

General Insurance Digest II Exam A

- 1) The utilitarian ethical decision model process determined that the majority of people would be happy with an outcome of significant financial gains. However, in order to achieve these gains, a smaller part of the population would suffer significant financial hardship that they may not be able to overcome. What component should be included in an ethical decision-making model to deal with and take into consideration the financial hardship of the smaller part of the population?
 - a. prescriptive ethics
 - b. morality and virtue ethics
 - c. utilitarian ethics
 - d. law
- 2) An aim of integrated business ethical decisions should be:
 - a. the strong survive and the weak are demolished
 - b. price setting is good for the business alone
 - c. there will be some good in the decision or outcome for all interested parties
 - d. to determine the best way to communicate bad news
- 3) Which of the following activities is the most important to meet the ethical requirements of truth AND loyalty as an insurance producer?
 - a. Entering all notes in the agency client management system
 - b. Providing and explaining all disclosures to consumers required by the insurer and by law
 - c. Submitting funds to the insurer within the time required by the insurer and by law
 - d. Working hard to conserve every sale the producer makes
- 4) Misrepresentation, twisting, churning, filing false financial records with regulators, defaming other businesses by giving false financial information about them are all illegal in insurance as what type of practices?
 - a. Unfair Trade Practices
 - b. Improper Solicitation Practices
 - c. Improper Disclosure Practices
 - d. Unfair Rate Setting Practices
- 5) Which one of these right vs right ethical dilemmas could best be categorized as a "truth vs loyalty" dilemma?
 - a. Whether a producer should disclose compensation sources and amounts from relevant insurance companies when taking a fee from a client for giving insurance advice
 - b. Whether individuals or communities should pay for significant flood and windstorm losses that occur to only part of the community's population
 - c. Whether a claim should be paid in a timely manner or the insurer should delay the claim payment so that the claimant will be satisfied with a lower amount
 - d. Whether a producer should advance premiums when insureds are late in paying premiums when the insured does not enter into a premium loan or premium financing agreement
- 6) In this insurance agency mission statement, "To develop relationships of integrity and excellence with each client and provide only the highest quality information, services, and insurance products to help you reach your goals," each of the following ethics or virtues are included, EXCEPT:
 - a. develop RELATIONSHIPS of INTEGRITY
 - b. develop RELATIONSHIPS of EXCELLENCE
 - c. with deep INTUITION
 - d. providing HIGH QUALITY INFORMATION, SERVICES and INSURANCE

- 7) Each of the following are the ways that individuals and communities win through fair insurance competition and a free and health marketplace, EXCEPT:
- Competition brings better prices.
 - Competition brings higher commissions.
 - Competition brings better products.
 - Competition brings greater efficiencies and ease in carrying out transactions.
- 8) The producer is faced with a situation where a client he has had for over 15 years is showing signs of forgetfulness and mild cognitive impairment. The client is over seventy and is a small business owner. The producer is becoming unsure of whether or not the client actually understands the insurance decisions he is making. The producer has always worked in the interests of the client and feels very secure that any insurance plan or program he suggests is suitable. However, if the client is losing competency, there are ethical and legal issues that arise when dealing with solicitation and sales of insurance contracts. The producer is considering whether he needs to take some positive action to notify others in the business of his concerns about the fact that the client is the primary insurance decision maker in the firm. In facing this dilemma using an integrated ethics decision-making model, which of the following issues should the producer consider first?
- The client's point of view
 - The producer's point of view
 - The outcomes that meet legal, ethical and insurance objectives
 - The producer's desired outcome
- 9) We can think of our ethics as a set of numerous possible actions or responses that we would apply to a given set of circumstances. The law acts as a filter through which all these possible actions we consider ethical are filtered. Illegal actions will be caught in the filter's screen and then discarded. The remaining actions after this filtering process will be both ethical and:
- profitable
 - integrated
 - legal
 - holistic
- 10) A state requires that all insureds who are part of an eligible employer group must pay the same premium rate for an employer health plan. This type of premium rating system is called:
- judgment rating
 - manual rating
 - experience rating
 - community rating
- 11) A human modeler. i.e., a human who interprets and evaluates predictive modeling data, including in some cases determining what data sets are relevant:
- Has no place in the generalized linear modeling process
 - Should not use intuition, judgment or experience when interpreting and evaluating GLM outputs
 - Should only use intuition and judgment when interpreting and evaluating GLM outputs
 - Should run equations that don't always make intuitive sense to the human modeler when working with GLMs
- 12) Underwriter Ulga used her own knowledge and experience to determine the rate that should be assigned to the applicant for a Show Horse Spectacular that is presented at county fairs throughout the United States. This type of rating system Ulga is using to underwrite this special and unusual risk is:
- judgment rating
 - manual rating
 - merit rating
 - retrospective rating

