

# INSURANCE CONCEPTS (191)

—OPEN EVENT—

**REGIONAL – 2014**

**DO NOT WRITE ON TEST BOOKLET**

*TOTAL POINTS* \_\_\_\_\_ (500)

**Failure to adhere to any of the following rules will result in disqualification:**

- 1. Contestant must hand in this test booklet and all printouts. Failure to do so will result in disqualification.**
- 2. No equipment, supplies, or materials other than those specified for this event are allowed in the testing area. No previous BPA tests and/or sample tests or facsimile (handwritten, photocopied, or keyed) are allowed in the testing area.**
- 3. Electronic devices will be monitored according to ACT standards.**

No more than 60 minutes testing time

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*Workplace Skills Assessment Program* competition.

**TRUE or FALSE:** Record your answer on the Scantron form provided. Mark A if the statement is true. Mark B if the statement is false.

1. Traditionally, courts have treated an automobile as if it were a dangerous instrumentality.
2. Better emergency room care has helped reduce auto accident deaths.
3. Auto accident rates differ by age, gender and marital status.
4. Stronger car bumpers will reduce auto repair costs.
5. The smaller the vehicle, the lower the death rate is in auto accidents.
6. Teenage drivers who have taken drivers education courses are much less likely to be involved in an auto accident.
7. The degree of risk is essentially the same concept as the chance of loss.
8. Risk managers can discover previously unidentified loss exposures from on-site inspections.
9. Loss through legal liability for harm caused to others is not a serious financial risk.
10. Insurance is available for intentional torts such as slander.
11. A manufacturer cannot usually be held liable for loss occurring because of the unsafe use of a product.
12. Individuals are not responsible for diseases spread by their pets.
13. Deductibles help lower the cost of insurance as well as increase its availability.
14. Abuses in insurance have been few and far between.
15. The normal retirement age reflects the earliest age at which employees can retire and receive full pension benefits.
16. An agent's license can be revoked for making misrepresentations about insurance.
17. Few medical doctors have to worry about being sued for negligent behavior.
18. Smoke detectors have little value in a home.
19. Homeowners' policies cover most watercraft.
20. A good personal risk management policy is to make a video recording of your personal property.

21. Homeowners should always pick a large deductible.
22. The degree of risk associated with the timing of a person's death is zero because everyone is certain to die.
23. An executor is the person appointed to carry out the terms of a person's will.
24. A premature death is one that occurs before a person is ready to die.
25. Females tend to outlive males.

**MULTIPLE CHOICE:** Choose the best answer for each of the following, and record your answer on the Scantron form provided.

26. Medical payments in an automobile policy pay for
  - a. loss of income,
  - b. injuries of insured if hit by a car as a pedestrian,
  - c. occupants of the other car,
  - d. none of the above.
27. Which of the following items is not a rating factor?
  - a. age,
  - b. sex,
  - c. race,
  - d. religion.
28. Which of the following is not a way to reduce auto insurance costs?
  - a. reduce frequency of accidents,
  - b. restrict payments to injured parties,
  - c. increase speed limits on interstate highways,
  - d. build stronger cars.
29. Which of the following does not improve auto safety?
  - a. lightweight, high-mileage cars,
  - b. air bags,
  - c. child restraint laws,
  - d. center-mounted brake lights.
30. The best way to protect a small child in an auto is
  - a. to let the child ride in the parent's lap,
  - b. to let the child ride in the back seat of the car,
  - c. to place the child in a special car seat next to the driver,
  - d. to place the child in a special car seat in the back seat of the car.

31. Seat belts
  - a. are very cost-effective,
  - b. are very cost-effective if there is a high utilization rate,
  - c. can be effective when combined with television ads designed to encourage seat belt use,
  - d. are better than air bags.
  
32. Risk is defined as
  - a. uncertainty concerning loss,
  - b. the probable variation of actual from expected experience,
  - c. the long-run chance of occurrence or relative frequency of loss,
  - d. a specific contingency that may cause loss.
  
33. Owners of ball parks may defend themselves from lawsuits from fans injured by foul balls under the doctrine of :
  - a. assumed risk,
  - b. comparative negligence,
  - c. contributory negligence,
  - d. none of the above.
  
