

AIS 25 Sample Exam

Questions on the actual exam are divided into two sections—Part A and Part B. On the actual exam, you must answer all questions in both Part A and Part B of the exam. Each question is worth one point. Each Part A question should be answered independently of the others.

Part B questions may include or refer to specific facts, cases, or exhibits. In Part B, your answers must be based on the information provided. When several questions are based on the same set of facts during a computer-administered exam, those facts will appear in a separate window and remain in view for the duration of the questions.

Part A

1. One reason why insurance organizations are experimenting with quality initiatives is because
 - a. Employers feel the need to maintain greater control over employees in order to remain competitive.
 - b. Technological changes have required companies to reconsider their processes.
 - c. Quality initiatives can be implemented quickly, easily, and at minimal cost to the organization.
 - d. The Quality Revolution is a trend, and insurance organizations have historically led the way in business trends.
2. People benefit from insurance policies at the worst possible time, after they have suffered a loss. Which characteristic of the insurance product does this best illustrate?
 - a. Legal status
 - b. Intangibility
 - c. Complexity
 - d. Associated circumstances
3. A homeowners policy offers a discount for installing smoke detectors every 1,000 feet, on every level of the home. Which benefit of insurance does this discount illustrate?
 - a. Efficient use of resources
 - b. Loss control
 - c. Satisfaction of legal and business requirements
 - d. Support for credit
4. One reason why insurance is classed as a service is because
 - a. The experience cannot be resold or transferred to another party.
 - b. Customers' assessments of service quality are objective and strongly influenced by expectations.
 - c. Service can be centrally produced, inspected, and stockpiled.
 - d. Customers' assessments of service quality increase in proportion to the number of employees they encounter.

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5. A moment of truth occurs when a customer
 - a. Reflects on whether to be honest in filing a claim.
 - b. Thinks back on his or her experience with an organization.
 - c. Analyzes his or her experience with an organization.
 - d. Makes contact with an organization.
6. Continuous improvement is achieved through all of the following, EXCEPT:
 - a. Customer orientation
 - b. Revenue orientation
 - c. Employee involvement
 - d. Process improvement
7. An insurance policy, delivered personally to the insured by the agent, along with an explanation of coverages is called
 - a. A work process.
 - b. A work output.
 - c. An outcome measure.
 - d. A process improvement.
8. Bob Insured calls the claims office of Premium Insurance to report a claim for hail damage to his car. The claim call center operator verifies coverage and completes a loss notice. She then arranges to have his car towed to a repair facility, have a rental car meet him at his house, and have his car repaired. Bob is thrilled. The last time he had a claim several years ago, he had to take a day off work to wait for an appraiser to come to his house. Which of the following is a true statement?
 - a. The service Bob received is an example of meeting latent expectations.
 - b. This is an example of coproduction.
 - c. This is an example of a "moment of truth."
 - d. All of the above
9. Karen is a claim specialist in XYZ insurance agency. Karen needed an MVR on a prospective client. She asked their administrative assistant, Patty, to request the report and bring it to her ASAP. Karen's relationship to Patty with regard to the MVR report could best be described as that of
 - a. The end user.
 - b. An external customer.
 - c. An internal customer.
 - d. The supplier.

10. Built-More Construction needs to obtain a certificate of insurance (certifying that Built-More is insured with the XYZ insurance company) for each construction job it undertakes. These must be issued in a timely manner in order for work to proceed. The certificate of insurance would be an example of
 - a. A work process.
 - b. An outcome.
 - c. An output.
 - d. A market orientation.
11. The person who uses the final product or service is called the
 - a. Internal customer.
 - b. End user.
 - c. External customer.
 - d. Supplier.
12. Coproduction occurs when
 - a. The customers are involved in the production of outputs.
 - b. Multiple organizations are involved in the production of outputs.
 - c. Cross-functional units in the organization interact to produce the product.
 - d. Members of a work group work together to produce the product.
13. A strategic definition of Quality is
 - a. Doing things the right way.
 - b. Establishing targets and predicting the characteristics of outputs.
 - c. Meeting or exceeding the customers' needs.
 - d. Determining how the organization produces its products or services.
14. Which one of the following measures has both a customer and process focus?
 - a. Outcome measures
 - b. Strategic planning measures
 - c. Voice of the work process measures
 - d. Output measures
15. Output measures that describe the outputs and imply what the process is capable of producing are called
 - a. Outflow criteria.
 - b. The voice of the process.
 - c. Coproduction.
 - d. The voice of the customer.

