

Practice Multiple Choice Questions - AS1021

Practice Multiple Choice Question Set #1

Multiple Choice Questions taken off old Actuarial Science 1021A Final Exams

Make sure you attempt the "Assertion/Reason" type questions (#11, #15, #19, ~~#26~~) – that type of question will be on this year's final exam!

1. Which of the following statements is (are) generally true with respect to sick pay plans in Canada?
- (I) These plans are typically unfunded (self insured)
(II) The benefits are subject to all the normal payroll deductions
(III) These plans are normally employer pay-all
(IV) The benefits are taxable income to the employee
- (A) All (B) All but I (C) All but II (D) All but III (E) All but IV
2. Which of the following is (are) criteria that must be satisfied by a provincial health care plan to be eligible for federal funding?
- (I) Plan must be comprehensive
(II) There can be no premiums
(III) Plan must be portable across provinces
(IV) Plan must operate on a non-profit basis
- (A) All but I (B) All but II (C) All but III (D) All but IV (E) All
3. Which of the following statements is (are) true with respect to disability income benefits under workers' compensation in Ontario?
- (I) Benefits are paid for at-work accidents or illness
(II) The benefit is usually anywhere from 75% to 90% of gross earnings
(III) There is a partial disability benefit
- (A) I, II (B) I, III (C) II, III (D) I, II, III (E) none of A, B, C or D is correct
4. The 24 employees of an Ontario legal and financial services company are covered under workers' compensation. The annual premium for 2009 is based on an assessment rate of \$0.17 per \$100 of covered payroll. The company has 3 groups of employees with the following annual salaries (max in 2009 = 74,600):
- group 1: 9 employees making \$50,000 a year
group 2: 8 employees making \$60,000 a year
group 3: 7 employees making \$80,000 a year
- The 2009 workers' compensation annual premium for this employer (to nearest dollar) is:

2468.74

Use the following characteristics of short term disability (STD) benefits to answer questions 5 and 6:

characteristics

- Benefits begin the day following the injury/illness
- Benefits for plans in Ontario are paid every two weeks
- Benefits can be sometimes be a fixed amount per time period or as a percentage of earnings
- Benefits are often integrated with other disability benefits

5. Which of the above characteristics best define employer provided STD plans in Ontario?
 (A) a, b, c, d (B) a, c, d (C) a, c (D) b, c (E) c, d
6. Which of the above characteristics best define workers' compensation STD plans in Ontario?
 (A) a, b (B) a, c (C) a, d (D) b, c (E) b, d
7. Which of the following statements is (are) true with respect to group long term disability income benefits in Canada?

- (I) These plans are usually self-insured
 (II) Benefits are normally integrated with CPP and workers' compensation disability benefits
 (III) Benefits are usually a flat amount per month, not a percentage of earnings

(A) I, II (B) I, III (C) II, III (D) I, II, III (E) none of A, B, C or D is correct

8. Suppose the maximum monthly CPP benefit in 2003 is \$775. Jim retires in 2003 at age 62 years, 7 months. John retires in 2003 at age 68, 3 months. Both have contributed in excess of the YMPE for all their working years. What is the absolute difference between the monthly benefit John will receive and the monthly benefit Jim will receive?

(A) \$129.47 (B) \$151.13 (C) \$226.04 (D) \$263.50 (E) \$280.60

9. Which of the following statements is (are) true with respect to policy loans?

- (I) Insurer will lend an amount up to the cash value of the policy
 (II) There is no due date for the loan, except policy maturity or termination
 (III) Since the insured is borrowing money from his/her own policy, there is no interest rate charged on a policy loan

(A) I, II (B) I, III (C) II, III (D) I, II, III (E) none of A, B, C or D is correct

10. Match the following principles to the description that best fits:

Principles of Economic Security Programs	Descriptions
a - Subsidiarity	1 - Activities that minimize losses or reduce loss severity are highly desirable
b - Sovereignty of Demand	2 - A higher government unit should not perform the tasks that can be effectively performed by a lower unit
c - Diversity	3 - No single approach should be used to solve the problem of economic security
	4 - Democratic government does essentially what the citizens want it do

(A) a-3, b-1, c-4 (B) a-2, b-1, c-3 (C) a-2, b-4, c-3 (D) a-3, b-4, c-1
 (E) Correct answer is not given by A, B, C or D

11. ASSERTION (A)

REASON (R)

All the employees of an employer must be covered under a registered pension plan

because

Pension legislation mandates that an employer must establish a registered pension plan

- (A) Both (A) and (R) are true statements and (R) is an explanation of (A)
- (B) Both (A) and (R) are true statements, but (R) is not an explanation of (A)
- (C) (A) is true, but (R) is false
- (D) (A) is false, but (R) is true
- (E) Both (A) and (R) are false

12. Which of the following statements is (are) true with respect to taxation of employer disability income plans in Canada?

