deferred basis
- B) save for retirement on a tax-free basis
- C) save for retirement and have your employer match your contributions, all on a tax-free basis
- D) have a forced savings plan for emergencies

Answer: <https://biology-forums.com/index.php?topic=644335>

Question 1177

Gerald Tee has a \$50,000 property loss. His insurance policy's coverage limit is \$35,000, and has a \$500 deductible applied to the policy. How much will Gerald collect?

- A) \$50,000
- B) \$49,500
- C) \$35,000
- D) \$34,500

Answer: <https://biology-forums.com/index.php?topic=643831>

Question 1178

All the following are true concerning FAIR (Fair Access to Insurance Requirements) plans except:

- A) they are one possible solution to the insurance availability problem
- B) they are found in only four states
- C) they are designed to deal with unavailability of property insurance
- D) they have not been profitable in most states most years

Answer: <https://biology-forums.com/index.php?topic=643706>

Question 1179

Enterprise Risk Management is a comprehensive approach to corporate risk.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643254>

Question 1180

Which of the following is not directly a subject of state insurance regulation?

- A) Financial solvency of insurance companies
- B) Trade practices of insurance companies, such as agent compensation and product pricing
- C) Marketing activities of insurance companies
- D) The rates that insurers charge for insurance

Answer: <https://biology-forums.com/index.php?topic=643765>

Question 1181

Arthur is driving home from work when he runs off the road and hits a telephone pole. These are the losses he suffers: \$12,000 to repair the damage to his car, and, \$800 to rent a car while his car is being repaired. What is the correct name for each of these losses?

- A) The \$12,000 is an indirect loss, and the \$800 is a direct loss.
- B) The \$12,000 is a direct loss, and the \$800 is also a direct loss.
- C) The \$12,000 is a direct loss, and the \$800 is an indirect loss.
- D) The total loss of \$12,800 is a direct loss.

Answer: <https://biology-forums.com/index.php?topic=643223>

Question 1182

Which of the following is an appropriate method for calculating the financial impact on the firm that results from the loss of a key employee?

- A) Research comparable salaries on employment data websites
- B) Never let these employees be in the same building at the same time
- C) A multiple of the key person's salary
- D) Calculate the net present value of the future salary owed to the employee under his/her existing employment contract

Answer: <https://biology-forums.com/index.php?topic=643276>

Question 1183

Which of the following statements about insurance commissioners is not correct?

- A) Insurance commissioners interpret the state's insurance laws.
- B) Insurance commissioners enforce the state's insurance laws.
- C) Insurance commissioners have limited powers when it comes to protecting the insured.
- D) Every state has an insurance commissioner.

Answer: <https://biology-forums.com/index.php?topic=643747>

Question 1184

All the following are direct losses except:

- A) a house is burglarized
- B) a store loses \$200,000 in sales because a fire closes it down for two weeks
- C) a corporation must pay \$1 million in ransom when its CEO is kidnapped
- D) an delivery truck needs \$15,000 in repairs after a collision

Answer: <https://biology-forums.com/index.php?topic=643192>

Question 1185

Which of the following does not support the principle of indemnity?

- A) Actual cash value
- B) Contract of adhesion
- C) Insurable interest
- D) Subrogation

Answer: <https://biology-forums.com/index.php?topic=643849>

Question 1186

For centuries consumers have relied upon insurance to pay for unexpected losses.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643445>

Question 1187

Which of the following statements about the risk reduction is correct?

- A) When the probability distribution is non-normal, risk cannot be reduced by increasing the pool size.
- B) After the pool size has reached 36, risk can no longer be reduced any further.
- C) Risk is reduced as the pool size increases.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=643347>

Question 1188

A breach of contract legally is known as a "tort."

T/F?

Answer: <https://biology-forums.com/index.php?topic=643310>

Question 1189

Dameion has a collision that is his fault. The ACV of his vehicle is \$13,922. To repair the damages caused in the accident, it will cost \$15,722. What will the insurer likely pay Dameion under his Collision coverage, assuming his deductible is \$500?

- A) \$0
- B) \$13,422
- C) \$13,922
- D) \$15,722
- E) \$15,222

Answer: <https://biology-forums.com/index.php?topic=643951>

Question 1190

The McCarran-Ferguson Act recommended that:

- A) states dismantle their regulatory systems
- B) states submit to federal insurance regulation
- C) state regulation be phased out over a ten-year period
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=643799>

Question 1191

All of the following statements about an ordinary (whole) life insurance policy are true, except:

- A) Premiums can be level throughout the policy period.
- B) The face amount is paid if the insured lives to age 65.
- C) There is a buildup of cash value that can be borrowed by the policyholder.
- D) It can fulfill the insured's death protection AND saving needs.

