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## INSURANCE & RISK MANAGEMENT

### Overview

This event provides recognition for FBLA members who demonstrate an understanding of and skill in basic insurance and risk management principles and procedures.

Each state may enter three participants who are members from active local chapters.

This is an individual objective event.

### Competencies and Task Lists

[http://www.fbla-pbl.org/docs/ct/FBLA/insurance\\_risk\\_management.pdf](http://www.fbla-pbl.org/docs/ct/FBLA/insurance_risk_management.pdf)

### Website Resources

- The Griffith Insurance Education Foundation  
<http://www.griffithfoundation.org/cibcareer30/>.
- Public Risk Management Association.  
[http://www.primacentral.org/resources/revised\\_core\\_comps\\_08.pdf](http://www.primacentral.org/resources/revised_core_comps_08.pdf)
- Risk and Insurance Management Society, Inc.  
<http://www.rims.org/education/Documents/RMCCM.pdf>
- Office of Financial Management, State of Washington,  
<http://www.ofm.wa.gov/rmd/publications/rmbmanual.pdf>

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## INSURANCE & RISK MANAGEMENT SAMPLE QUESTIONS

1. A peril that relates to a dynamic risk is:
  - a. an increase in the consumption of cholesterol by society
  - b. death
  - c. a riot
  - d. an earthquake
2. 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
3. A misrepresentation:
  - a. has a different legal effect from a concealment
  - b. voids a contract if it is material
  - c. always voids a contract
  - d. usually renders the contract voidable at the option of the insurer if it is material

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4. A life insurance company based in Canada was licensed to operate in Massachusetts. When operating in Massachusetts, the Canadian insurer would be considered a(n):
    - a. domestic insurer
    - b. alien insurer
    - c. captive insurer
    - d. foreign insurer
  5. Taylor Tobacco Company is concerned that the company may be held liable in a court of law and forced to pay a large damage award. The characteristics of the judicial system that increase the frequency and severity of losses is known as:
    - a. legal hazard
    - b. particular risk
    - c. moral hazard
    - d. speculative risk
  6. A higher deductible results in:
    - a. cancellation of the policy
    - b. tax savings
    - c. a lower premium
    - d. a higher premium
  7. Which method would be more useful to discover a dollar estimate of losses?
    - a. flowcharts
    - b. statistical analysis
    - c. financial statement analysis
    - d. contract analysis
  8. Which one of the following is **not** a way to reduce auto insurance costs?
    - a. reduce frequency of accidents
    - b. restrict payments to injured parties
    - c. build stronger cars
    - d. increase speed limits on interstate highway
  9. Seat belts:
    - a. are better than air bags
    - 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 very cost-effective
  10. The two major categories of automobile insurance are:
    - a. no-fault and assigned-risk insurance
    - b. automobile liability insurance
    - c. medical payments and collision insurance coverage
    - d. personal injury and property damage coverage

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11. This type of auto insurance coverage pays for physical injuries sustained by the insured and passengers in the insured's auto.
    - a. comprehensive
    - b. transportation expense
    - c. liability
    - d. medical payments
  12. This type of life insurance policy provides lifetime-long insurance protection.
    - a. endowment insurance
    - b. permanent insurance
    - c. group insurance
    - d. term insurance
  13. This cost is to rebuild a structure or replace a piece of destroyed property.
    - a. book value
    - b. actual cash value
    - c. replacement cost
    - d. market value
  14. This is auto insurance coverage that compensates insured's for damages caused by someone with insufficient limits of coverage for the insured's losses.
    - a. property damage liability coverage
    - b. bodily injury liability coverage
    - c. uninsured motorist coverage
    - d. underinsured motorist coverage
  15. What is reinsurance?
    - a. personal insurance coverage above and beyond normal coverage
    - b. insurance for insurance companies to protect against large losses
    - c. automatic renewal of an individual's policy
    - d. the ability for an insurance company to modify an insurance contract
  16. COBRA is a law dealing with:
    - a. the taxation of employee benefits
    - b. employment discrimination against elderly and handicapped individuals
    - c. qualification rules for employee benefits
    - d. the continued participation of terminated employees in group plans
  17. An insurance agent who sells the products of only one insurance company is known as a(n):
    - a. broker
    - b. independent agent
    - c. direct writer
    - d. exclusive agent

