Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Which of the following represents the two primary goals of the claim function of an insurer?

A. Keeping the insurers promise, supporting the insurer’s profit goal

B. Keeping the insurer’s promise, reducing claim payout to the minimum possible

C. Supporting the insurer’s profit goal, reducing claim payout to the minimum possible

D. Keeping the insurer’s promise, operating claim operation with lowest possible expense

2. Which of the following persons represents the insured in presenting, negotiating, and settling claims with insurance companies?

A. Independent adjuster

B. Public adjuster

C. Staff adjuster

D. Third-party administrator

3. Which of the following ethical/professional concerns could arise if a representative, among the clients in his caseload, is handling losses for both a large commercial insured and a small shop owner?

A. Customer service

B. Ex parte contracts

C. Privacy

D. Fraud detection

4. If an insurance company has an underwriting loss, which of the following statements is most likely true?

A. The loss ratio is greater than 50%.

B. The loss ratio is less than 50%.

C. The combined ratio is less than 100%.

D. The combined ratio is greater than 100%.

5. Which statement best describes a typical insurer claim department structure?

A. Multiple branch offices in various locations, answering to regional offices and then a central home office

B. Multiple branch offices in various locations, answering to a central home office

C. Few regional offices handling a large geographic area, reporting to a central home office

D. None of the above

6. John Jones is your insured. Sally Smith was driving his 2004 PT Cruiser. She was in heavy traffic during evening rush hour, when another vehicle “drifted” into her lane and hit the right side of the car towards the front. She lost control of the car and hit the guardrail on the left front end and side of the car. In doing your coverage analysis, you will want to ask:

A. Was Sally tired before she started driving?

B. Had Sally had any alcoholic beverages to drink?

C. Did Sally have John Jones’ permission to drive his car?

D. Was Sally paying attention to the traffic before the accident?

7. Common law is best described as:

A. A body of principles and rules established over time by courts on a case-by-case basis.

B. The model laws drafted by the NAIC and adopted by many states.

C. Statutes that are the same or similar in all 50 states.

D. Laws that a reasonable, prudent person would expect to find in any developed country.

8. A tort is a wrongful act or omission by one individual against another that causes harm to the person or his or her property. Three types of tort are:

A. Negligence, intentional tort, breach of warranty

B. Strict liability, breach of warranty, negligence

C. Intentional tort, breach of warranty, negligence

D. Negligence, intentional tort, strict liability

9. Data contained on the loss notice form can set the tone and direction for further investigation of a claim. If an auto loss notice form indicates several severe injuries in a loss, how might the investigation track differ from that for a loss involving a tree limb down on a house because of a storm?

A. No effect, the representative should put the same level of thorough investigation into each loss he/she handles.

B. More detailed information gathering is called for in the auto claim because of the nature of the loss.

C. The property loss will take more time.

D. The auto loss will take less time for that representative because he/she should delegate some of the investigative work to other representatives.

10. Databases are great resources for accessing a large amount of claim data to evaluate a number of issues. A good source of this information is:

A. The insurer’s records

B. State-run databases

C. An advisory organization such as ISO’s ClaimSearch

D. Federal anti-fraud organizations

11. What is the principle behind the average value method of loss reserving?

A. A mathematical relationship exists between certain components of a loss

B. Smaller claims of a standard type of loss can be initially reserved at a fixed amount

C. The establishment of aggregate reserves for all claims for a given type of insurance

D. None of the above

12. All of the following are valid reasons that an insurer may wish to have an independent medical examination (IME) performed, EXCEPT:

A. If there is a possibility that the insured will remain totally disabled

B. If assessment of the insured’s progress under the current treatment plan is needed

C. If the insured is over 50 years of age

D. If tests are called for to objectively evaluate the insured’s claims of pain

13. Which statement is true about the use of social networking sites such as Facebook as an investigative tool?

A. Federal and state privacy laws regulate permissible conduct of investigation on social networking sites.

B. There are rules of evidence and ethical issues that arise from using such sources.

C. Such sites are very valuable sources of information about people and their activities.

D. All of the above.

14. What statement represents the general rule about the insurer’s duty to preserve evidence?

A. The insurer has the duty to preserve evidence that is relevant to any contemplated litigation

B. The insurer’s duty to preserve evidence ceases when the cost of preserving the evidence exceeds the value of the property

C. Each state has statute or regulation that prescribes a set amount of time which the insurer must preserve evidence

D. None of the above

15. What advantage can a video-recorded statement bring to a case?

A. Economy – cheaper to obtain than recorded statements

B. Time savings

C. Physical characteristics of the interviewee can be seen and considered – visible injuries, body language, expressions, etc.