Answer: <https://biology-forums.com/index.php?topic=644108>

Question 1192

There are no clear rules for choosing an appropriate risk-handling technique.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643443>

Question 1193

Losses related to intangible property does not include:

- A) patents
- B) inventory
- C) human capital
- D) reputation

Answer: <https://biology-forums.com/index.php?topic=643279>

Question 1194

The decision to enroll in the Medicare prescription drug plan requires:

- A) very little information, because it's best for 75% of all Americans
- B) a lot of information about the income tax bracket of the individual participant
- C) an analysis of the individual's prescriptions and their costs
- D) a brain surgeon

Answer: <https://biology-forums.com/index.php?topic=644474>

Question 1195

The lack of annuities for life insurance is a serious problem in the U.S.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643554>

Question 1196

If insurance did not exist in the United States, which of the following might reasonably be expected to happen?

- A) Banks would lower their interest rates on home mortgages and auto loans.
- B) Moral hazards would decrease.
- C) The occurrence of perils would decrease.
- D) In general, only large businesses would be able to survive.

Answer: <https://biology-forums.com/index.php?topic=643535>

Question 1197

It is generally illegal for an insurance agent to share her commissions with an insured.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643806>

Question 1198

If there were a \$22,000 loss and a \$700 straight deductible, the insurer would pay:

- A) \$700
- B) \$21,300
- C) \$22,000

D) \$0

Answer: <https://biology-forums.com/index.php?topic=643833>

Question 1199

Which of the following is not a task of a financial planner?

- A) Help their clients develop financial goals for the future
- B) Collect data about the various aspects of the financial situation of their clients
- C) Decide on the implementation of a financial plan
- D) Educate their clients with respect to the optimal financial plan

Answer: <https://biology-forums.com/index.php?topic=644066>

Question 1200

FAIR plans guarantee insurance to all applicants.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643756>

Question 1201

A defined contribution retirement plan can be advantageous for an employer because:

- A) the employer may take the tax advantages without funding the plan
- B) cost containment can be effective
- C) only individuals that retire will receive benefits and therefore the costs are reduced
- D) the investment risk is shifted to the employee after the contribution is made

Answer: <https://biology-forums.com/index.php?topic=644318>

Question 1202

What are the general types of benefits provided under workers' compensation?

Answer: <https://biology-forums.com/index.php?topic=644591>

Question 1203

Why is a large number of exposure units generally required for a risk to be insurable?

- A) It allows the insurer to accurately predict the aggregate dollar amount of loss.
- B) It allows for at least some losses to occur.
- C) It reduces speculative risk.
- D) It reduces both the speculative risk and pure risk.

Answer: <https://biology-forums.com/index.php?topic=643212>

Question 1204

Lloyd's of London:

- A) is a large property-liability insurance company with head-quarters in London
- B) sells stock
- C) is a marketplace where separate syndicates accept exposures for their own accounts
- D) sells insurance directly to the public

Answer: <https://biology-forums.com/index.php?topic=643581>

Question 1205

In a limited payment policy, only a portion of the face amount is paid if death occurs in the early years.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644137>

Question 1206

Self-employed people must participate in the Social Security program.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644504>

Question 1207

Judy has \$500,000 with which to purchase a single-premium annuity. Which annuity should she buy if she wants to maximize her monthly liquidation payment?

- A) Straight life annuity
- B) 5-year period certain, joint and survivor

- C) Installment refund
- D) Cannot be determined from the given information

Answer: <https://biology-forums.com/index.php?topic=644234>

Question 1208

Under an open perils insurance policy:

- A) covered perils are spelled out, usually using a numbered list
- B) any piece of property not excluded is covered
- C) absolutely all risks of losses are covered, those having an illegal purpose
- D) all perils not excluded are covered

Answer: <https://biology-forums.com/index.php?topic=643534>

Question 1209

A term insurance policy that includes a conversion privilege gives the insured the right to:

- A) renew the policy for another time period of the same length
- B) exchange the term policy for a permanent plan of insurance
- C) increase or decrease the death benefit
- D) include the nonforfeiture provision in the policy

Answer: <https://biology-forums.com/index.php?topic=644107>

Question 1210

Is there a reason why pure risk events, like a hurricane or earthquake, could be bundled into a more general risk portfolio?

- A) No, pure risks have too devastating an effect.
- B) Yes, since they are negatively correlated with other risk events.
- C) No, they are too highly correlated with other risk events.
- D) Yes, because an insurer can ask a very high premium for including it in the general risk portfolio.

