

Insurer policy expenses include all of the following EXCEPT

- 1. taxes.
- 2. premiums.
- 3. agent commissions.
- 4. home office operations.

What rule is used to determine the importance of a representation?

- 1. The law of adhesion.
- 2. That of aleatory contracts.
- 3. The materiality of concealment.
- 4. The insurable interest standard.

Moral hazard can be defined as the increase

- 1. in frequency and severity of losses covered by insurance.
- 2. of losses arising from legal precedents created by the courts.
- 3. chance of a loss occurring due to the insured's carelessness.
- 4. chance of a loss occurring due to an insured's dishonest tendencies.

Which of the following statements regarding risk is TRUE?

- 1. Only pure risks are insurable.
- 2. Only speculative risks are insurable.
- 3. Both pure and speculative risks are insurable.
- 4. Neither pure nor speculative risks are insurable.

Which of the following is a requirement of a contract?

- 1. It must be in writing.
- 2. There must be equal consideration between parties.
- 3. There must be negotiation of the terms between parties.
- 4. There must be an offer and acceptance of the contract terms.

According to the California Insurance Code, an insurance policy must specify all of the following EXCEPT the

- 1. financial rating of the insurer.
- 2. property or life being insured.
- 3. risks insured against.
- 4. policy period.

Upon notification of a claim, a claimant must be given access to the California Fair Claims Settlement Practices resolution by all of the following means EXCEPT

- 1. on-line at the Department of Insurance Internet site.
- 2. by interview appointment with the agent of record.
- 3. a copy free of charge from the insurer.
- 4. written notification from the insurer.

Who are members of the Medical Information Bureau?

- 1. Hospitals.
- 2. Physicians
- 3. Medical Bill Reviewers.
- 4. Life and health insurers.

According to the California Insurance Code, if an insurer's certificate of authority is revoked, the Commissioner can proceed with any of the following actions EXCEPT

- 1. taking possession of transaction records.
- 2. using Guarantee Funds to pay salaries.
- 3. confiscating the office premises.
- 4. liquidating the business.

What is meant by referring to an insurance policy as a unilateral contract?

- 1. One party may receive more than the other party.
- 2. Only one party makes a legally enforceable promise.
- 3. One party draws up the contract and the other accepts it.
- 4. The obligation of one party depends on the performance of obligations by the other party.

In insurance terminology, "indemnity" means

- 1. award.
- 2. advance.
- 3. make whole.
- 4. over compensate.

All of the occurrences listed below are examples of an insurable event as defined by the California Insurance Code EXCEPT

- 1. a guest is injured by a fall from the insured's deck.
- 2. an insured suffers a financial loss in the state lottery.
- 3. an insured is sued for unintentional slander of another person.
- 4. an insured is admitted to the hospital for delivery of a newborn.

All of the following qualify as "background information" as defined in Section 1729.2 of the California Insurance Code, EXCEPT

- 1. misdemeanor charges filed, not resulting in a conviction.
- 2. an administrative action regarding a professional or occupational license.
- 3. a misdemeanor or felony conviction or a filing of felony criminal charges in a state or federal court.
- 4. any admission, or judicial finding or determination, of fraud, misappropriation or conversion of funds, misrepresentation, or breach of fiduciary duty.

Unintentional concealment entitles the injured party to which course of action, if any?

- 1. Rescission of the contract.
- 2. \$250 fine to be paid to the injured party.
- 3. Possible imprisonment to the party who concealed the information.
- 4. None, due to the fact that the concealment was unintentional.

An agent who is acting as an insurance agent, broker, solicitor, life agent, accident and health, or bail agent acts in which capacity when handling premiums or return premiums for an insured?

- 1. Fiduciary.
- 2. Legal representative.
- 3. Managing general agent.
- 4. Natural person.

An agent who is acting as an insurance agent, broker, solicitor, life agent, accident and health, or bail agent acts in which capacity when handling premiums or return premiums for an insured?

- 1. Fiduciary.
- 2. Legal representative.
- 3. Managing general agent.
- 4. Natural person.

Which of the following information is not required to be communicated in a Life insurance contract?

- 1. Applicant's name.
- 2. Occupation.
- 3. Financial information.
- 4. Personal judgment.

All of the following are benefits of insurance EXCEPT it

- 1. eliminates fraudulent losses.
- 2. provides a source of investment funds.
- 3. provides payment for the costs of covered losses.
- 4. reduces the uncertainty created by many loss exposures.

What is the definition of premium?

- 1. Bonus paid by an agent to convince an insured to buy a policy.
- 2. Money an insured pays an insurer to obtain the benefits provided in the policy.
- 3. Money an insurer pays to an insured to obtain the benefits provided in the policy.
- 4. Amount the insured pays per unit of coverage (e.g., \$10 per \$1,000 of coverage).

What would a person be guilty of who refuses to deliver any books, records, or assets to the commissioner once a seizure order has been executed?

- 1. A felony.
- 2. A misdemeanor.
- 3. Misrepresentation.
- 4. Contempt of court.

