

Insurance and Risk Management

- 1) Pure risk may be said to create an economic burden in all **except** which one of the following ways?
- pure risk results in gambling, which is a destructive social force
 - pure risk may deprive society of certain goods or services determined to bear excessive risk
 - pure risk can result in feelings of mental unrest and worry that can drain human energies
 - reserve funds may be necessitated that may not yield the highest rate of return available

Competency: Risk management

- 2) The risk of potential losses to others as a result of injury or damage you may have caused is:
- property risk
 - insurance
 - liability risk
 - personal risk

Competency: Risk management

- 3) Examples of physical hazards include:
- dishonest employee
 - building fire, oily rags, and a dishonest employee
 - oily rags and a gas leak
 - a building fire

Competency: Property and liability insurance

- 4) Ken fell asleep while driving late at night. He crossed the center line and hit a car approaching from the other direction. The following losses occurred:
- the car that Ken hit was a total loss
 - Ken's car sustained \$5,000 in damages
 - Ken incurred \$5,000 in medical expenses
 - the driver of the other car suffered \$30,000 in bodily injuries

Competency: Property and liability insurance

- 5) Which one of the following losses would be covered under the medical payments coverage of the Homeowners 3 policy?
- injury to a resident employee at the insured's home
 - injuries to another person arising out of the insured's negligent operation of a vehicle
 - medical payments resulting from the transmission of a communicable disease
 - workers compensation medical payments

Competency: Health, disability, and life insurance

- 6) A provision in disability insurance that specifies the conditions under which the insured is automatically considered disabled is:
- partial disability
 - presumptive disability
 - temporary disability
 - total disability

Competency: Insurance knowledge

- 7) _____ is the likelihood that an event will occur.
- Peril
 - Hazard
 - Probability
 - Risk

Competency: Decision making

- 8) Kathy entered into an insurance contract with XYZ Insurance Company. When the agent who sold the coverage witnessed Kathy doing something that violated the terms of the contract, he threatened to sue her to make her comply with terms of the contract. Which distinct legal characteristic of insurance contracts states that only the insurer's promise to perform is legally enforceable?
- unilateral contracts
 - personal contracts
 - contracts of adhesion
 - aleatory contracts

Competency: Ethics

- 9) In what career would a person assess the cost of replacing or repairing damaged property?
- a. agent
 - b. appraiser
 - c. claims adjustor
 - d. risk manager

Competency: Careers

- 10) Jan is employed by an insurance company. She reviews applications to determine whether her company should insure the applicant. If insurable, Jan assigns the applicant to a rating category based on the applicant's degree of risk. Jan is a(n):
- a. actuary
 - b. claims adjustor
 - c. underwriter
 - d. loss control engineer

Competency: Careers

ANSWER KEY

- 1. A
- 2. C
- 3. D
- 4. D
- 5. A
- 6. B
- 7. C
- 8. A
- 9. B
- 10. C