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18. The doctor designated by the insured to be most directly responsible for his or her care is called:
- a. specialist
  - b. health maintenance organization
  - c. primary care physician
  - d. point-of-service organization
19. This federal retirement insurance program pays monthly benefits to eligible workers in retirement.
- a. Medicare
  - b. Medicaid
  - c. Unemployment
  - d. Social Security
20. What is a decrease in or disappearance of value?
- a. physical hazard
  - b. speculative risk
  - c. peril
  - d. loss
21. Insurance authors have traditionally defined risk as:
- a. any situation in which the probability of loss is zero
  - b. any situation in which the probability of loss is one
  - c. uncertainty concerning the occurrence of loss
  - d. the probability of a loss occurring
22. Abandoning an existing loss exposure is an example of:
- a. avoidance
  - b. noninsurance transfer
  - c. loss control
  - d. insurance transfer
23. Which one of the following statements about mutual insurers is **true**?
- a. They are legally organized as partnerships.
  - b. They are owned by their stockholders.
  - c. They may pay policy dividends or give rate reductions in advance.
  - d. They have a board of directors which is selected by state insurance departments.
24. The policy provision requiring the filing of proof of loss with the insurer is an example of a(n):
- a. insuring agreement
  - b. miscellaneous provision
  - c. condition
  - d. declaration

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25. When using the needs approach, several "special needs" should be considered. One special need is money to cover unexpected events, such as major car repairs, dental bills, or home repairs. Money set aside for this purpose is called a(n):
- a. emergency fund
  - b. readjustment period fund
  - c. mortgage redemption fund
  - d. estate clearance fund
26. Antonio is a claims adjuster for LMN Insurance Company. After the insurer is notified that there has been a loss, Antonio meets with the insured. The first step in the claims process that Antonio should follow is to:
- a. delay paying the claim if the claim is covered
  - b. verify that a covered loss has occurred
  - c. attempt to reject the claim regardless of whether he believes the claim is covered
  - d. determine the amount of the loss
27. Mark has been an underwriter for twenty years. An application he recently reviewed looked odd to him. The building value in the application seemed far too high, and Mark suspected the applicant might be planning to destroy the property after it is insured. Mark contacted an outside firm and hired someone to investigate the applicant and to prepare a report about the applicant. This report is called a(n):
- a. binder
  - b. physical inspection
  - c. agent's report
  - d. inspection report
28. By misrepresenting the **true** facts, Gretchen was able to convince a client to drop a life insurance policy with another company and to purchase a policy from the company that Gretchen represents. Gretchen has engaged in the practice of:
- a. twisting
  - b. retaliating
  - c. rebating
  - d. bait and switch
29. A **false** statement made by an applicant for insurance is an example of a:
- a. lack of offer and acceptance
  - b. concealment
  - c. misrepresentation
  - d. breach of warranty
30. In what career would a person develop business strategies and presentations to promote the sale of different insurance products?
- a. underwriter
  - b. customer service representative
  - c. risk analyst
  - d. marketer

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**Help Desk Answer Key**

1) D	11) D	21) A
2) A	12) A	22) D
3) C	13) C	23) C
4) B	14) A	24) A
5) B	15) D	25) C
6) B	16) B	26) D
7) C	17) D	27) D
8) C	18) A	28) A
9) C	19) D	29) B
10) D	20) B	30) C

**Hospitality Management Answer Key**

1)D	11)D	21)C
2)D	12)B	22)C
3)D	13)A	23)A
4)D	14)D	24)A
5)C	15)B	25)B
6)C	16)D	26)C
7)A	17)C	27)B
8)C	18)D	28)B
9)B	19)A	29)B
10)B	20)D	30) D

**Insurance & Risk Management Answer Key**

1) C	11) D	21) C
2) B	12) B	22) A
3) D	13) C	23) C
4) B	14) D	24) C
5) A	15) B	25) A
6) C	16) D	26) B
7) C	17) D	27) D
8) D	18) C	28) A
9) B	19) D	29) C
10) D	20) D	30) D

**Introduction to Business Answer Key**

1) A	11) B	21) D
2) D	12) D	22) D
3) A	13) A	23) D
4) A	14) A	24) A
5) C	15) C	25) C
6) A	16) A	26) B
7) A	17) B	27) D
8) B	18) D	28) C
9) D	19) A	29) B
10) D	20) D	30) B