- 13) Establishing a no-fault system in the self-driving auto industry has disadvantages but has at least four potential advantages. Each of the following items are one of the potential advantages, EXCEPT:
- the industry players will likely not be driven out of business by a few lawsuits
 - the industry has some basis for reserving for losses, since the no-fault system would "cap" most losses in a pre-defined manner
 - industry players should be driven out of business by public outcry and large lawsuits
 - legal and regulatory experts will review likely liability risks and define outcomes that are ostensibly for the greater societal good
- 14) How can garaging fraud be spotted by insurers using technology not available in the past?
- By utilizing investigative consumer reports to ask neighboring businesses about an applicant
 - By utilizing law enforcement vehicle location data, gathered at stop light and tool booth cameras which have the make, model and license plate of vehicles in locations not disclosed on insurance applications
 - By running credit reports on the business applicant
 - By running a VIN search on a vehicle
- 15) A(n) _____ is a consumer report or a portion thereof in which information about a natural person's character, general reputation, personal characteristics, or mode of living is obtained through personal interviews with the person's neighbors, friends, associates, acquaintances, or others who may have knowledge concerning such items of information.
- credit bureau report
 - investigative consumer report
 - annotated consumer report
 - insurance services organization report
- 16) Each of the following is a characteristic of Generalized Linear Modeling, EXCEPT:
- The "solution" to the relationship driven computations in GLM results in a generalized line.
 - GLMs allow the modeler to assume the process being modeled follows any distribution within the mathematical exponential distribution family.
 - GLMs are a very simple modeling tool and the supporting calculations are simple to do using a pencil and paper
 - The GLM used a linear predictor – an equation that incorporates the information about the independent variables into the model.
- 17) Smart technology involves:
- a sensor or monitor that is able to send alerts or take other action based on the conditions it senses or monitors
 - a computer science degree to operate
 - using devices that are all made by the same manufacturer
 - no user interaction
- 18) Why would an insurer pay health plan members via premium supplements or other rewards for participating in a wellness program?
- To get a big payout from a tracking device manufacturer
 - In order to reduce insurance costs in a competitive marketplace, as well as to help members
 - To spy on employees for marketing purposes
 - To find fraud
- 19) A long-term care policy will pay for the actual cost of care, up to a \$200,000 life of policy limit, and \$50,000 annual limit. This type of long-term care policy is:
- illegal
 - an indemnity policy
 - a low premium policy
 - an actual cost of care policy

- 20) The long-term care policy includes a provision which states that after the insured has been admitted to a nursing home, if the insured is released from the nursing home and receives no treatment for six months, the nursing home benefits will be restored. This type of provision is known as a:
- waiver of premium provision
 - bed reservation benefit provision
 - respite care benefit provision
 - restoration of benefits provision
- 21) A long-term care policy has a thirty-day elimination period for community-based care. Judy has received three medical visits a week for five weeks at her assisted living facility, to treat a chronic condition. How many days of the elimination period in her policy have been satisfied?
- 15
 - 35
 - 30
 - It is not possible to answer without knowing how the contract states the way the satisfaction of the elimination period is calculated. Three medical visits a week may equal one week of the elimination period being satisfied, or may equal three days of the elimination period being satisfied, depending on the policy's provisions.
- 22) The Long-Term Care Partnership policy contains the following renewability provision: the insured has the right to continue the long-term care insurance in force by the timely payment of premiums and when the insurer has no unilateral right to make a change in a provision of the policy or rider while the insurance is in force, and cannot decline to renew, except that rates may be revised by the insurer on a class basis. This contract:
- is noncancelable
 - is guaranteed renewable
 - is in lapse
 - has experienced a rate spiral
- 23) Samantha is applying for a long-term care contract. She has asthma, has been under treatment for this condition for many years, and sees her physician at least semi-annually in order to ensure her asthma-related symptoms are under control. For the purposes of a long-term care insurance contract, Samantha's asthma is:
- a preexisting condition
 - an exclusion
 - a personal care condition
 - an activity of daily living
- 24) The long-term care contract includes an exclusion for long-term care services needed because of an addiction to illegal drugs. This exclusion:
- is not permissible under the Long-Term Care Model Regulation
 - may only be part of a nursing home only long-term care policy
 - may only be applicable to the community-based care services in a long-term care contract
 - is allowed for policies that conform to the Long-Term Care Model Regulation
- 25) Which of the following would not be considered an acute condition?
- Pneumonia
 - Heart Attack
 - Arthritis
 - Appendicitis
- 26) The disclosure "Things You Should Know Before You Buy Long-Term Care Insurance," is about long-term benefits in:
- Medicare and Medicaid
 - Life Insurance
 - Comprehensive Medical Expense and Hospitalization Insurance
 - Annuities