Answer: <https://biology-forums.com/index.php?topic=643490>

Question 1211

If you rent a car while on vacation, you have coverage for any collision damage to the rental car under your own PAP, assuming you have purchased such coverage on your owned automobiles.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643968>

Question 1212

Under regular audits and solvency testing an insurer is subject to:

- A) no state guaranty fund participation
- B) more restrictive rate regulation
- C) the requirement to file an annual statement
- D) FDIC participation and protection

Answer: <https://biology-forums.com/index.php?topic=643800>

Question 1213

Briefly explain the role of the courts and the law in providing consumer protection relative to insurance products.

Answer: <https://biology-forums.com/index.php?topic=643763>

Question 1214

The waiver of premium option can result in the savings value of a life insurance policy increasing, even if no premiums are currently being paid.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644192>

Question 1215

Which of the following is true about administrative charges on an FPDA?

- A) A front-end load is also called a surrender charge.
- B) A front-end load is charged on each premium payment.
- C) A front-end load is always higher than the back-end load.
- D) By law an insurer can only charge a front-end load or a back-end load, but not both.

Answer: <https://biology-forums.com/index.php?topic=644244>

Question 1216

Which of the following statements about external and internal loss-financing techniques is not correct?

- A) Self-insurance is a form of internal loss-financing.
- B) Risk retention is a form of internal loss-financing.
- C) Insurance is a form of external loss-financing.
- D) Captive insurance is a form of external loss-financing.

Answer: <https://biology-forums.com/index.php?topic=643431>

Question 1217

List and describe briefly the various settlement options under life insurance contracts.

Answer: <https://biology-forums.com/index.php?topic=644209>

Question 1218

Which one of the following is an argument for federal regulation of the insurance transaction?

- A) If there were federal regulation, state regulation would still be required for intrastate transactions.
- B) State regulation allows experimentation and isolation of bad laws.
- C) Many states do not have enough trained people to regulate insurance efficiently.
- D) All of the above

Answer: <https://biology-forums.com/index.php?topic=643775>

Question 1219

Which one of the following is not a reason for the increase in U.S. health care costs?

- A) More expensive medical equipment and buildings
- B) Increased medical malpractice insurance costs
- C) Hospital labor operating costs
- D) Increased cost of funeral expenses

Answer: <https://biology-forums.com/index.php?topic=644271>

Question 1220

Your personal health insurance policy provides the following coverage:

For all covered medical bills, you must pay a \$100 annual aggregate deductible.

After meeting that deductible, you must share in all additional expenses on a 90/10

basis. In any one year, your out-of-pocket maximum expenditure will not exceed \$1,000.

In 2009 you fall and crack your skull. The covered medical bills you incur total \$7,100. How much will you have to pay for this loss, and how much will the insurer pay?

- A) You pay \$100, your insurer pays \$7,000.
- B) You pay \$800, your insurer pays \$7,000.
- C) You pay \$800, your insurer pays \$6,300.
- D) You pay \$1,000, your insurer pays \$6,100.

Answer: <https://biology-forums.com/index.php?topic=644277>

Question 1221

Explain the importance of the correlation coefficient for diversification.

Answer: <https://biology-forums.com/index.php?topic=643505>

Question 1222

A lack of insurance for high-risk drivers:

- A) makes the insurance market more efficient
- B) should change their behavior
- C) makes insurance costs go up
- D) reduces regulation in the insurance market

Answer: <https://biology-forums.com/index.php?topic=643735>

Question 1223

Risk Assessment:

- A) is the first step in the Risk Management Process
- B) is the process of identifying the broad range of risk exposures
- C) is the process of estimating the financial impact of each risk

D) deals with risk identification

Answer: <https://biology-forums.com/index.php?topic=643324>

Question 1224

Which of the following is a primary reason that insurance consumers are not well-informed?

- A) Insurers have not made much effort to inform consumers.
- B) The rewards of making informed decisions are not worth the cost of obtaining the needed information.
- C) State insurance regulators do not provide the needed information.
- D) Insurance prices are so low that most consumers do not care to be informed.

Answer: <https://biology-forums.com/index.php?topic=643708>

Question 1225

Critics of HMOs say that:

- A) HMO members have too many choices of doctors they can use and services they can receive
- B) HMO doctors waste money because they have no incentive to control costs
- C) the 10% deductible required for every procedure is cost-prohibitive for most citizens
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=644279>

Question 1226

All the following are objectives of risk management except:

- A) to insure all exposures to loss
- B) minimize reputation risk
- C) minimize supply chain interruption
- D) develop and maintain plant safety program

Answer: <https://biology-forums.com/index.php?topic=643286>

Question 1227

An insurance applicant dying from cancer is not likely to be able to get insurance because:

- A) it is impossible to estimate the loss
- B) the probability of loss is extremely high and thus the price for coverage would be uneconomical
- C) the confidence interval is very high
- D) the risk pool is very large

Answer: <https://biology-forums.com/index.php?topic=643367>

Question 1228

Commercial insurance contracts covering the fire peril never explicitly define the term "fire."