Insureds are entitled to recover an amount NOT greater than the amount of their loss under the principle of

- 1. adhesion.
- 2. indemnity.
- 3. utmost good faith.
- 4. warranty.

As authorized by the California Insurance Code, the Insurance Commissioner has provided standards for names used by life insurance agents. Under these standards which, if any, of the following are automatically acceptable for Mary Brown, a holder of the CLU designation?

- 1. Mary Brown, CLU and Company.
- 2. Brownies' Insurance Services.
- 3. Mary Brown Insurance Company
- 4. Mary Brown Insurance Services.

All of the following are characteristics of reinsurance EXCEPT it

- 1. increases underwriting capacity.
- 2. stabilizes an insurer's profits.
- 3. increases the unearned premium reserve.
- 4. provides protection against a catastrophic loss.

A contract of indemnity is one in which

- 1. one party is restored to the same financial position the party was in before the loss occurred.
- 2. one party is obligated to assume the legal liability of another party.
- 3. one party must adhere to the agreement as written by the other party.
- 4. both parties are expected to act in complete honesty.

Making an insured whole by restoring them to the same condition as before a loss is an example of

- 1. reinsurance.
- 2. the retention of risk.
- 3. fiduciary responsibility.
- 4. the principle of indemnity.

A contract in which one party promises to indemnify another against loss that arises from an unknown event is

- 1. an insurance policy.
- 2. a restoration policy.
- 3. a retrocession agreement.
- 4. a hold-harmless agreement.

The acts that are reasonably necessary to the duties expressly authorized would be covered by an agent's

- 1. stipulated authority.
- 2. ostensible authority.
- 3. apparent authority.
- 4. implied authority.

Loss retention is an effective risk management technique when all of the following conditions exist EXCEPT the

- 1. losses are highly predictable.
- 2. probability of loss is unknown.
- 3. worst possible loss is not serious.
- 4. insured chooses to assume the losses involved.

As defined in the California Insurance Code, "insurance" is a

- 1. contract.
- 2. gamble.
- 3. peril.
- 4. risk.

Unless it is merely a statement of an expectation or belief, a representation as to the future is considered which of the following?

- 1. Liability
- 2. Promise
- 3. Provision
- 4. Restriction

The purchase of an insurance policy may accomplish all of the following for the insured EXCEPT

- 1. a reduction of uncertainty.
- 2. the elimination of the risk.
- 3. a replacement of a large possible loss by a "smaller certain loss".
- 4. a reduction in worry/greater peace of mind.

A situation in which there is a possibility of loss or a gain is a

- 1. pure risk.
- 2. particular risk.
- 3. speculative risk.
- 4. fundamental risk.

When must insurance records of insurance agents and brokers be made available to the Insurance Commissioner?

- 1. Within 30 days of written request by the Commissioner.
- 2. After the policy is issued.
- 3. Annually and submitted with the proper paperwork.
- 4. At all times.

The required contents of a policy include all of the following EXCEPT

- 1. risks insured against.
- 2. parties to the contract.
- 3. the probability of loss.
- 4. the period during which the insurance is to continue.

All of the following would be considered unfair trade practices EXCEPT

- 1. making a statement misrepresenting terms of any policy issued.
- 2. committing any act of discrimination whether it be deemed fair or unfair.
- 3. filing with any supervisor or other public official any false statement of financial condition of an insurer.
- 4. making a statement before the public about any person in the conduct of his insurance business that is untrue.

All of the following statements about aleatory contracts are true EXCEPT

- 1. they may be interpreted as a form of gambling.
- 2. there are cases where the insurer pays nothing.
- 3. the insured and insurer contribute equally to the contract.
- 4. if a loss occurs, the insured's premium is small in relation to the amount the insurer pays.

The process by which an insurer decides whether to issue requested insurance is called

- 1. adverse selection.
- 2. underwriting.
- 3. application.
- 4. competition.

Risk can be defined as all of the following EXCEPT

- 1. uncertainty.
- 2. the cause of loss.
- 3. the chance of loss.
- 4. the probability of an unexpected outcome.

Any situation that presents the possibility of a loss is known as

- 1. consideration.
- 2. a covered loss.
- 3. a loss exposure.
- 4. medical loss ratio.

What is the goal of the underwriting process?

- 1. To compute the premium rates for insureds.
- 2. To select only risks that will not incur losses.
- 3. To avoid selecting a disproportionate number of bad risks.
- 4. To ensure that the company pays any incurred losses promptly.

Why is having a large number of similar exposure units important to insurers?

- 1. The greater the number insured, the more accurately the insurer can predict losses and set appropriate premiums.
- 2. The greater the number insured, the more premium is collected to offset fixed costs.
- 3. The greater the number insured, the greater the amount of premiums collected to help cover losses.
- 4. The insurer increases its market share with every insured.

The direct response distribution of insurance utilizes all of the following to promote the sale of insurance EXCEPT

- 1. internet advertising.
- 2. television commercials.
- 3. telephone call from an agent.
- 4. brochures mailed to prospective clients.