T/F

1. Being legal competent parties is a distinct legal characteristic of insurance contracts states that only the insurer's promise to perform is legally enforceable. T
2. Retention is a for of planned retention. F
3. An excess insurance policy is a provision by which a specified amount is subtracted from the loss payment otherwise payable to the insured. F
4. In most cases, the applicant for insurance makes the offer and the company accepts or rejects the offer. T
5. Captive insurer increase the volatility of the parent company's earnings. F
6. Funded reserve is a method of paying retained losses through deducting them from bookkeeping account. F
7. A financially strong firm is in a better position to retain loss exposures than firm in a weaker financial position. T
8. In a soft market, profitability is declining, underwriting standards are tightened, premiums increase, and insurance becomes more difficult to obtain. F
9. Flowcharts are considered a source of information that helps identifying the loss exposures inside the firm. T
10. Loss severity is more important that loss frequency. T
11. Risk retention results in cost savings if actual losses are more than the cost of insurance. F
12. Property and life insurance are contracts of indemnity. F
13. Minimizing the effects that a loss will have on other persons and on society is pre-loss objective of risk management. F
14. If you interfere with your insurer's subrogation rights against a third party, you can endanger your right to collect from your insurer. T
15. Actual cash value insurance coverage on your personal property costs more than replacement cost coverage. F
16. An insurance contract that encourages or promotes something illegal or immoral is contrary to the public interest and can’t be enforced .T
17. The risk management function cannot be performed in isolation; there is a need for interaction between the risk management department and other departments’ T
18. A captive insurer has easier access to a reinsurer. T
19. A total loss under a valued policy is settled on the basis of the amount of insurance covering of the loss. T
20. High frequency and high severity risks should be retained. F

Q

1. In insurance contracts , one party writes the contract, and the other party must accept the entire contract as written, this is because they are contracts of OFFER AND ACCPTENCE
2. If a property insurance policy is written on a replacement cost basis, this means that losses are settled without a deduction for DEPRECIATIO
3. The value exchanged between the parties of the contract is called CONSIDRATION
4. For the insured, the use of deductibles in insurance contracts is an example of which one the following: (risk transfer, loss control, risk avoidance, risk retention)
5. An innocent misrepresentation of a material fact, if relied on by the insurer, makes the contract VOIDABLE OR EXITING IN DIFFERENT TERM
6. MANUSCRIPT POLICY is a policy specially tailored for the firm.
7. FREQUANCY LOSS refers to the probable number of the losses that may occur.
8. WARENTY is a statement that becomes part of the insurance contract and is guaranteed by the maker to be truth in all respects.
9. In property insurance, insurable interest must exist at THE TIME OF LOSS
10. Insurance contracts are ALEATORY; this means that the parties to the contract know in advance that the dollars they will exchange will be unequal.
11. CONCELMNT is intentional failure of the applicant for insurance to reveal a material fact to the insurer.
12. UTMOST GOOD FAITH PRINCIPLE is the principle through which a higher degree of honesty is imposed on both parties to an insurance contract than is imposed on parties to other contracts.
13. LOSS PREVANTION refers to measures that reduce the frequency of a particular loss.
14. Flowers company has been hurt by a many robbery losses. The risk manager concluded that: while the severity was high, the frequency was relatively low. The appropriate risk management technique to apply to this problem is INSURANCE
15. Ali was just hired as XYZ company's first risk manager. Ali would like to employ the risk management process. The first step in the process Ali should follow is to IDENTIFY LOSS EXPOUSURE
16. Life insurance policies are exceptions to the principle of indemnity because they are VALUED Policies.
17. A false statement made by an applicant for insurance is an example of a MISREPESINTING
18. In property insurance policies, there are 3 methods to determine the actual cash value REPLECMENT COST MINS DEPRATION, FAIE MARKET VALUE and BORAD EVIDENCE RULE .