- 27) Under a “per stirpes” beneficiary designation, if a primary beneficiary pre-deceases the insured, upon the death of the insured, the deceased beneficiary’s portion goes to:
- the remaining primary beneficiaries
 - the contingent beneficiary
 - the deceased beneficiary’s descendants
 - the estate of the insured
- 28) If one spouse under age 50 earns \$75,000 in compensation and the other spouse, also under age 50, earns \$5000 in compensation, a maximum of \$_____ (2018) may be contributed to a Traditional IRA for the spouse who earned \$5000.
- \$5000
 - \$1000
 - \$5500
 - \$0
- 29) In order to qualify as a “1035 Exchange”:
- a check must be issued to the policyowner who must endorse it over to the new insurer
 - the transfer must be made to another annuity with the same annual rate of return
 - the annuity must be qualified
 - the new contract must be payable to the same person or persons as the surrendered contract
- 30) An annuity producer falsely informs a potential applicant that a competing insurer is having financial difficulties. This is in fact untrue, and the salesperson is attempting to induce the applicant to purchase the annuity he offers rather than that of the competitors. The producer has committed:
- illegal defamation
 - malicious advertising
 - libel
 - illegal rebating
- 31) Under a variable annuitization option:
- the annuity value is removed from the subaccounts and placed in the fixed account.
 - the annuity value remains in the variable subaccounts.
 - payment amounts are level.
 - unit values vary in each payment
- 32) A variable annuity policyowner has 60 units in the U.S. government bonds subaccount. The unit value is \$11. The subaccount value is:
- \$11
 - \$60
 - \$11 less administrative fees
 - \$660
- 33) If interest rates went up after the annuity was purchased, the market value adjustment applied to a surrender likely will:
- decrease the amount received.
 - increase the amount received.
 - have no impact on the amount received if the surrender amount is subject to a surrender charge.
 - have no impact on the amount received if the surrender amount is not subject to a surrender charge.
- 34) The “Important Notice Regarding Replacement” must be presented and read by the producer to an applicant with an existing annuity contract no later than:
- policy delivery
 - when the replacing insurer notifies the existing insurer of the pending replacement
 - within ten days of taking the application
 - at the time of taking the application

- 43) Promptly telling a liability insurer when the insured receives information that a claim or lawsuit has been or will be filed against the insurer is very important. Informing the liability insurer is known as providing:
- claim notice
 - claim investigation
 - claim evaluation
 - claim disposition
- 44) One reason for purchasing an umbrella liability policy is due to the limits in a personal auto policy's coverage territory. Frank comes to his insurance agent to ask him this question: "I have a Personal Auto Policy and am planning on going on a family trip. I will be driving through Minnesota into Canada using my vehicle. Will my personal auto policy cover me while I'm driving in Canada?" Assuming the PAP is a standard policy form, the insurance agent's answer should be:
- No, your personal auto policy will not cover driving in Canada
 - Yes, your personal auto policy will continue to cover you in Canada
 - Your personal auto policy will only cover you in Canada if we issue you a special coverage endorsement to include Canada in the policy's coverage territory
 - Because you came in to talk to me, the policy will cover the trip – the insurer must be notified prior to making a trip into Canada for the coverage to apply.
- 45) A warehouse contains electronically moved shelving units that house very heavy pieces of equipment. A breakdown in the warehouse's shelving units at 1 PM on August 10 causes several shelves to vibrate and shakes this heavy equipment onto the equipment below and onto workers and customers in the warehouse. The effected shelves and various pieces of equipment continue to fall for approximately 15 minutes. For liability insurance purposes, this incident is considered:
- multiple accidents
 - an occurrence
 - a peril
 - an intentional act
- 46) Although the Guiding Principles of Insurers of Primary and Excess Coverage were created by the Insurance Bureau of _____, if an insurer doing business in the US has agreed to the Guiding Principles as a "signatory," a court in the US will consider the agreement such an insurer has made to follow the Guiding Principles when deciding a lawsuit involving the insurer.
- Canada
 - Great Britain
 - Germany
 - France
- 47) An insured has an umbrella liability policy with self-insured retention requirements. A claim occurs from a customer that the insured knows the umbrella liability policy will cover if it exceeds the self-insured retention amount of \$100,000. There is no underlying insurance in place for this claim type. The insured believes the claim it has received is settled by the insured paying the claimant \$40,000. What party was responsible for investigating the claim and determining that it had a settlement value of \$40,000?
- The umbrella liability insurer
 - The claimant
 - The insured
 - The commercial general liability insurer
- 48) In many states, if an insurer settles a claim in a manner that subjects the insured to a claim that is in excess of the insurer's limit of liability and the insurer acted in bad faith, the insurer:
- must pay all legal and defense fees for the bad faith action, as well as the amount of the settlement that is in excess of the limits of the policy
 - will lose its authority to do business in the state
 - must refund the insured's premium payments
 - must pay to have the case retried