34. The four basic techniques available for handling risk are:
  - a. risk avoidance, loss control, risk retention, and risk transfer,
  - b. risk avoidance, diversification, frequency reduction, and severity reduction,
  - c. risk retention, risk transfer, self-insurance, and loss control,
  - d. risk retention, loss control, self-insurance, and diversification.
  
35. The purchase of insurance is a common form of
  - a. risk retention,
  - b. risk transfer,
  - c. risk avoidance,
  - d. exposure control.
  
36. A misrepresentation
  - a. always voids a contract,
  - b. voids a contract if it is material,
  - c. usually renders the contract voidable at the option of the insurer if it is material,
  - d. has a different legal effect from a concealment.
  
37. To be properly classed as “insurance,” an arrangement must have all but one of the following elements:
  - a. it must cover accidental losses,
  - b. it must be described by a legal contract between the parties,
  - c. an insurable interest must exist among those insured,
  - d. it contemplates the prediction and distribution of losses among members of the insured group.
  
38. The pure premium is
  - a. the same as the gross premium,
  - b. the gross premium increased for loading,
  - c. the gross premium less the allowance for loading,
  - d. the insurance rate multiplied by the number of exposure units.

39. An agent is a representative of the
- insurer,
  - insured,
  - broker,
  - beneficiary.
40. Another term for a salary continuation plan is
- COBRA benefits,
  - a sick leave plan,
  - a short-term disability plan,
  - severance pay.
41. The primary loss that results from disability is typically the
- hospitalization charges,
  - physicians' and surgeons' fees,
  - loss of the income that would have been earned,
  - costs of long-term care.
42. Which of the following statements is true in relation to disability losses?
- Disability losses can be highly subjective,
  - Disability occurs only when a person is completely incapable of returning to work,
  - Most disabilities are permanent,
  - Males are more likely to become disabled due to sickness than are women.
43. The homeowners' policy does not insure
- personal real property,
  - indirect losses,
  - personal property,
  - business real property.
44. Property insurance does not cover
- buildings,
  - automobiles,
  - copyrights,
  - furniture.
45. Property insurance will pay for a loss
- without regard to fault,
  - if the peril is covered,
  - if the owner of the property is the insured,
  - if the loss is less than the policy limit.
46. The life insurance contract that generally offers the greatest amount of death protection per premium dollar is
- whole life,
  - term,
  - universal life,
  - variable life.

47. The cash value option allows the insured
- a. to receive in cash the present value of the face amount of the policy based on the life expectancy of the insured,
  - b. to surrender the policy for the accumulated cash value,
  - c. to collect the death benefits in a lump sum,
  - d. to be assured that the lump-sum option will be selected by the policy beneficiary.
48. Which of the following is not one of the three main types of life insurance?
- a. term,
  - b. whole life,
  - c. industrial life,
  - d. universal life.
49. Term insurance contracts generally do not have
- a. a clearly defined termination date,
  - b. lower premiums than other forms of insurance,
  - c. the option to convert the policy to another form of insurance,
  - d. cash values.
50. Supervision of advertising programs of insurers is most likely to be under
- a. underwriting,
  - b. rate-making,
  - c. production,
  - d. claims-management.



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*TOTAL POINTS* \_\_\_\_\_ (*500 points*)

**Judges/Graders: Please double check and verify all scores and answer keys!**

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**Questions - 10 points each**

- |    |   |    |   |
|----|---|----|---|
| 1  | B | 26 | B |
| 2  | A | 27 | C |
| 3  | A | 28 | C |
| 4  | A | 29 | A |
| 5  | B | 30 | D |
| 6  | A | 31 | B |
| 7  | B | 32 | A |
| 8  | A | 33 | A |
| 9  | B | 34 | A |
| 10 | A | 35 | B |
| 11 | A | 36 | C |
| 12 | B | 37 | B |
| 13 | A | 38 | C |
| 14 | B | 39 | A |
| 15 | A | 40 | B |
| 16 | A | 41 | C |
| 17 | B | 42 | A |
| 18 | B | 43 | D |
| 19 | B | 44 | C |
| 20 | A | 45 | A |
| 21 | B | 46 | B |
| 22 | B | 47 | B |
| 23 | A | 48 | C |
| 24 | B | 49 | D |
| 25 | A | 50 | C |