

Question 1

Which of the following statements about coverage under the federal flood insurance program is (are) true?

- I. Subsidized coverage is available for contents, but not for dwellings.
- II. A \$10,000 deductible applies to each loss.

- A) I only
- B) II only
- C) both I and II
- D) neither I nor II

Answer: <https://biology-forums.com/index.php?topic=683852>

Question 2

Under one method of estimating a loss reserve, the reserve is based on life expectancy, duration of disability, and similar factors. This method of estimating loss reserves is called the

- A) judgment method.
- B) tabular value method.
- C) loss ratio method.
- D) average value method.

Answer: <https://biology-forums.com/index.php?topic=682619>

Question 3

Which of the following statements about group short-term disability income plans is true?

- A) Most plans have a short elimination period for accidents but cover sickness from the first day of disability.
- B) Disability is usually defined in terms of any substantial, gainful, employment.
- C) The amount of disability income benefits typically is equal to some percentage of a worker's normal earnings.
- D) Most short-term plans cover occupational disability only.

Answer: <https://biology-forums.com/index.php?topic=683310>

Question 4

ABC Appliance offers a warranty requiring an annual fee. The warranty may be purchased at the time of sale or at any time within the first year after the appliance was purchased. The warranty fee after the date of purchase is twice the time-of-purchase fee. When asked why the fee was higher after the date of purchase, ABC's president said, "Buying a warranty is voluntary. We've noted that those who buy the warranty after the purchase date have a greater need for service." Charging the same rate or a lower rate after the date of purchase would expose ABC to what problem that also impacts private insurers?

- A) excessive premiums
- B) reduced claims
- C) bad investments
- D) adverse selection

Answer: <https://biology-forums.com/index.php?topic=682388>

Question 5

Which of the following statements regarding the taxation of individual annuities is (are) true?

- I. The exclusion ratio is the percentage of the annuity income that is taxable.
- II. After the net cost of the annuity has been paid to the annuitant, the total annuity payment is taxable.

- A) I only
- B) II only
- C) both I and II
- D) neither I nor II

Answer: <https://biology-forums.com/index.php?topic=683097>

Question 6

Which of the following statements about underwriting policy is (are) true?

- I. A company must establish an underwriting policy consistent with company objectives.
- II. Underwriting policy is usually subjective and allows the underwriter considerable flexibility with respect to lines written and forms used.

- A) I only
- B) II only
- C) both I and II
- D) neither I nor II

Answer: <https://biology-forums.com/index.php?topic=682569>

Question 7

All of the following are elements of negligence EXCEPT

- A) the ability to pay damages.
- B) the failure to perform a legal duty to use reasonable care.
- C) damages or injuries to a claimant.
- D) proximate cause between the negligent act and the injury or harm that occurs.

Answer: <https://biology-forums.com/index.php?topic=683573>

Question 8

Which of the following statements about "open-perils" coverage is (are) true?

- I. All losses are covered except those losses specifically excluded.
- II. The burden of proof is on the insured to prove that a loss is covered.

- A) I only
- B) II only
- C) both I and II
- D) neither I nor II

Answer: <https://biology-forums.com/index.php?topic=682770>

Question 9

The period during which a surviving spouse is ineligible for Social Security benefits is referred to as the

- A) emergency period.
- B) readjustment period.
- C) dependency period.
- D) blackout period.

Answer: <https://biology-forums.com/index.php?topic=682822>

Question 10

Which of the following is a result of adverse selection?

- A) The insurer's financial results will be substantially improved.
- B) Persons most likely to have losses are also most likely to seek insurance at standard rates.
- C) It is unnecessary for the insurance company to use underwriting.
- D) Insurance can be written only by the federal government.

Answer: <https://biology-forums.com/index.php?topic=682357>

Question 11

Which of the following statements about types of property covered under the Personal Articles Floater is true?

- A) Golfer's equipment is covered only in the United States.
- B) Furs are covered on a blanket basis without the necessity to schedule individual items.
- C) A higher premium must be paid to insure musical instruments if they are played for pay.
- D) Coverage for silverware and goldware is not available under the Personal Articles Floater.

Answer: <https://biology-forums.com/index.php?topic=683847>

Question 12

New Jersey's dollar-a-day auto insurance coverage is limited to

- A) elderly individuals.
- B) Medicaid recipients.
- C) drivers under age 25.
- D) high-risk drivers.

Answer: <https://biology-forums.com/index.php?topic=683829>

Question 13

Liability arising out of which of the following is covered under the personal injury endorsement to the homeowners policy?

- A) bodily injury
- B) property damage
- C) slander
- D) professional liability

Answer: <https://biology-forums.com/index.php?topic=683713>

Question 14

Which of the following statements about the surrender cost index for measuring the cost of life insurance is true?

- A) It is based on the assumption that the policy will be in force indefinitely.
- B) It takes into account the settlement options available in the policy.
- C) It does not consider the cash value in the policy.
- D) It takes the amount and timing of each dividend into consideration.

Answer: <https://biology-forums.com/index.php?topic=682980>

Question 15

Hedge Fund Company offers a mutual fund to investors. Fund managers are concerned about fund volatility. They analyzed the fund to determine the worst loss likely to occur in a calendar quarter, assuming a 90 percent level of confidence. The worst probable loss is known as the fund's

- A) unrealized capital gain.
- B) value at risk.
- C) beta coefficient.
- D) surrender value.

Answer: <https://biology-forums.com/index.php?topic=682507>

Question 16

The regulation of insurers in areas that affect consumers, which include claims handling, underwriting, complaints, advertising, sales practices, and other trade practices is called

- A) solvency surveillance.
- B) market conduct regulation.
- C) combined ratio analysis.
- D) market share regulation.

Answer: <https://biology-forums.com/index.php?topic=682696>

Question 17

Some states have enacted laws which prohibit uninsured drivers from suing a negligent driver for noneconomic damages, such as pain and suffering. These laws are called

- A) pure no-fault laws.
- B) "no pay, no play" laws.
- C) financial responsibility laws.
- D) unsatisfied judgment laws.

Answer: <https://biology-forums.com/index.php?topic=683826>

Question 18

Small Town used to be just that—a small town 6 miles from Large City. Over the years, the area between Small Town and Large City has developed, and now Small Town is part of the suburbs surrounding Large City. An auto insurer that operated in the area had a large increase in auto claims from Small Town insureds. The insurer did not adjust its rates, and this year will lose money because of claims attributable to higher population density. Which business rating objective did this insurer fail to meet?

- A) simplicity
- B) stability
- C) responsiveness
- D) encouragement of loss control

Answer: <https://biology-forums.com/index.php?topic=682648>

Question 19

Which of the following statements regarding insurance and hedging is (are) true?

- I. Insurance involves the transfer of insurable risk while hedging handles risk that is typically uninsurable.
 - II. Both insurance and hedging rely on the law of large numbers to reduce risk.
- A) I only
 - B) II only
 - C) both I and II
 - D) neither I nor II

Answer: <https://biology-forums.com/index.php?topic=682408>

Question 20

A property and liability insurance company's loss ratio was 74 percent in 2011, 68 percent in 2012, and 66 percent in 2013. The same insurer's expense ratio was 31 percent in 2011, 33 percent in 2012, and 30 percent in 2013. Which of the following statements is true about the company's

underwriting results?

- A) The insurer made money from its underwriting activities each year.
- B) The insurer's profitability from underwriting has been deteriorating each year.
- C) The insurer's profitability from underwriting has been improving each year.
- D) The insurer lost money from its underwriting activities each year.

Answer: <https://biology-forums.com/index.php?topic=682660>

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