

Question 1

Correct

Marked out of 1.00

🚩 Flag question

Rula has been working as an underwriter for 15 years. An application on a building she recently reviewed seemed odd to her. It looks like the building owners (insured) inflated the value of the building in the application. To make everything clear, Rula decided to hire an outside firm to review the application and provide her with a report. This report is called a(n)

- a. physical inspection.
- b. agent's report.
- c. inspection report. ✔
- d. binder.

Question 2

Incorrect

Marked out of 1.00

🚩 Flag question

Which of the following statements about treaty reinsurance is true?

- a. It protects the reinsurer by requiring the ceding insurer to charge adequate premiums. ✘
- b. The reinsurer must accept all business that falls within the scope of the treaty.
- c. The ceding insurer can choose which business is falling within the scope of the treaty it wishes to reinsure.
- d. The reinsurer is required to underwrite each applicant that is reinsured.

Question 3

Correct

Marked out of 1.00

🚩 Flag question

A company produces 750 products each month on average, 50 products get destroyed while courier. What is the probability that any product will be damaged in any given month?

- a. 3.333%
- b. 6.66%
- c. 15%%
- d. 12%



Question 4

Correct

Marked out of 1.00

🚩 Flag question

Income from investments is important to an insurance company in offsetting any unfavorable underwriting experience.

- a. True
- b. False



Question 5

Incorrect

Marked out of 1.00

Flag question

The probability that house A will catch fire is 10%, the probability that house B will catch fire is 4%. What is the probability that AT LEAST ONE of the houses will be damaged by a fire given that events are independent.

- a. 13.6%
- b. 0.4%
- c. 8.8%
- d. 86%



Question 6

Correct

Marked out of 1.00

Flag question

The capacity of the insurance industry is defined as:

- a. The relative level of liabilities in the insurance industry.
- b. The relative level of reserves in the insurance industry.
- c. The relative level of assets in the insurance industry.
- d. The relative level of surplus in the insurance industry.



Question 7

Correct

Marked out of 1.00

🚩 Flag question

A combined ratio greater than one (or 100 percent) indicates profitable underwriting.

- a. True
- b. False



Question 8

Correct

Marked out of 1.00

🚩 Flag question

Premiums are high when the insurance market is hard.

- a. True
- b. False



Question 9

Correct

Marked out of 1.00

🚩 Flag question

The primary role of an actuary is to adjust the insurance company's claims.

- a. False
- b. True



Question 10

Correct

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🚩 Flag question

Muna is working in an insurance company. She evaluates applications to determine whether her company should insure the applicant. If insurable, Muna assigns the applicant to a rating category based on the applicant's degree of risk. Muna is a(n)

- a. actuary.
- b. agent
- c. underwriter.
- d. claims adjustor.



Question 11

Correct

Marked out of 1.00

🚩 Flag question

All of the following statements about reinsurance are true EXCEPT

- a. The reinsurer is not the first insurer that provides claims services to the insured after a loss occurs.
- b. The amount of insurance transferred to a reinsurer is called a cession
- c. A reinsurer may not purchase reinsurance. ✓
- d. The insurer transferring a business to a reinsurer is called the ceding company.

Question 12

Incorrect

Marked out of 1.00

🚩 Flag question

Lana was hired by NYX insurance company. Lana was assigned to a region where she adjusts claims of the insurer's policy owners. Lana is a(n)

- a. independent adjustor
- b. insurance agent ✗
- c. public adjustor
- d. company adjustor

Question 13

Correct

Marked out of 1.00

🚩 Flag question

Consider someone who owns 2000 shares at a current market price of 40; he buys a put option with an exercise price of \$35. He will exercise (use) the option if :

- a. stock price falls below \$35. ✔
- b. Stock price rises above \$40.
- c. stock price rises above \$35.

Question 14

Correct

Marked out of 1.00

🚩 Flag question

A large life and health insurance company merged with a stock brokerage company. This type of merger and acquisition activity is characterized as

- a. insurance brokerage consolidation.
- b. insurance company consolidation.
- c. cross-industry consolidation. ✔
- d. financial risk management.

Question 15

Incorrect

Marked out of 1.00

Flag question

Delta Insurance Company has a surplus-share treaty with Eversafe Reinsurance. Delta has a retention limit of \$200,000, and nine lines of insurance are ceded to Eversafe. How much will Eversafe pay if a \$250,000 building insured by Delta suffers a \$20,000 loss?

- a. \$0
- b. \$16,000
- c. \$20,000
- d. \$4,000



Question 16

Correct

Marked out of 1.00

Flag question

In a soft insurance market, more retention is used than in a hard insurance market.

- a. False
- b. True



Question 17

Correct

Marked out of 1.00

🚩 Flag question

The unavailability of reinsurance at favorable terms may result in more restrictive underwriting decisions.

- a. False
- b. True



Question 18

Correct

Marked out of 1.00

🚩 Flag question

Delta Insurance Company has a surplus-share treaty with Eversafe Reinsurance. Delta has a retention limit of \$200,000, and nine lines of insurance are ceded to Eversafe. How much will Eversafe pay if a \$150,000 building insured by Delta suffers a \$20,000 loss?

- a. \$10,000
- b. \$50,000
- c. \$20,000
- d. \$0



Question 19

Correct

Marked out of 1.00

🚩 Flag question

The process of transferring risk to the capital markets through financial instruments such as bonds, futures contracts, and options is known as consolidation of risk.

- a. False
- b. True



Question 20

Correct

Marked out of 1.00

🚩 Flag question

Some events cannot occur together because one event's occurrence makes the second event impossible. Such events are called:

- a. mutually exclusive events.
- b. independent events.
- c. conditional events.
- d. dependent events.