T/F?

Answer: <https://biology-forums.com/index.php?topic=644672>

Question 1229

HMOs:

- A) are the same as PPOs but cover only groups of individuals
- B) collect a capitation payment for each insured and provide "comprehensive" health and preventive care
- C) tend to be found mostly in rural areas
- D) provide a reduced fee if the insured has zero claims during the preceding policy year

Answer: <https://biology-forums.com/index.php?topic=644291>

Question 1230

Calculate the Standard Deviation of the following investment:

State of the Economy Probability Outcome

Recession 20% -3%

Stability 60% 4%

Boom 20% 10%

- A) 0.17%
- B) 4.12%
- C) 6.51%
- D) 23.09%

Answer: <https://biology-forums.com/index.php?topic=643466>

Question 1231

Insurance companies that have funny TV commercials:

- A) make the insurance market more efficient
- B) attract more attention of regulators
- C) waste money of the insured
- D) make themselves less reputable

Answer: <https://biology-forums.com/index.php?topic=643733>

Question 1232

What does ERISA stand for?

- A) Employer Retirement Income Security Act
- B) Employee Retirement Income Security Act
- C) Employee Restitution and Income Security Act
- D) Employer Required Insurance Standards Amendment

Answer: <https://biology-forums.com/index.php?topic=644333>

Question 1233

Social Security is financed by a tax on:

- A) employees and employers
- B) only on employees
- C) only on employers
- D) all residents of the United States

Answer: <https://biology-forums.com/index.php?topic=644402>

Question 1234

Which of the following statements is false?

- A) The motor truck cargo insurance protects the interest of the trucking companies.
- B) Federal law requires trucks traveling across state lines to have at least \$1.5 million in liability insurance.
- C) The peril causing the largest amount of inland marine losses is theft.
- D) Inland marine insurance developed because commerce in the U.S. moved inland.

Answer: <https://biology-forums.com/index.php?topic=644656>

Question 1235

The main purpose of an annuity is to protect against:

- A) premature death
- B) outliving one's income
- C) growing old
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=644233>

Question 1236

All of the following are perils except:

- A) heart attack
- B) theft
- C) forgery and embezzlement
- D) incorrect instructions on the label of a pesticide

Answer: <https://biology-forums.com/index.php?topic=643525>

Question 1237

Given a broad definition of legal liability, what are the three legal categories for describing situations in which one person injures another? Which ones are generally insurable?

Answer: <https://biology-forums.com/index.php?topic=643323>

Question 1238

Why is the power to bind life insurance contracts not given to agents?

- A) Agents are not capable of evaluating the risks they deal with
- B) This restriction minimizes fraud and misunderstanding
- C) Because the agents represent the insurance buyers and not the insurance companies

D) All of the above

Answer: <https://biology-forums.com/index.php?topic=643652>

Question 1239

Risk Pooling is the ability to reduce the risk of a unit by making more accurate predictions about a large pool of units.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643377>

Question 1240

An alien insurer is a non-U.S. insurer.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643817>

Question 1241

Explain what the dramatic shift was in political philosophy leading to the Social Security Act of 1935.

Answer: <https://biology-forums.com/index.php?topic=644506>

Question 1242

Distinguish between cost shifting and cost containment in health care.

Answer: <https://biology-forums.com/index.php?topic=644310>

Question 1243

The Expected Value of a probability distribution is calculated by:

- A) adding up all expected losses
- B) adding up all expected losses and dividing the result by the number of observations
- C) multiplying the expected losses with their probability and dividing the result by the number of observations
- D) multiplying the expected losses with their probability and calculating the sum of all outcomes

Answer: <https://biology-forums.com/index.php?topic=643332>

Question 1244

Which one of the following losses is an indirect loss?

- A) Damage to a car when a tree falls on it
- B) Loss caused by an arsonist who burns down a building to collect insurance proceeds
- C) Monetary losses due to the inability to produce and sell goods when a machine is destroyed
- D) Monetary losses due to a legal liability claim

Answer: <https://biology-forums.com/index.php?topic=643210>

Question 1245

Which of the following is not a type of property and liability insurance?