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16. One of the elements that determine a customer's response to a product or service translates into "convenience." That element is
 - a. Better.
 - b. Newer.
 - c. Faster.
 - d. Cheaper.
17. One of the eight dimensions of quality that refers to a product's ability to perform a specific function for a specific time under specific conditions is
 - a. Features.
 - b. Reliability.
 - c. Aesthetics.
 - d. Timeliness.
18. One of the five RATER criteria is exhibited when the service provider's employees demonstrate concern for customers and give them individual attention. This criterion is
 - a. Tangibles.
 - b. Assurance.
 - c. Empathy.
 - d. Reliability.
19. Meeting the customers expectations that are taken for granted can keep customers from becoming dissatisfied, but it will not cause customers to be delighted by the quality of a service or product. Expectations that lead to delight are called
 - a. Implicit expectations.
 - b. Latent expectations.
 - c. Irrational expectations.
 - d. Explicit expectations.
20. A focus group is a method of listening to the customer that is
 - a. Proactive.
 - b. Inactive.
 - c. Reactive.
 - d. Overactive.
21. If customers' expectations are exceeded, a company might expect to achieve
 - a. A target market niche.
 - b. Recovery.
 - c. Fewer defections.
 - d. Process improvement.

22. A large hair salon compares its customer service procedures with those of a tax preparation office in the same building to find ways to improve its service. This is an example of
 - a. Competitive benchmarking.
 - b. Generic benchmarking.
 - c. Internal benchmarking.
 - d. Functional benchmarking.
23. An insurance company that strives toward customer orientation would be likely to benefit from
 - a. Designing products that meet customers' latent expectations.
 - b. Reduced expenses through retention of policyholders.
 - c. Improving the processes that are most likely to meet customers' needs.
 - d. All of the above
24. Conglomerate Mutual has set a goal of zero defections because of heightened customer orientation. The likely results of this approach would be
 - a. Increased profitability.
 - b. Increased overall expenses.
 - c. Increased premiums in the short term.
 - d. Increased recoveries.
25. People who pretend to be customers to sample an organization's customer service are called
 - a. Focus groups.
 - b. Fraudsters.
 - c. Mystery shoppers.
 - d. Benchmarks.
26. Key processes are those processes that
 - a. Create the greatest volume of output.
 - b. Best meet the demands of management.
 - c. Have the greatest influence on customers.
 - d. All of the above
27. All of the following are identifiable groups of people involved with every work process, EXCEPT:
 - a. The work group
 - b. The supplier
 - c. The customer
 - d. The shareholders

28. Identifying key processes starts with the determination of
- Which processes produce outputs of greatest importance to customers.
 - Which outputs are of the greatest importance to customers.
 - Which processes have the greatest potential for improvement.
 - Which processes are most visible to customers.
29. When multiple organizations and cross-functional processing are involved, a common problem in process improvement is
- Failure to include the suppliers when identifying key processes.
 - Unclear ownership of the process.
 - Too many customers to satisfy.
 - Unclear process mapping.
30. One way for organizations with cross-functional processes to meet the goals of process management is
- To restructure or reorganize departments into cross-functional teams.
 - For management to demand cooperation between departments.
 - For departments to hold individual meetings to brainstorm process improvement.
 - To have each department draw a work process model for its part of the process.
31. In a work process, the owner is
- The customer who purchases a product or service.
 - Any party who owns stock in the organization.
 - The party responsible for the output and for the operation of the process.
 - One or more workers who produce an output.
32. When submitting an insurance application for a commercial account, errors or mistakes on the application can cause rework and delays. At Conglomerate Insurance, these delays have been calculated to cost on average six days per application. More than 50 percent of the applications are submitted to the insured with errors. The process takes 22 steps to complete. On average two days are lost on problem applications while the insurer and agent decide who must remedy the errors. Which of the elements of process management seems to be lacking?
- Process ownership
 - Process planning
 - Process measurement
 - Process evaluation