- (I) Generally, employee contributions are tax deductible
- (II) Generally, employer contributions/costs are tax deductible
- (III) For non-contributory plans, benefits to employees are considered taxable income

(A) I, II (B) I, III (C) II, III (D) I, II, III (E) none of A, B, C or D is correct

13. With respect to group dental insurance in Canada, which of the following statements is (are) true?

- (I) Preventive care is encouraged
- (II) Plans usually pay less than the maximum suggested fee in the current Provincial Dental Fee guide
- (III) Some plans ask for a pretreatment review, then pay only the lowest cost treatment

(A) I, II (B) I, III (C) II, III (D) I, II, III (E) none of A, B, C or D is correct

14. Which of the following statements is (are) true with respect to workers' compensation in Ontario?

- (I) Employee contributions are generally equal to employer contributions
- (II) There is some experience rating
- (III) Benefits are generally indexed for inflation

(A) I only (B) II only (C) III only (D) I, II, III (E) none of A, B, C or D is correct

15. ASSERTION (A)

REASON (R)

In general, people who buy term insurance are, as a group, price sensitive, which means they would consider terminating their policies and buying another one if they could get a lower price

because

Term policies generally do not have a cash value

- (A) Both (A) and (R) are true statements and (R) is an explanation of (A)
- (B) Both (A) and (R) are true statements, but (R) is not an explanation of (A)
- (C) (A) is true, but (R) is false
- (D) (A) is false, but (R) is true
- (E) Both (A) and (R) are false

16. With respect to individual disability income insurance, which of the following statements is (are) true?

- D
- (I) It is easier for the disabled person to satisfy the own occupation definition than the any occupation definition
 - (II) It is common for the insurance policy to have a split definition of disability (split by time)
 - (III) Insurer usually requires that the insured be under the care of a physician
- (A) I, II (B) I, III (C) II, III (D) I, II, III (E) none of A, B, C or D is correct

17. With respect to national health care in Canada in 2014, which of the following statements is (are) true?

- A
- (I) A physician does not have to participate in the provincial health plan
 - (II) The federal government pays half the cost
 - (III) Basic dental services for children is covered in all but 2 provinces
- (A) I only (B) II only (C) III only (D) none (E) none of A, B, C or D is correct

18. Which of the following is (are) true with respect to workers' compensation?

- B
- (I) If a disabled employee chooses to received benefits, he/she can still sue the employer for negligence
 - (II) If a disabled employee chooses to receive benefits, the provincial workers' compensation board can still sue the employer for negligence
 - (III) Executives of an industrial company must be covered if the employees of the company are covered
- (A) I only (B) II only (C) I, III (D) II, III (E) none of A, B, C or D is correct

19. ASSERTION (A)

REASON (R)

A

In workers' compensation, under collective liability, a different premium rate is charged for each class of industry

because

The premium rate must cover, among other things, the cost of expected future benefits

- (A) Both (A) and (R) are true statements and (R) is an explanation of (A)
- (B) Both (A) and (R) are true statements, but (R) is not an explanation of (A)
- (C) (A) is true, but (R) is false
- (D) (A) is false, but (R) is true
- (E) Both (A) and (R) are false

20. Which of the following statements about insurance policies is (are) true?

- ON IT
- (I) ~~By law, whole life insurance policies in Canada and the US must have some sort of cash values~~
 - (II) ~~For a participating policy, if the insured takes the annual dividend in cash instead of reinvesting it in the policy, then the policy will have no cash value~~
- ~~(A) I only (B) II only (C) Both I, III (D) Neither I nor II~~

21. Which of the following statements is (are) generally true for most individual long-term care insurance policies?

- 7
- (I) They are guaranteed renewable
 - (II) They provide benefits for people in nursing homes due to alcohol dependency
 - (III) If the policy is cancelled or terminated, the insured receives some sort of cash value
- (A) II, III (B) I, II (C) I, II, III (D) None (E) none of A,B,C or D is correct

