

Question 1

Correct

Marked out of 1.00

🚩 Flag question

According to the law of large numbers, as the number of units insured increases, actual results will more closely approach expected results.

- a. True
- b. False



The correct answer is: True

Question 2

Correct

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🚩 Flag question

risk retention technique is used for low-frequency, high severity types of risks.

- a. True
- b. False



The correct answer is: False

Question 3

Correct

Marked out of 1.00

🚩 Flag question

Faking a fire to collect insurance benefits is an example of attitudinal hazard.

- a. True
- b. False



The correct answer is: False

Question 4

Correct

Marked out of 1.00

🚩 Flag question

Icy road that increases the chance of an automobile accident is an example of a(n)

- a. physical hazard.
- b. moral hazard.
- c. Attitudinal hazard.
- d. peril.



The correct answer is: physical hazard.

Question 5

Correct

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🚩 Flag question

From the standpoint of the insurer, which of the following is a characteristic of an ideally insurable risk?

- a. The loss must be indeterminable.
- b. The chance of loss must be calculable. ✓
- c. The loss must be intentional.
- d. There must be a small number of unique loss exposures.

The correct answer is: The chance of loss must be calculable.

Question 6

Correct

Marked out of 1.00

🚩 Flag question

A flood is an example of a(n)

- a. objective risk.
- b. peril. ✓
- c. physical hazard.
- d. moral hazard.

The correct answer is: peril.

Question 7

Correct

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Flag question

Insurance companies collect premiums in advance. Since the premiums collected are not needed to pay losses and expenses immediately, the funds can be loaned to business firms. Because of this fact, insurance benefits society by:

- a. providing a source of investment funds. ✓
- b. enhancing credit.
- c. indemnifying losses
- d. providing an incentive for loss prevention.

The correct answer is:

providing a source of investment funds.

Question 8

Correct

Marked out of 1.00

Flag question

Social insurance benefits are heavily weighted in favour of upper-income groups because of their higher earnings.

- a. False
- b. True



The correct answer is: False

Question 9

Correct

Marked out of 1.00

Flag question

Which of the following statements about speculative risks is NOT true?

- a. They are almost always uninsurable by private insurers.
- b. Financial risk is an example of speculative risk.
- c. They may benefit society even though a loss occurs.
- d. They involve only a chance of loss.



The correct answer is: They involve only a chance of loss.


Question 10

Correct

Marked out of 1.00

🚩 Flag question

Which of the following is a benefit to society that result from insurance

- a. elimination of risk.
- b. elimination of adverse selection
- c. loss prevention. 
- d. reduce moral hazard.

The correct answer is: loss prevention.


Question 11

Correct

Marked out of 1.00

🚩 Flag question

Financial risk is easily addressed through the purchase of insurance.

- a. True
- b. False 

The correct answer is: False

Question 12

Correct

Marked out of 1.00

Flag question

Car insurer has 9000 cars insured, and on average 2% of the cars experience loss each year.

However, in some years 200 cars experience loss and others 160 cars. The objective risk is:

- a. 11.11%
- b. 10%
- c. 9.99%
- d. 1%



The correct answer is: 11.11%

Question 13

Incorrect

Marked out of 1.00

Flag question

Quitting smoking to prevent developing lung cancer is an example of:

- a. Loss reduction
- b. Avoidance
- c. Loss prevention
- d. Personal insurance



The correct answer is: Loss prevention

Question 14

Correct

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🚩 Flag question

Insurance transactions can reduce objective risk, while hedging typically involves only risk transfer and not risk reduction.

- a. False
- b. True



The correct answer is: True

Question 15

Correct

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🚩 Flag question

Kate owns a successful clothing store. One day, after the store closed, a fire has started because of defective electricity wires. In addition to the physical damage to the store, Kate lost profits that could have been earned while the store was closed for repairs. The lost profits are an example of:

- a. indirect loss.
- b. direct loss.
- c. speculative risk.
- d. nondiversifiable risk.



The correct answer is: indirect loss.

Question 16

Correct

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🚩 Flag question

Adverse selection occurs when applicants with a higher-than-average chance of loss seek insurance at standard rates.

- a. False
- b. True



The correct answer is: True

Question 17

Correct

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🚩 Flag question

If the chance of loss is identical for two groups, the objective risk must be the same.

- a. False
- b. True



The correct answer is: False

Question 18

Correct

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🚩 Flag question

Which of the following types of risks is normally insurable by private insurers?

- a. liability risks ✔
- b. political risks
- c. Financial risks
- d. Foreign exchange risks

The correct answer is: liability risks

Question 19

Correct

Marked out of 1.00

🚩 Flag question

The tendency for people who have diabetes to seek health insurance at standard rates is an example of:


- a. fundamental risk.
- b. adverse selection. ✔
- c. moral hazard.
- d. attitudinal hazard.

The correct answer is: adverse selection.

Question **20**

Correct

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 Flag question

Fortuitous loss means that the loss is certain to occur.

- a. True
- b. False



The correct answer is: False

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