33. In the first step of the process improvement model, parties must define the problem
- From the employee's perspective.
 - From management's perspective.
 - In terms of the process.
 - In relation to the input from suppliers.
34. Documentation of results is included in which step of the process improvement model?
- Defining the problem
 - Measuring existing performance
 - Developing and testing ideas
 - Implementing solutions and evaluating them
35. A claim department sets a goal that each claim representative must reduce his or her litigation by settling 75 percent of claims within one month of the date reported. A restatement of this objective in terms of the process is
- Decrease the turnaround time for claim settlement.
 - Improve the claim settlement process.
 - Develop guidelines for settling automobile claims.
 - Improve the loss reporting process.
36. What is the benefit of defining problems in terms of the process?
- Customer needs can be more readily identified.
 - It is easier to flowchart a process than a desired output.
 - It enables organizations to use the six-step process improvement model to better meet customer needs.
 - It shifts the emphasis from solving individual problems to improving the process that caused the problem.
37. Following a series of mistakes involving the broker, the underwriter, and the claim department, a large commercial account took its business to another company. Which of the following tools would be best for analyzing and mapping the mistakes and their root causes for the loss of this account?
- A complaint log
 - A change chart
 - A control chart
 - A fishbone diagram

38. A tool used to gather data at call centers when an insured calls to report a claim would be a
- Moment-of-truth chart.
 - Pareto analysis.
 - Histogram.
 - Control chart.
39. A data analysis tool used to monitor and control processes through the study of variation over time and its source is a
- Fishbone diagram.
 - Pareto analysis.
 - Complaint log.
 - Control chart.
40. Which of the following would be considered a stakeholder for an insurance company using the broadest definition of stakeholder?
- Customers and shareholders
 - Community
 - Insurance department
 - All of the above
41. Figures based on nonfinancial data that can be analyzed to reveal how a business operates and how it might be improved are known as
- Visible figures.
 - Invisible figures.
 - Intuitive figures.
 - Social accounting.
42. Anyone with an interest, financial or not, in an organization is a
- Shareholder.
 - Member.
 - Manager.
 - Stakeholder.
43. A data analysis tool used to discover and display the distribution of data by categories is a
- Control chart.
 - Histogram.
 - Cause-and-effect analysis.
 - Pareto analysis.

44. The aim of leadership in the workplace is
- To achieve quick results.
 - A commitment to continuous improvement.
 - Doing things right.
 - To plan, organize, direct, coordinate, and control.
45. Compliance is best described as
- A desire to contribute to the organization's mission.
 - A behavior that is neither for nor against the organization's mission.
 - A willingness to do what is demanded.
 - An inability to see the benefits of doing what is demanded.
46. All of the following are elements necessary for empowerment of employees, EXCEPT:
- Supreme power
 - Capability
 - Trust
 - Alignment
47. One stage of team development occurs when the team becomes an integrated whole, with members working together. The stage described is
- Performing.
 - Storming.
 - Norming.
 - Forming.
48. An organizational structure that is characterized by small, autonomous units loosely joined describes
- Concentric rings.
 - Inverted pyramids.
 - Networks.
 - Pyramids.
49. Short-term intentions necessary to achieve goals are
- Visions.
 - Objectives.
 - Missions.
 - Values.