22. Which of the following is (are) generally true?

- 7
- (I) A substandard wage directly causes economic insecurity
 - (II) Insufficient income, which can cause economic insecurity if it goes on for an extended period, is itself caused only by substandard wages
 - (III) Loss of a job will not cause economic insecurity if you are immediately able to find a job for any kind of work
- (A) All (B) I, III (C) II, III (D) I only (E) None are true

23. With respect to employer long-term disability (LTD) plans, match up the following:

- D
- a – disabled employee 1 – has the burden of proof of disability after claim is approved
b – insurance company 2 – responsible for adjudicating whether employee is disabled
c – attending physician
- (A) a-1, b-2 (B) a-1, c-2 (C) b-1, c-2 (D) b-1, b-2 (E) c-1, b-2

24. With respect to taxation of workers' compensation in Canada, which of the following statements is (are) true?

- 18
- (I) Employer contributions are tax deductible
 - (II) Disability benefits are received tax free
 - (III) The spouse's pension is not taxable
- (A) All (B) All but I (C) All but II (D) All but III (E) none of A,B,C or D is correct

25. ~~Jim bought an insurance policy on May 1, 2008. On June 23, 2009, he died due to lung cancer. It was determined at the time of death that he had been a regular smoker since he was a teenager, but had stated on his application that he was a non-smoker. Which of the following is the likely result of this new information?~~

- ~~(A) Jim's beneficiary will receive no money~~
~~(B) Jim's beneficiary will not receive the death benefit, but will only receive a refund of premiums that had been paid on the policy~~
~~(C) Jim's beneficiary will receive the full death benefit, but only if it can be proved that Jim did not act fraudulently when he incorrectly answered the smoking question on the application~~
~~(D) Since Jim should have been paying a higher premium (because he was a smoker), Jim's beneficiary will receive a smaller death benefit~~
~~(E) Jim's beneficiary will receive the full death benefit~~

QMIT

~~26~~ ASSERTION (A)

REASON (R)

Cash values for ordinary life policies are usually very low in the early years of the policy.

because

High early lapse rates on an insurance policy make it difficult for the insurer to recover the underwriting costs and first year commissions to sales agents

- (A) Both (A) and (R) are true statements and (R) is an explanation of (A)
- (B) Both (A) and (R) are true statements, but (R) is not an explanation of (A)
- (C) (A) is true, but (R) is false
- (D) (A) is false, but (R) is true
- (E) Both (A) and (R) are false

27. The coverage for major dental services has an annual deductible of \$150 per employee per year and coinsurance of 70% (70% paid by plan, 30% paid by employee). When the out-of-pocket expenses for the employee reach \$900 per year, the employer plan pays 100%. What is the minimum claim amount, X, for an employee to reach the maximum benefit amount?

2650

With respect to a spouse eligible for and actually receiving the spouse's allowance and/or the allowance for the survivor (widow/widower's allowance), determine, for each case below, whether the statement is true.

28. Benefits stop when the spouse receiving the allowance reaches age 65

(A) Yes, it is true (B) No, it is false

29. In the case of a widow or widower, benefits stop when the spouse remarries

(A) Yes, it is true (B) No, it is false

30. Benefits stop immediately when the spouse receiving the allowance moves away from Canada

(A) Yes, it is true (B) No, it is false

With respect to the Canada Pension Plan (CPP), determine which of the following statements is true.

31. When calculating the retirement pension, no more than 4 of the lowest earnings years for a person who has worked for a total of 20 years in Canada can be "dropped".

(A) Yes (B) No

32. In 1998, the rules for CPP disability benefits were changed. The new rules are that to be eligible for disability benefits, the individual must have made contributions in 2 of the last 3 years or 5 of the last 10 years.

(A) Yes, it is true (B) No, it is false

Answer Key

	1	2	3	4	5	6	7		8	9		10		11
	A	B	B	2468.74	E	A	E		D	A		C		E
12	13	14	15	16	17	18		19	20	21	22	23	24	25
C	B	E	B	D	A	B		A	D	E	E	D	A	E
26				27	28	29	30	31	32					
B				2650	A	A	B	B	B					