D. Process is not as intimidating as having to write everything down in a written statement

16. Courts can impose various sanctions on parties for spoliation of evidence. Which would be the worst-case sanction for an insurer?

A. An adverse inference instruction to the jury – that the spoiled evidence would have worsened the insurer’s case

B. Exclusion of evidence the insurer wants to present relating to the missing evidence

C. Dismissal of the case

D. Monetary sanctions and punitive fines

17. Maps are most successfully used as representative documentation when:

A. They are drawn by the witness him/herself

B. They are drawn by an art student or instructor

C. They are drawn by a professional cartographer, surveyor, or engineer

D. They are “minimalist”, showing very little detail beyond the accident scene

18. A claim representative inquires about an accident in which the claimant was injured, and the claim representative asks, “What part of your body was injured?” What kind of question has the claim representative asked?

A. A direct question

B. A leading question

C. An open-ended question

D. An admissible question

19. Which of the following is NOT one of the three main assertions which a reservation of rights letter must contain?

A. That the letter is not a denial of coverage

B. That the insurer can add to or modify its coverage position based upon additional coverage issues which may arise during the investigation

C. That any actions taken by the insurer do not constitute a waiver of rights or admission of coverage

D. That the insurer does want to pay the claim if the facts of the case warrant it

20. The receiver will interpret what the sender sends based in part upon the type of credibility he/she grants the sender. Donovan, a representative, is assigned to deal with Arwyn, an insured who suffered a wind damage loss to her house.

By the settlement of the claim, Arwyn has a high degree of trust in Donovan. What type of credibility does this represent?

A. Derived

B. Initial

C. Primary

D. Terminal

21. David is a new claim representative. He is interviewing Veretta, an insured. Veretta has been involved in an auto accident which was not her fault. David is listening to her give her statement and asking questions as needed.

As the interview continues, Veretta’s countenance becomes more angry-looking and her body posture exhibits defensiveness. If David just keeps on going with the interview, which barrier to effective listening is he exhibiting?

A. Violating the speaker’s expectations

B. Exhibiting boredom or loss of focus

C. Ignoring nonverbal cues

D. Conveying insincerity

22. If a homeowner submits an estimate from a contractor that has been increased to cover the amount of the deductible, this is an example of what kind of insurance fraud?

A. Staged accident

B. Intentional loss

C. Soft fraud

D. Hard fraud

23. Network analysis and clustering are two techniques being used to evaluate data for the purpose of detecting claims fraud. What broader field do these methods come from?

A. K-Means development

B. Data mining

C. Unsupervised learning

D. Centroidism

24. A negotiation technique that is often also used in sales, wherein the claim adjuster tries to get the opposing party to agree with set questions and statements made by the claims representative is called:

A. The principle of yes

B. Choicing

C. Chipping

D. Maslow’s hierarchy

25. The legal doctrine that states that lower courts must follow the precedents set by higher courts is called:

A. Stare decisis

B. An appellate decision

C. Estoppel

D. Strict liability

26. A lawsuit brought by the defendant against the plaintiff, arising from the same occurrence that is the subject matter of the plaintiff’s lawsuit is called a:

A. Third-party claim

B. Counterclaim

C. Third-party-over action

D. Countersuit

27. All of the following are activities involved in checking the summons and complaint, EXCEPT:

A. Determine the statute of limitations.

B. Determine whether the insurance policy provides a defense.

C. Create a litigation management budget.

D. Verify the jurisdiction.

28. The “duty to defend is broader than its duty to pay damages” means:

A. The insurer may provide coverage, but may not pay damages.

B. The insurer may not provide coverage, but will pay damages.

C. The insurer may provide a defense, but may not pay the claim.

D. The insurer may not provide a defense, but may pay the claim.

29. A statutory bad-faith claim is based on:

A. Gross misconduct

B. Violation of a state’s bad-faith statute

C. Violation of the federal bad-faith statute

D. All of the above

30. The Model Unfair Claims Settlement Practices Act was created by:

A. The U.S. Congress

B. The California Insurance Department

C. Lloyd’s of London

D. The National Association of Insurance Commissioners

31. Which of the following factors may tend to increase the amount of a punitive damages award?

A. Insurer’s compensation or bonus plan

B. Candor of the insurer in admitting mistakes

C. Required training of claims adjusters

D. Open and honest approach in handling claims

32. Bart, a claim representative, was disappointed with his recent performance evaluation and salary rating. Because of what Bart considered an unfair evaluation, he has since expended less effort in his job and has taken less interest in improvement. The factor that most affected Bart's claim handling competency in this situation is:

A. Changes in claims environment

B. Attrition of knowledge over time.

C. Limited insurer resources.

D. Inequitable rewards and promotions.

33. Georgio, an adjuster for Grounded Insurance Company, is handling a windstorm loss for his insured, Matthew, who has an unendorsed HO-3 policy. He tells Matthew by phone to go ahead and repair all the roof damage on his home and his concrete building. When Georgio arrives at Matthew’s home, he finds that Matthew has repaired the roof on the home and also the roof on his concrete building where his painting contracting business is located. There is no coverage for the concrete building since business is conducted there. Which one of the following principles describes the reason that Georgio cannot now deny the roof claim for the concrete building?