- A) Bank deposit insurance
- B) Commercial lines insurance
- C) Business interruption coverage
- D) Wedding insurance

Answer: <https://biology-forums.com/index.php?topic=643516>

Question 1246

Insurer reserve requirements exist to:

- A) force the insurer to maintain a minimum amount of assets
- B) allow the insurer to earn investment income
- C) allow the insurer to charge higher premiums
- D) set money aside for fixed asset acquisition

Answer: <https://biology-forums.com/index.php?topic=643771>

Question 1247

Which of the following statements about schedule rating is false?

- A) Analyzes each property individually
- B) Is used primarily in rating commercial buildings
- C) Starts with a rate for a standard building in the same city as the building being rated
- D) Uses the same rate for all buildings that have a particular construction type

Answer: <https://biology-forums.com/index.php?topic=644603>

Question 1248

Assumption of risk was a common defense used by employers prior to the enactment of workers' compensation laws.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644572>

Question 1249

The damage caused by an indirect loss can be greater in amount than the damage caused by direct loss in the same occurrence.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643314>

Question 1250

Alice dies and is survived by her husband, Steve, and their child, Dawn. Steve and Dawn are each then eligible to receive a monthly Social Security survivor benefit of \$1,700. If Steve goes to work and earns \$100 more than the maximum monthly earnings limit, what will happen?

- A) Steve's \$1,700 benefit payment will cease.
- B) Both Steve's and Dawn's \$1,700 benefit payment will cease.
- C) Steve's benefit payment will be reduced to \$1,650.
- D) Both Steve's and Dawn's monthly benefits will be reduced to \$1,650 each.

Answer: <https://biology-forums.com/index.php?topic=644452>

Question 1251

Mr. Harvey needs life insurance. He is deciding whether to buy a new policy or to reinstate the one that he allowed to lapse last year. He asks you to explain the advantage of reinstatement versus purchasing a new policy, and you tell him:

- A) settlement options in a new policy may be less favorable than those in the old policy
- B) he will not have to present evidence of insurability
- C) he will not have to pay premiums that are in arrears
- D) the reinstated policy will not have an incontestability clause

Answer: <https://biology-forums.com/index.php?topic=644149>

Question 1252

Direct writing:

- A) describes the distribution system used by independent agents and brokers in the property/liability area
- B) is used only by life insurers
- C) is an expensive way to distribute insurance to high income people
- D) describes a system of insurance company distribution using employee/agents

Answer: <https://biology-forums.com/index.php?topic=643635>

Question 1253

Mrs. Barker has a poodle that she loves very much. The poor little dog is killed in a house fire, and Mrs. Barker asks her homeowners insurance company to pay \$100,000 for the loss of the dog. The insurer denies the claim. On what grounds would it be able to do this?

- A) Too much moral hazard potential exists with the loss of pets.
- B) It's impossible to measure, economically, the value of a beloved pet.
- C) Animals are never insurable items.
- D) The insurer could not legally deny the claim.

Answer: <https://biology-forums.com/index.php?topic=643567>

Question 1254

Choose the answer that best describes the purpose of a Section 529 Plan:

- A) funding retirement with tax-deferred dollars
- B) funding retirement with completely tax-free dollars
- C) funding a college education
- D) funding retirement

Answer: <https://biology-forums.com/index.php?topic=644057>

Question 1255

HIPPA applies to group health plans that cover _____ or more employees.

- A) 2
- B) 15

- C) 20
- D) 50

Answer: <https://biology-forums.com/index.php?topic=644353>

Question 1256

In a life insurance contract, the owner and the beneficiary may be different individuals.
T/F?

Answer: <https://biology-forums.com/index.php?topic=644196>

Question 1257

Explain who the counterparty is to a risk management derivatives contract that an insurance company would engage in and what his or her motives are to engage in the derivatives contract.

Answer: <https://biology-forums.com/index.php?topic=643507>

Question 1258

The PAP only covers losses that occur while the automobile is within the United States, Canada, or Mexico, or being transported between ports thereof.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643963>

Question 1259

All the following are true about fraternal insurers except:

- A) they market their product to social organizations
- B) they are nonprofit and have tax advantages
- C) they specialize in life insurance
- D) they typically sell coverage through commercial banks

Answer: <https://biology-forums.com/index.php?topic=643583>

Question 1260

Which of the following statements about the risk pooling is correct?

- A) Risk pooling works best if the parties involved have heterogeneous risk characteristics.
- B) Risk pooling works best if the number of parties involved is small.
- C) Risk pooling works best if the loss experience of the parties involved is statistically dependent.
- D) Risk pooling, assuming some assumptions are met, reduce overall risk.

