

INSURANCE CONCEPTS (13)

—OPEN EVENT—

Regional— 2010

Provided by the Griffith Foundation for Insurance Education

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.***

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True and False

Mark A for "true" and B for "false" on your Scantron answer sheet.

1. Stronger car bumpers will reduce auto repair costs.
2. The smaller the vehicle, the lower the death rate is in auto accidents.
3. Insurance is available for intentional torts such as slander.
4. Individuals are not responsible for diseases spread by their pets.
5. Deductibles help lower the cost of insurance as well as increase its availability.
6. Abuses in insurance have been few and far between.
7. → The normal retirement age reflects the earliest age at which employees can retire and receive full pension benefits.
8. An agent's license can be revoked for making misrepresentations about insurance.
9. Few medical doctors have to worry about being sued for negligent behavior.
10. → A good personal risk management policy is to make a video recording of your personal property.
11. Homeowners should always pick a large deductible.
12. The degree of risk associated with the timing of a person's death is zero because everyone is certain to die.
13. An executor is the person appointed to carry out the terms of a person's will.
14. Females tend to outlive males.
15. A premature death is one that occurs before a person is ready to die.
16. Better emergency room care has helped reduce auto accident deaths.
17. Auto accident rates differ by age, gender and marital status.
18. → Teenage drivers who have taken drivers education courses are much less likely to be involved in an auto accident.
19. The degree of risk is essentially the same concept as the chance of loss.
20. Risk managers can discover previously unidentified loss exposures from on-site inspections.

Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question. Mark the correct answer on your Scantron answer sheet.

21. What is a characteristic of term life insurance?
 - a. It is written for a specified period of time
 - b. Permanent protection
 - c. Build cash value
 - d. Provide lifelong protection
22. A type of short term insurance is
 - a. Accident insurance
 - b. Catastrophic insurance
 - c. Credit insurance
 - d. Travel insurance
23. Which if the following is not an exclusion under a health policy?
 - a. Pre-existing conditions
 - b. Accident injury
 - c. Elective surgery
 - d. Intentional self inflicted injury

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24. What is the type of insurance which pays for workers hurt in the course and scope of duty?
 - a. Medicare
 - b. Medicaid
 - c. Workers compensation
 - d. Disability social security

25. The primary objective of medical malpractice insurance policies is
 - a. To protect the insured from financial liability
 - b. To protect the patient from financial liability
 - c. Profit
 - d. None of the above

26. Medical malpractice insurance usually provides for
 - a. Monetary payment of damages
 - b. Costs of legal defense of the amount protected by the policy
 - c. Monetary payment of settlement of claims
 - d. All of the above

27. Joseph was just named risk manager of Big Time Company. He decided to create a risk management program which considers all of the risks faced by his company—pure, speculative, operational, and strategic. Such a program is called a(n)
 - a. Financial risk management program
 - b. Fundamental risk management program
 - c. Enterprise risk management program
 - d. Consequential risk management program

28. Which of the following types of risk best meets the requirements for being insurable by private insurers/
 - a. Market risks
 - b. Property risks
 - c. Financial risks
 - d. Political risks

29. Why is a large number of exposure units generally required before a pure risk is insurable?
 - a. It prevents the insurer from losing money
 - b. It eliminates insurers from intentional losses
 - c. It minimizes moral hazards
 - d. It enables the insurer to predict losses based on the law of large numbers

30. Insurance policies combining property and casualty coverage in the same contract are called
 - a. Mono-line policies
 - b. Multi-year policies
 - c. Multiple-line policies
 - d. Manuscript policies

31. Which of the following items is not a rating factor?
 - a. Age
 - b. Sex
 - c. Race
 - d. Religion

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32. 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
 - 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

33. 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

34. 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

35. Property insurance does not cover?
 - a. Buildings
 - b. Automobiles
 - c. Copyrights
 - d. Furniture

36. The function responsible for evaluating applicants for insurance to determine whether they meet the insurer's selection criteria:
 - a. Agency
 - b. Claims
 - c. Loss control
 - d. Underwriting

37. Any loss specifically not covered by a policy is a(n)
 - a. Exclusion
 - b. Peril
 - c. Coinsurance
 - d. Deductable

38. Most of the premiums collected by auto insurance companies:
 - a. are paid to insureds' as benefits
 - b. are retained as profits for the companies
 - c. are paid to lawyers
 - d. are paid in taxes

39. The primary loss that results from disability is typically the
 - a. Hospitalization charges
 - b. Loss of income that would have been earned
 - c. Physicians and surgeons fees
 - d. Costs of long-term care

40. A higher deductible results in
 - a. A lower premium
 - b. A higher premium
 - c. Tax savings
 - d. Cancellation of the policy

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41. If you have an insurance claim of \$10,000 and your deductible is \$500 how much do you owe the insurance company?
 - a. \$0
 - b. \$500
 - c. \$9,500
 - d. \$10,000

42. 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

43. 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

44. The purchase of insurance is a common form of
 - a. Risk retention
 - b. Risk avoidance
 - c. Risk transfer
 - d. Exposure control

45. Another term for a salary continuation plan is
 - a. COBRA benefits
 - b. A sick leave plan
 - c. A short-term disability plan
 - d. Severance pay

46. Supervision of advertising programs of insurers is most likely to be under which department
 - a. Production
 - b. Underwriting
 - c. Rate-making
 - d. Claims

47. An insurance agent who sells the products of only one insurance company is a(n)
 - a. broker
 - b. exclusive agent
 - c. direct writer
 - d. independent agent

48. A rider in an insurance contract that increases the benefit amounts to keep pace with inflation is called
 - a. Accidental death benefit
 - b. Coinsurance
 - c. Cost of living adjustment
 - d. Guaranteed purchase option

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49. An individual, usually but not always the buyer, who receives benefits from an insurance policy
- a. Assignee
 - b. Beneficiary
 - c. Principal
 - d. Insured
50. The likelihood an event will occur is called
- a. Hazard
 - b. Peril
 - c. Probability
 - d. Risk



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KEY

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TOTAL POINTS _____(500)

Judges/Graders:

Please double-check and verify all scores!

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TRUE & FALSE

1. A
2. B
3. A
4. B
5. A
6. B
7. A
8. A
9. B
10. A
11. B
12. B
13. A
14. A
15. B
16. A
17. A
18. A
19. B
20. A

MULTIPLE CHOICE

21. A
22. D
23. B
24. C
25. A
26. D
27. D
28. B
29. D
30. C
31. D
32. D
33. A
34. C
35. C
36. D
37. A
38. A
39. B
40. A
41. B
42. A
43. C
44. C
45. C
46. A
47. B
48. C
49. B
50. C