

### Question 1

Correct

Mark 1.00 out of 1.00

🚩 Flag question

According to class rating, the rate charged for each class reflects the average loss experience for that class.

- a. False
- b. True



The correct answer is: True

### Question 2

Correct

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The unearned premium reserve is used to pay premium refunds to policyholders in the event of cancellation.

- a. False
- b. True



The correct answer is: True

### Question 3

Correct

Mark 1.00 out of 1.00

🚩 Flag question

A property and casualty insurer's loss reserve includes estimates for claims anticipated but not yet incurred.

- a. True
- b. False



The correct answer is: False

### Question 4

Correct

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The average value method is used when the number of claims is large and the claims are settled quickly.

- a. False
- b. True



The correct answer is: True

### Question 5

Correct

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ABC Insurance Company reported the following information on its accounting statements last year:

Premiums Written \$70,000,000

Loss Adjustment Expenses \$2,000,000

Underwriting Expenses \$20,000,000

Premiums Earned \$90,000,000

Incurred Losses \$70,000,000

Based on the above information, answer the following questions.

What was ABC's loss ratio last year?

- a. 1%
- b. 20%
- c. 70%
- d. 80%



The correct answer is:  
80%

### Question 6

Correct

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ABC Insurance Company reported the following information on its accounting statements last year:

Premiums Written \$70,000,000

Loss Adjustment Expenses \$2,000,000

Underwriting Expenses \$20,000,000

Premiums Earned \$90,000,000

Incurred Losses \$70,000,000

Based on the above information, answer the following questions.

What was ABC's expense ratio last year?

- a. 20.7%
- b. 80%
- c. 28.5%
- d. 10.5%



The correct answer is:

28.5%


### Question 7

Correct

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A loss reserve established for each individual claim when it is reported to a property and casualty insurance company is call a(n)

- a. unearned premium reserve.
- b. case reserve. 
- c. incurred-but-not-reported (IBNR) reserve.
- d. admitted asset.

The correct answer is: case reserve.


### Question 8

Correct

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Which of the following items would appear in the expense section of an insurance company income and expense statement?

- a. Premium
- b. Underwriting expense 
- c. Bond
- d. Gain on sale of securities

The correct answer is: Underwriting expense

### Question 9

Correct

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Which of the following statements about judgment rating is true?

- a. It is only used when credible loss statistics are available.
- b. It involves the manual rating of exposures.
- c. It is used when the loss exposures are so diverse that a class rate cannot be calculated. ✓

The correct answer is:

It is used when the loss exposures are so diverse that a class rate cannot be calculated.

### Question 10

Correct

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Property and casualty insurance companies place greater emphasis on liquidity than do life insurers.

- a. True ✓
- b. False

The correct answer is: True