Answer: <https://biology-forums.com/index.php?topic=643343>

Question 1261

The 2011 report from the trustees of Social Security indicates that:

- A) Social Security will be bankrupt by the year 2024
- B) with no changes to the program, the Medicare Hospital Insurance trust fund will be exhausted in 2024
- C) Baby Boomers are specifically responsible for bankrupting the system
- D) with no changes to the program, all benefits will be fully-funded through the year 2018

Answer: <https://biology-forums.com/index.php?topic=644464>

Question 1262

The waiting period in disability income insurance:

- A) eliminates payment for minor illness
- B) provides larger benefits to the insured
- C) provides indirect loss coverage
- D) integrates employment sick days with the disability plan

Answer: <https://biology-forums.com/index.php?topic=644265>

Question 1263

Whole life insurance policy sales have declined in recent years. Which of the following is not a reason for this decline?

- A) Term life insurance is typically a better choice for most consumers.
- B) Term life insurance policies offer very competitive rates and attractive prices.
- C) Variable life policies have gained popularity.
- D) Inflation in the late 1970s and early 1980s

Answer: <https://biology-forums.com/index.php?topic=644124>

Question 1264

Explain what a contract of adhesion is. How does the doctrine of reasonable expectations influence adhesion?

Answer: <https://biology-forums.com/index.php?topic=643911>

Question 1265

All of the following are examples of loss financing, except:

- A) raising capital through selling stocks and bonds on the capital market
- B) insurance
- C) hedging
- D) risk retention

Answer: <https://biology-forums.com/index.php?topic=643419>

Question 1266

Midlands Insurance has 100 policyholders. It expects that this year's losses for all of its policyholders will total \$111,000. The predicted expenses of operating the insurance pool are \$46,000, expected investment earnings are \$20,000, and the actuary determines that there is no need to charge for a risk reserve this year. What should the premium for each of Midland's 100 policyholders be?

- A) \$1,110
- B) \$1,370
- C) \$1,570
- D) \$1,770

Answer: <https://biology-forums.com/index.php?topic=643541>

Question 1267

Risk-based capital requirements take into account differences in a particular insurers' underwriting and investment practices.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643816>

Question 1268

Which of the following is not a duty of an insurance agent?

- A) Duty to make a profit in the long run for the insurance agency and the insurer
- B) Carefully handling all money and keeping proper records
- C) Carefully conveying all relevant information
- D) Duty not to enrich himself by self-dealing at the principal's expense

Answer: <https://biology-forums.com/index.php?topic=643638>

Question 1269

OSHA is a federal loss prevention law.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643438>

Question 1270

Which of the following is not a stated purpose of regulation?

- A) Promote competition among the largest insurers in the state
- B) Maintain insurer solvency
- C) Deal with unique pricing problems that do not allow for full and unrestrained competition
- D) Promote social goals

Answer: <https://biology-forums.com/index.php?topic=643774>

Question 1271

The ultimate objective of ERM does not include the following:

- A) hedge against a drop in the stock price of the firm
- B) eliminate product recalls
- C) minimize interruption in the firms supply chain
- D) survival of the company

Answer: <https://biology-forums.com/index.php?topic=643263>

Question 1272

Suppose that Social Security measures a quarter of coverage earned as \$900. Mario works during the June and July only and earns \$9,000 of

covered wages. How many quarters of coverage does he receive for that year?

- A) 1
- B) 4
- C) 10
- D) Up to 10, depending upon whether or not he is self-employed

Answer: <https://biology-forums.com/index.php?topic=644458>

Question 1273

Which of the following types of business income coverage would pay for losses due to the destruction of your supplier of raw goods or a buyer of your products?

- A) Dependent properties business income form
- B) Additional insured interruption
- C) Consequential business interruption
- D) Suppliers' protection and interruption

Answer: <https://biology-forums.com/index.php?topic=644634>

Question 1274

In an insurer death spiral the insurance pool shrinks.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643611>

Question 1275

Mr. Jiminez wants his 16 year old son to buy a life insurance policy as an investment for college. He asks you if it is legal for a minor child to purchase and own life insurance. You correctly respond by saying:

- A) minors never have capacity to enter contracts
- B) minors always have capacity to enter contracts
- C) the courts have ruled that it is illegal for minors to purchase life insurance
- D) the courts have ruled both ways on minors' ability to own life insurance

Answer: <https://biology-forums.com/index.php?topic=643844>

Question 1276

Which of the following statements about the risk charge is correct?

- A) The Risk Charge represents how much an insurance company should charge for people not paying their insurance premium.
- B) The Risk Charge can only be calculated when the probability distribution is normal.
- C) The Risk Charge is what is added to and subtracted from the Estimated Mean to get to the Confidence Interval.
- D) All of the above are incorrect.