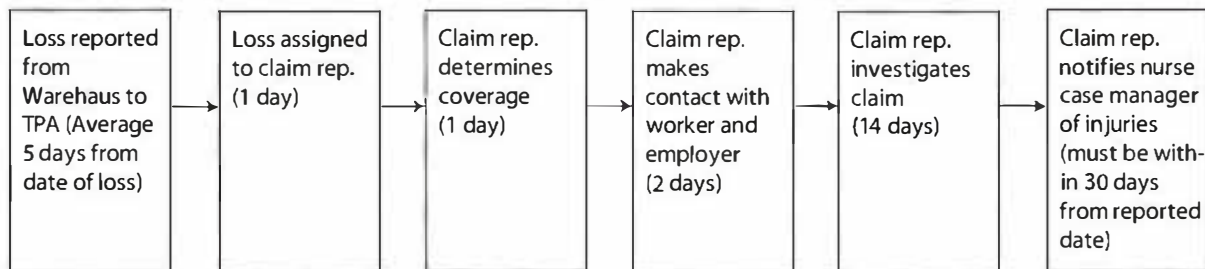
50. The Falls River Agency has undergone continuous improvement programs for five years. Employees now form, without management supervision, their own meetings to solve problems, innovate, and improve processes and customer service. Profitability has soared over the past few years. Many of the newer employees do not recall what it was like before. This is an example of an organization in which phase of Quality maturation?
- Integration
 - Consensus
 - Problem solving
 - Deployment
51. The first stage of organizational maturation is paramount to successful implementation of continuous improvement. This stage is
- Integration.
 - Consensus.
 - Education.
 - Deployment.
52. One benefit of competing for continuous improvement awards is
- It requires an analysis of the organization's efforts by inside observers who are familiar with similar efforts by other organizations.
 - The possibility of external recognition of the organization's achievements boosts stockholders' morale.
 - Preparation for the competition reinforces the commitment of the organization's leadership and signals their pride in the accomplishments to the employees.
 - None of the above
53. The board of directors and senior management of IIA Insurers have agreed on a plan for implementing continuous improvement in their office. They have written a three-year plan including an announcement to all employees of the initiative, the requirement that all employees participate in AIS 25 classes, and the development of intra-departmental teams to address customer needs and to propose improvements for meeting or exceeding them. Each manager has kept his or her employees informed of the development of the initiative and the plan. This will avoid taking employees by surprise. Senior management agrees to keep an open mind when considering improvements proposed with the aim of becoming the best organization they can become. IIA Insurers is at what stage of maturation?
- Problem solving
 - Integration
 - Deployment
 - Consensus

Part B

The following case relates to questions 54 through 60.

Quality First is a TPA that handles mainly workers compensation claims. One of Quality First's clients is the Warehaus Group, an international conglomerate of warehouse operations. The Warehaus Group has been experiencing increases in lost wage claims mainly from employees experiencing lower back injuries.

While reading a textbook on managing bodily injury claims, Cindy, a claim representative at Quality First, learned that, when potentially complicated injuries were identified early and medical case management was applied, wage loss claim costs dropped dramatically because workers were able to return to work sooner. Under the existing process at Quality First, medical case management was not applied until more than a month had passed from the date of the accident. Cindy wondered if there was anything her company could do to get nurse case managers involved earlier. Cindy mapped out the following existing process. She contacted her Risk Management Information Systems department and obtained the average days for each step of the process.



54. Cindy's mapping of the process would be an example of which of the following steps in process improvement?
 - a. Defining the problem
 - b. Identifying and documenting the process
 - c. Understanding why
 - d. Developing and testing ideas

55. When a Warehaus employee receives a claim payment for lost time and uses it to pay his or her household bills, this is an example of
 - a. A process measure.
 - b. An output.
 - c. An outcome measure
 - d. The voice of the customer.

