

# INSURANCE CONCEPTS (13)

REGIONAL 2011

CONTESTANT ID# \_\_\_\_\_ START TIME \_\_\_\_\_ END TIME \_\_\_\_\_



Insurance Education Foundation

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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**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.*

1. 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
  
2. A type of short term insurance is
  - a. Accident insurance
  - b. Catastrophic insurance
  - c. Credit insurance
  - d. Travel insurance
  
3. 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
  
4. 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
  
5. 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
  
6. 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

7. 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
  
8. 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
  
9. 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
  
10. 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
  
11. Which of the following items is not a rating factor?
  - a. Age
  - b. Sex
  - c. Race
  - d. Religion
  
12. 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

13. Risk is defined as
- uncertainty concerning loss
  - the probable variation of actual from expected experience
  - the long-run chance of occurrence or relative frequency of loss
  - a specific contingency that may cause loss
14. Which of the following is not one of the three main types of life insurance?
- Term
  - Whole life
  - Industrial life
  - Universal life
15. Property insurance does not cover?
- Buildings
  - Automobiles
  - Copyrights
  - Furniture
16. The function responsible for evaluating applicants for insurance to determine whether they meet the insurer's selection criteria:
- Agency
  - Claims
  - Loss control
  - Underwriting
17. Any loss specifically not covered by a policy is a(n)
- Exclusion
  - Peril
  - Coinsurance
  - Deductable
18. Most of the premiums collected by auto insurance companies:
- are paid to insureds' as benefits
  - are retained as profits for the companies
  - are paid to lawyers
  - are paid in taxes
19. The primary loss that results from disability is typically the
- Hospitalization charges
  - Loss of income that would have been earned
  - Physicians and surgeons fees
  - Costs of long-term care

20. A higher deductible results in
- A lower premium
  - A higher premium
  - Tax savings
  - Cancellation of the policy
21. If you have an insurance claim of \$10,000 and your deductible is \$500 how much do you owe the insurance company?
- \$0
  - \$500
  - \$9,500
  - \$10,000
22. Which of the following does not improve auto safety?
- Lightweight, high mileage cars
  - Air bags
  - Child restraint laws
  - Center-mounted brake lights
23. Which of the following is not a way to reduce auto insurance costs?
- Reduce frequency of accidents
  - Restrict payments to injured parties
  - Increase speed limits on interstate highways
  - Build stronger cars
24. The purchase of insurance is a common form of
- Risk retention
  - Risk avoidance
  - Risk transfer
  - Exposure control
25. Another term for a salary continuation plan is
- COBRA benefits
  - A sick leave plan
  - A short-term disability plan
  - Severance pay
26. Supervision of advertising programs of insurers is most likely to be under which department
- Production
  - Underwriting
  - Rate-making
  - Claims

27. 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
28. 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
29. An individual, usually but not always the buyer, who receives benefits from an insurance policy
- a. Assignee
  - b. Beneficiary
  - c. Principal
  - d. Insured
30. The likelihood an event will occur is called
- a. Hazard
  - b. Peril
  - c. Probability
  - d. Risk

TRUE/FALSE

- 31 Stronger car bumpers will reduce auto repair costs.
- 32 The smaller the vehicle, the lower the death rate is in auto accidents.
- 33 Insurance is available for intentional torts such as slander.
- 34 Individuals are not responsible for diseases spread by their pets.
- 35 Deductibles help lower the cost of insurance as well as increase its availability.
- 36 Abuses in insurance have been few and far between.

- 37 The normal retirement age reflects the earliest age at which employees can retire and receive full pension benefits.
- 38 An agent's license can be revoked for making misrepresentations about insurance.
- 39 Few medical doctors have to worry about being sued for negligent behavior.
- 40 A good personal risk management policy is to make a video recording of your personal property.
- 41 Homeowners should always pick a large deductible.
- 42 The degree of risk associated with the timing of a person's death is zero because everyone is certain to die.
- 43 An executor is the person appointed to carry out the terms of a person's will.
- 44 Females tend to outlive males.
- 45 A premature death is one that occurs before a person is ready to die.
- 46 Better emergency room care has helped reduce auto accident deaths.
- 47 Auto accident rates differ by age, gender and marital status.
- 48 Teenage drivers who have taken drivers education courses are much less likely to be involved in an auto accident.
- 49 The degree of risk is essentially the same concept as the chance of
- 50 Risk managers can discover previously unidentified loss exposures from on-site inspections.



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## OPEN EVENT

# KEY

## Regional–2011



The Griffith Insurance Education Foundation

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

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***Judges/Graders:***

Please double-check and verify all scores!

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