Answer: <https://biology-forums.com/index.php?topic=643354>

Question 1277

Defective electrical wiring that may lead to a fire is an example of a:

- A) pure risk
- B) non-diversifiable risk
- C) speculative risk
- D) physical hazard

Answer: <https://biology-forums.com/index.php?topic=643195>

Question 1278

Bob loans his car to Norm, and Norm wrecks the car. Both Bob and Norm have PAP's on their owned vehicles, and both men have purchased all four major coverages (A, B, C and D) on their automobiles. Whose policy will pay for this loss on a PRIMARY basis?

- A) Bob's
- B) Norm's
- C) They'll both be primary and will share the loss equally.
- D) Neither policy will pay on a primary basis because the loss is not covered.

Answer: <https://biology-forums.com/index.php?topic=643950>

Question 1279

What purpose do reporting forms serve in commercial property insurance contracts?

Answer: <https://biology-forums.com/index.php?topic=644698>

Question 1280

Libel committed by a business can result in a lawsuit that asks the business to pay:

- A) personal injury damages
- B) bodily injury damages
- C) loss of consortium damages
- D) dram shop benefits

Answer: <https://biology-forums.com/index.php?topic=644726>

Question 1281

Experience rating of workers' compensation insurance rewards employers with good safety records.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644563>

Question 1282

What is the difference between prior approval and open rating laws?

Answer: <https://biology-forums.com/index.php?topic=643825>

Question 1283

Explain what is meant by a "blackout period" as it applies to Social Security benefits.

Answer: <https://biology-forums.com/index.php?topic=644512>

Question 1284

Luis arrives home from work one day to discover that his apartment building is on fire. He drives directly to an insurance agency to buy renters insurance, since he realized he didn't have coverage for this loss. Luis does not tell his agent that the building is on fire. There is also not a question on the application for coverage that asks if Luis' apartment is currently on fire. Luis pays the first premium, and the agent issues a coverage binder. Which of the following statements is/are true?

- I. Luis committed a misrepresentation, so coverage may be voided at the option of the insurer.
 - II. Luis breached a warranty, but the insurer will have to prove he did so fraudulently in order to deny coverage.
 - III. Luis committed a concealment that was material to the risk, thus his coverage can be voided by the insurer as long as the insurer can prove that he concealed the fact with fraudulent intentions.
- A) I
 - B) I and III
 - C) III
 - D) II and III

Answer: <https://biology-forums.com/index.php?topic=643875>

Question 1285

Disability income insurance generally requires an elimination or waiting period before benefits begin.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644299>

Question 1286

Which of the following is not a "bailment"?

- A) Leaving your car at an auto dealer for repair
- B) Loaning your car to your neighbor
- C) Eating at a restaurant
- D) Shipping goods on a truck

Answer: <https://biology-forums.com/index.php?topic=644593>

Question 1287

The Gramm-Leach-Bliley Act (1999) allows banks, security dealers, and insurance companies to combine together to form financial services holding companies.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643625>

Question 1288

Which of the following statements about duplication and physical separation is not correct?

- A) Duplication is closely related to physical separation.

- B) Like duplication, physical separation involves multiple and similar copies.
C) When a company engages in physical separation, it cannot also engage in duplication.
D) Both duplication and physical separation aim to minimize supply-chain interruptions.

Answer: <https://biology-forums.com/index.php?topic=643413>

Question 1289

The "earnings test" _____.

- A) reduces Social Security survivor benefits if wage income exceeds an annually indexed amount
B) reduces Medicare benefits if Social Security benefits exceed an annually indexed amount
C) requires retired people to show a financial need before benefits are paid
D) reduces Social Security benefits if earned wages exceed an annually-indexed amount

Answer: <https://biology-forums.com/index.php?topic=644395>

Question 1290

Mr. Green's 24-year old son still lives at home while attending college part-time. The son also has an apartment near his college campus. His stereo is stolen from the apartment. The stereo has a \$1,400 replacement cost, and an actual cash value of \$900. If there is a \$100 deductible on Section I, how much will the HO-3 contract pay for the stolen stereo?

- A) \$800
B) \$900
C) \$0, because the son is not covered by the contract
D) \$1,400

Answer: <https://biology-forums.com/index.php?topic=643995>

Question 1291

Loss adjusters perform all the following functions except:

- A) investigate claims to determine if fraud is involved
B) negotiate with the insured on the amount of damage claims
C) recommend denial of claims
D) act as the company's lawyer if the case goes to court

Answer: <https://biology-forums.com/index.php?topic=643640>

Question 1292

There is no subrogation in life insurance.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643898>

Question 1293

Nurse Goodbody works for Dr. Bond. While driving to the hospital one day, Dr. Bond has an accident that is his fault. Nurse Goodbody, as a passenger of the car, is injured. Which of the following is true?