T/F

1. The risk of insufficient retirement income is considered a commercial risk. F
2. The requirement that losses should be accidental and unintentional in order to be insurable results in more accurate prediction of future losses. T
3. Incorporating a business is a method of controlling the risk. F
4. From the standpoint of the insurer, an ideally insurable risk its loss must be indeterminable . F
5. The use of fire-resistive materials when constructing a building is an example of loss control. T
6. Property risk is a type of risk which is normally uninsurable by private insurers. F
7. The vandalism of a person's automobile is a direct property loss. T
8. Elimination of moral hazard is considered as one of the benefits to society that result from insurance. F
9. The premature death of an individual is an example of a pure risk T
10. The decline in the value of a bond portfolio because of .rising interest rates is considered on operational risk. F
11. The insurance industry as a source of investment funds tends to promote economic growth. T
12. Speculative risk may benefit part of the society even though a loss occurs. T
13. Insurance is used to handle existing pure risks, while gambling creates a new speculative risk. T
14. Following good health habits can be categorized as loss reduction. T
15. Concentrating coverage written in one geographic region is one of the methods by which insurers may minimize or avoid catastrophic losses. F
16. Retention is most appropriate for low frequency, high severity types of risks. F
17. Small number of exposure units enables the insurer to predict losses more accurate F
18. In property risk, a lien may be placed on your income and assets to satisfy a legal judgment . F

Q

1. If the Saudi Arabian monetary agency SAMA passed a law forbidding health insurers from considering an individual's health history when selecting applicants to insure. This change in law will increase the possibility of unprofitable results for health insurance companies. This type of hazard is an example of LEGAL HAZERD
2. ACTIVE RETION means that an individual is consciously aware of the risk and deliberately plans to retain all or part of it.
3. Ahmed started a new private business. The business may be successful or it may fail. The type of risk that is present when either a profit or loss could is called SPECULATIVE RISK
4. DIRECT LOSS is a financial loss that results from the physical damage, destruction, or theft of the property.
5. ABC manufacturing company installed smoke detectors, a sprinkler system, and fire extinguishers in its new manufacturing facility. These devices are all example of LOSS REDUCTION
6. STRATIGIC RISK refers to uncertainty regarding the firm's objectice
7. Carelessness of indifference to a loss is an example of MORALE HAZERD
8. CHANCE OF LOSS is the probability that an event will occur.
9. Sami borrowed money from a bank to purchase a fishing boat. He purchased property insurance on the boat. Sami had difficulty making loan payments because he did not catch many fish, and fish prices were low. Sami intentionally sunk the boat, collected from his insurer, and paid off the loan balance. This scenario illustrates the problem of MORAL HAZERD
10. XYZ insurance company insures a broad range of risks, including whatever is not covered by fire, marine , and life insurers. This wide range of risks written by XYZ insurance company is know as CACUALTY INSURANCE
11. ADVERSE SELECTION occurs when applicants with higher-than-average chance of loss seek insurance at standard rates.
12. An individual 's personal estimate of the chance of loss is knows as SUBJECTIVE PROBABLITLY
13. In spite of writing coverage for most perils which can damage property, LMN insurance company exclude flood insurance on property located in flood plains. Which requirement of an ideally insurable risk might be violated if LMN wrote flood insurance on property located in flood plains? NO CATASTROPHEIC LOSS
14. Kareem was just hired as a risk manager of ABC company. He has decided to create a risk management program which considers all of the risks faced by ABC-pure, speculative, operational and strategic-in a single risk management program. Such a program is called a ENTERPRISE RISK
15. PERILL is the cause of the loss.
16. Lost profits that could have been earned while a restaurant was closed for repair after being damaged by a fire, are considered as BUSSINES INCOME Losses.
17. Insurance is defined as the pooling of FORTUITOUS losses by transfer of such risks to insurers, who agree to indemnify insured’s for such losses.
18. Ali's car hit a patch of ice on the road. The car slipped off the road and hit another car. The presence of ice on the road is described as a PHICAL HAZERD
19. IDEMNFACTION .means that the insured is restored to his approximate financial position before the occurrence of the loss.
20. PARTICULAR RISK is a risk that affects only individuals or small groups and not the entire economy.