A. Reservation of rights

B. Waiver

C. Estoppel

D. Nonwaiver agreement

34. A claim was reassigned to a new representative due to the location of the loss. The loss was for an automobile bodily injury claim where the claimant had sustained severe injuries to the right side of the body. The claimant had completed rehabilitation but continued to struggle to return to work. The new claim representative reviewed the medical records and determined that the 25 year old graduate from the State University had been on track to take on a leadership role for the employer just prior to the accident but due to the injuries the promotion had not taken place. The new claim representative felt that the struggle to fully recover were hampering the claimant's ability to progress at work, amplifying the damages. Therefore, the file reserve was raised. Which one of the six factors from the individual case method were used to amend the file reserve?

A. Claimant profile

B. Special damages

C. Nature and extent of the injury

D. Liability factors

35. Sally was adjusting losses for Reliable Insurance and handled a fire loss for a home where a small fire occurred near the coffee pot and caused heavy smoke damage throughout the kitchen and burns to the cabinetry. The cause of the loss was not clear at the time, but a recall on the coffee pot for a faulty heating element that could overheat and cause a fire was received two months after the claim was settled. Sally copied the claim file and submitted a subrogation claim because the damages appeared to be caused by the coffee pot appliance. The manufacturer attempted to reject the claim based on spoliation of evidence. Which one of the following would be the best defense in this claim for subrogation?

A. The evidence can be reconstructed.

B. The evidence was destroyed in the regular course of business or for another valid reason.

C. The evidence that has gone missing is not relevant.

D. Litigation was not contemplated when the evidence was destroyed.

36. Stella was discussing the new claim distribution process with her team. The team was supplying information on the results and performance metrics after the first week of implementation for the new distribution process. The team spoke about the drop in cycle time for the period between assignment and pickup of the claim by the claim representative. Stella determined that the delay was user error, because the team advised that the system did not contain any deliver errors in the follow up reports. Stella's determination is best identified as which one of the following?

A. Encoding

B. Active listening

C. Decoding

D. Reflective listening

37. Claim representative Ida is in the process of handling a fire claim for a new insured, Minda, who said she needed to settle quickly because she was now unemployed and needed the money. Minda seemed to be well versed in insurance procedures and had all the answers before Ida asked for the information. Minda even provided Ida with an inventory of her damaged goods and promised to mail receipts to Ida. Which one of the following statements most likely indicates potential fraud related to Minda's behavior?

A. Loss occurred soon after policy inception.

B. Minda was unusually well-versed in insurance procedures and terminology.

C. Minda wants to settle the claim quickly.

D. All of the above.

38. Miguel has been negotiating with Lucas to settle a claims dispute. The negotiations have come to a stop because Lucas does not believe Miguel is being fair with the proposed settlement amount. Miguel decides to try the lose-win style of negotiation to get discussions going again. How will Miguel use the lose-win style of negotiation?

A. Miguel will emphasize the best outcome but will not try to achieve rapport.

B. Miguel will not emphasize the best outcome and will try to achieve rapport.

C. Miguel will emphasize both the best outcome and establish good rapport.

D. Miguel will neither emphasize the best outcome nor establish rapport.

39. Ricardo was sued by Sue after his car spun out of control and struck her bicycle. Even though he admits to driving over the speed limit, Ricardo blames part of the accident on oil that had been spilled on the road by a delivery truck. He then files a complaint bringing the driver and owner of the oil truck into the lawsuit. Ricardo's action is an example of a(n):

A. Counterclaim.

B. Cross-claim.

C. Affirmative defense.

D. Third-party claim.

40. Store-All Warehousing purchased $500,000 all-risk building coverage for its warehouse. When fire in an adjacent building spread to Store-All's warehouse, the building was seriously damaged, and Store-All submitted a claim to its insurer. The insurer intentionally postponed settling Store-All's claim for 18 months while it attempted to obtain a settlement contribution from the insurer of the adjacent building in which the fire originated. Store-All sued its insurer, launching a

A. Third-party bad-faith suit.

B. Claimant suit.

C. First-party bad-faith suit.

D. Excess insurer suit.