56. Which of the following would be an example of measurement at a process level?
- a. A five-day average for Warehaus to report losses to Quality First
 - b. A policy guideline of injury notification to nurse case managers within thirty days
 - c. Reduced claim payments through earlier medical case management
 - d. All of the above
57. Cindy decided to map the process and call the Risk Management Information Systems department without obtaining corporate approval. This independent decision is an example of
- a. Insubordination.
 - b. Poor employee management.
 - c. Empowerment.
 - d. Quality maturation.
58. Cindy organizes a team to try to explain the reasons it takes, on average, five days for Warehaus to report a claim to Quality. All of the following are process improvement tools that the team might use, EXCEPT:
- a. A fishbone diagram identifying the root causes of late reporting
 - b. A bar graph showing average reporting time by injury type and by warehouse location
 - c. A control chart showing variations in reporting time
 - d. A vision statement describing the importance of returning people to work as soon as possible
59. Based on the team's recommendation for process improvement, a nurse case manager obtains a report on the injury as soon as the type of injury is identified. This occurs either when the loss is reported or shortly after it has been assigned to the claim representative. In either case the changes reduce the average time for medical case management from thirty-one days to eight days. The reduction in time is an example of
- a. Visioning.
 - b. Good "management" in the traditional sense of the word.
 - c. Process improvement.
 - d. All of the above
60. After changing the process, claim representatives continue to notify nurse case managers after thirty days. This report completely duplicates information the nurse case managers now receive earlier in the process. The report continues to be required only because of tradition. Which of the following statements are true?
- a. The Thirty-day notification is an example of scrap.
 - b. The nurse case managers are the customers of the claim representatives.
 - c. The claim representatives and nurse case managers are part of a work group.
 - d. All of the above

Answers to the AIS 25 Sample Exam

1. b—Competitive, financial, or technological forces have made change necessary.
2. d
3. b
4. a
b—Customers' assessments of service quality are subjective, not objective.
c—Service cannot be centrally produced, inspected, and stockpiled.
d—Customers' assessments of service quality decrease in proportion to the number of employees they encounter.
5. d
6. b
7. b
8. d
9. c—Karen is Patty's internal customer.
10. c
11. b
12. a
13. c—The strategy is meeting the customers' needs.
14. d
15. b
16. c
17. b
18. c
19. b
20. a
21. c
b—This would be correct if the question referred to a complaint or problem.
22. d
a—These are not competing businesses.
b—The tax office is just another business in the building. There is no indication that the tax office is viewed as one of the best businesses in providing customer service.
c—They are two different organizations.
23. d
24. a
25. c
26. c
27. d
28. b—This question serves as a building point for the other questions.
29. b

- 30. a
 - b—This method would probably not be successful.
 - c—Individual departments would not have the complete picture of the processes.
 - d—A work process model of the entire process would be more useful.
- 31. c
- 32. a
- 33. c
- 34. d
- 35. b
- 36. d
- 37. d
- 38. a
- 39. d
- 40. d
- 41. b
- 42. d
- 43. b
- 44. b—The other responses describe the activities of a manager, not a leader.
- 45. c
 - a—This describes commitment.
 - b—This describes apathy.
 - d—This describes noncompliance.
- 46. a—Empowered employees share power.
- 47. c—Teams become an integrated whole during the norming stage.
- 48. c
- 49. b
- 50. a
- 51. b
- 52. c
 - a—This requires outside observers, not inside observers.
 - b—Such recognition is likely to boost employees' morale. Stockholders' morale would not affect the bottom line.
- 53. d—Their plans and actions indicate that consensus is clear, but there is no evidence that they have actually accomplished anything beyond the consensus stage.
- 54. b
- 55. c—This is how the customer "uses" the service output—to pay bills. This is also a result of the "voice of the process," which describes and measures the capability of the existing process.
- 56. a—This is the only one that actually measures the activities within the process.

57. c—This is an example of employee empowerment and is commonplace in quality organizations. The other answers reflect old management philosophies that are not appropriate for most organizations in today's competitive environment.
58. d—Vision statements are important but they are not going to solve individual process problems.
59. c
60. d