- A) Dr. Bond's PAP Liability Coverage will pay for her injuries.
B) Because she was a passenger, the PAP automatically defines her "an insured," so she cannot collect from Dr. Bond's PAP Liability Coverage.
C) She can collect from Dr. Bond's PAP's Liability coverage if she is not covered by workers' compensation.
D) None of the above

Answer: <https://biology-forums.com/index.php?topic=643948>

Question 1294

Speculative risks refer to those events which can only result in loss.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643252>

Question 1295

Discuss risk reduction through diversification.

Answer: <https://biology-forums.com/index.php?topic=643261>

Question 1296

Which of the following coverages is provided by the PAP?

- A) Rental car reimbursement coverage for any car rental, regardless of why the car is needed
B) Liability insurance
C) Medical expense for disease

D) Personal property coverage

Answer: <https://biology-forums.com/index.php?topic=643929>

Question 1297

Which of the following statements about risk pooling as a form of insurance is correct?

- A) Lending institutions forcing consumers to buy insurance as a condition for financing is not an example of risk pooling.
- B) Captive insurers diminish the need for risk pooling.
- C) Duplication is a form of risk pooling.
- D) In some cases the law requires firms to create them.

Answer: <https://biology-forums.com/index.php?topic=643427>

Question 1298

Major medical insurance:

- A) always provides the same benefits as basic medical, but has higher limits
- B) is designed for low income consumers
- C) is sold only to groups
- D) has a high limit of coverage

Answer: <https://biology-forums.com/index.php?topic=644261>

Question 1299

Which of the following groups would not be covered by Social Security?

- A) Doctors in private practice
- B) Professional athletes
- C) Coal miners
- D) Certain exempt state employees

Answer: <https://biology-forums.com/index.php?topic=644440>

Question 1300

When the consumer purchases insurance, several key decisions are made. What are these key decisions?

Answer: <https://biology-forums.com/index.php?topic=643764>

Question 1301

If an individual causes a loss intentionally, we would say that person is a:

- A) careful person
- B) physical hazard
- C) moral hazard
- D) risk manager

Answer: <https://biology-forums.com/index.php?topic=643392>

Question 1302

Insurance companies utilize the law of large numbers to reduce the chance of loss for their insureds.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643249>

Question 1303

Which of the following factors would not be considered in a class rating scheme for property insurance?

- A) Community firefighting capability
- B) Use of the structure
- C) External surrounding exposures
- D) Age of the named insured

Answer: <https://biology-forums.com/index.php?topic=644628>

Question 1304

Why does the death benefit increase under certain conditions in the universal life Plan A (fixed face amount)?

Answer: <https://biology-forums.com/index.php?topic=644145>

Question 1305

The entire contract clause in life insurance is designed to:

- A) make sure the entire contract (written and oral) influences the interpretation of the contract

- B) bar any incorporation by reference of any documents not attached to the contract
- C) require that the policy application be forwarded directly to the beneficiary
- D) require that any policy illustrations provided by the agent become a part of the contract

Answer: <https://biology-forums.com/index.php?topic=644160>

Question 1306

No consequential or loss of use losses are covered by the standard homeowners' policy.

T/F?

Answer: <https://biology-forums.com/index.php?topic=644019>

Question 1307

Which of the following would not normally be identified in the risk management process?

- A) Property exposures
- B) Speculative exposures
- C) Indirect loss exposures
- D) Operations exposures

Answer: <https://biology-forums.com/index.php?topic=643230>

Question 1308

Which of the following is not an evaluation criterion to determine whether a risk classification is appropriate?

- A) Separation
- B) Reliability
- C) Incentive Value
- D) Simplicity

Answer: <https://biology-forums.com/index.php?topic=643606>

Question 1309

Your vehicle is damaged by another vehicle and the accident is the fault of the other driver. You may collect for damages to your vehicle, less the deductible, from your insurance company under Coverage D, Collision, if a premium for Collision has been paid.

T/F?

Answer: <https://biology-forums.com/index.php?topic=643960>

Question 1310

The issue of who is a resident of the household, and thus an "insured" under the HO policy, has been litigated many times. Which of the following is a key factor that most courts consider when determining residence?

- A) The educational status of the resident in question
- B) Occupation of the resident in question
- C) The intent of the individual
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=644004>