Contestant Number_____

Time_____

Rank_____

INSURANCE CONCEPTS (11)

—OPEN EVENT—

Regional– 2008

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.***

True/False
Indicate whether the sentence or statement is true or false on your Scantron answer sheet.
A=True and B=False

1. Traditionally, courts have treated an automobile as if it were a dangerous instrumentality.

2. Coverage for nonowned automobiles is as broad as for owned automobiles.

3. Better emergency room care has helped reduce auto accident deaths.

4. Automobile insurance fraud has increased in recent years.

5. Auto accident rates differ by age, gender and marital status.

6. Stronger car bumpers will reduce auto repair costs.

7. The smaller the vehicle, the lower the death rate is in auto accidents.

8. Larger deductibles are always better than smaller ones.

9. No-fault auto insurance will always save insureds money.

10. Because the legal drinking age is 21, drinking and driving is not a problem among teenagers.

11. Teenage drivers who have taken drivers education courses are much less likely to be involved in an auto accident.

12. A peril is a contingency that can cause a loss.

13. Pure risk exists when there is uncertainty as to whether loss will occur.

14. Doing nothing about a risk exposure is a viable risk management technique.

15. Employee theft is an example of a morale hazard.

16. The threat of Congress enacting a costly environmental regulation is an example of a risk that is both pure and dynamic.

17. The degree of risk is essentially the same concept as the chance of loss.

18. Fire is an example of a physical hazard.

19. Risk managers can discover previously unidentified loss exposures from on-site inspections.

20. A loss exposure and a pure risk are the same thing.

21. Risk mapping considers both risk frequency and risk severity.

22. Loss through legal liability for harm caused to others is not a serious financial risk.

23. Insurance is available for intentional torts such as slander.

24. A manufacturer cannot usually be held liable for loss occurring because of the unsafe use of a product.

25. Individuals are not responsible for diseases spread by their pets.

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.

26. Even a person who does not own a car may be held liable for its operation by others under the doctrine of
    a. respondeat superior,
    b. family purpose,
    c. res ipsa loquitur,
    d. vicarious liability.

27. A is found to be 70 percent to blame and B 30 percent to blame in an accident in which A suffers a loss of $ 1,000 and B suffers a loss of $ 10,000. Under the doctrine of comparative negligence B recovers
    a. nothing,
    b. $10,000,
    c. $7,000,
    d. $7,000 less 30 percent of A's loss.

28. An insurer may cancel a policy before the anniversary date if the insured
    a. is convicted of criminal negligence,
    b. receives a parking ticket,
    c. has an accident
    d. none of the above.

29. 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.

30. If Long has an accident with three passengers in his car and has medical payment limits of $5,000, the maximum his policy will pay is
    a. $5,000,
    b. $15,000,
    c. $20,000,
    d. none of the above.

31. The covered property endorsement of an automobile policy covers
    a. trailers,
    b. custom work in a van,
    c. household personal property of the insured,
    d. all of the above.

32. Which of the following items is not a rating factor?
    a. age,
    b. sex,
    c. race,
    d. religion.

33. 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.

34. 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.

35. No-fault auto insurance will reduce auto costs because
    a. it will pay more people,
    b. large losses will not be paid,
    c. lawyer fees will increase,
    d. more funds will be distributed to injured parties.

36. Drunk driving can be significantly reduced
    a. with harsh penalties,
    b. by raising the legal driving age,
    c. by increasing the probability of being caught and punished,
    d. by advertisements against drinking and driving.

37. 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.

38. 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.

39. Under no-fault auto insurance plans that are used in the United States,
    a. insurers have a limited right to sue,
    b. insureds cannot sue the negligent party,
    c. insurance premiums are always lower than before the law was enacted,
    d. insureds have a restricted right to sue negligent parties.

40. Examples of physical hazards include
    a. a building fire,
    b. a building fire, oily rags, and a dishonest employee,
    c. oily rags and a gas leak,
    d. a dishonest employee.

41. 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.

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

43. A peril that involves pure risk is
    a. a building fire that burns one of several company owned office buildings,
    b. the purchase of a stock with a high degree of price fluctuation,
    c. a competitor's attempt to take market share from a business,
    d. betting that the Dallas Cowboys will win the Super Bowl at the beginning of the football season.

44. 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.

45. 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.

46. The purchase of insurance is a common form of
    a. risk retention,
    b. risk transfer,
    c. risk avoidance,
    d. exposure control.

47. Which of the following is not an example of risk retention?
    a. self-insurance,
    b. using a disclaimer of warranties clause on product packaging,
    c. failure to identify a risk,
    d. use of a reserve fund to prefund physical damage to company cars.

48. Insurance and gambling differ in that, in contrast to insurance,
    a. gambling is always illegal,
    b. gambling involves creation of new risk,
    c. gambling is not an aleatory contract,
    d. the gambler usually wins in the long run.

49. An exception to the principle of indemnity in about half of the United States is the concept of
    a. subrogation,
    b. misrepresentation,
    c. valued policies,
    d. none of the above.

50. Which of the following is false?
    a. An individual always has an insurable interest in his or her own life.
    b. Any creditor has an insurable interest in the property of a debtor.
    c. The holder of a contract who receives oil royalties has an insurable interest in the property.
    d. The lessee of a building may have an insurable interest in the building even though he or she does not own it.

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KEY

Regional– 2008

TOTAL POINTS　　　　　　　　_____(500)

Judges/Graders:

Please double-check and verify all scores!

TRUE/FALSE	MULTIPLE CHOICE

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