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INSURANCE MARKETING ISSUES -- 30 CE HOURS -- DOI #77043

1. An agent's sales conduct is the responsibility agent's choose to undertake in order to
 - A. Make more money
 - B. Do a better job for clients
 - C. Impress clients
 - D. Meet new legal requirements
2. Between an agent and his insurer, the fiduciary duty of the agent prevents him from making a "secret profit" other than
 - A. \$500
 - B. \$1000
 - C. \$1500
 - D. What is agreed
3. Concerning Internet insurance sales, a single source sale site is comprised of a single insurance company marketing product through the establishment of a _____.
 - A. Home page
 - B. Website
 - C. Internet Service Provider
 - D. Provider host
4. Signature authorization in an internet insurance sale is the process where contracts of insurance are "bound". Unfortunately, electronic signatures still lack the _____.
 - A. Approval of the public
 - B. Indicia of trustworthiness
 - C. Quality of real signatures
 - D. Approval of the FBI
5. In a nutshell, risk based capital is a _____ which compares actual capital, surplus to a required level.
 - A. Capital sufficiency test
 - B. Completely illegal method of evaluation
 - C. Worthless test
 - D. Highly criticized method
6. One way that agents create "dual agency" is when they represent themselves as agents of the insurer and as _____.
 - A. A friend of the client
 - B. Trustworthy
 - C. An expert or consultant
 - D. The designated agent for the area
7. Concealment is neglecting to _____ what the agent knows or ought to know to be true.
 - A. Put in writing
 - B. Communicate
 - C. Explain in detail
 - D. Hire an attorney to explain
8. Nearly all client contact is considered advertising except _____.
 - A. Blind ads
 - B. Communication used purely for internal; purposes
 - C. Verbal communication
 - D. Premium business under \$100 per month
9. The lesson of the Crobons vs Wisconsin Life case is never _____ a change in a client's policy when the client is not capable of signing.
 - A. Witness
 - B. Authorize
 - C. Approve
 - D. Copy
10. Concerning internet insurance sales, the determination of the transaction situs can
 - A. Never be known
 - B. Be disclosed to only the agent
 - C. Impact the insurance product sold
 - D. Always be found
11. Agent sales conduct in choosing a company for a client centers on the ability to direct a client to an insurer that
 - A. Sells more than 1,000 policies a month
 - B. Has assets over \$100 million
 - C. Is solvent at the time of purchase and able to meet its contractual obligations
 - D. Is reinsured for at least \$100 million
12. Failure to act or procure coverage is one of the most important areas of agent liability accounting for an estimated _____ percent of all agent malpractice claims.
 - A. 10%
 - B. 25%
 - C. 60%
 - D. 75%
13. In Cartwright vs Equitable Life an agent was fined \$_____ for misrepresenting policy terms even though he was retired at the time of the trial.
 - A. \$5,000
 - B. \$10,000
 - C. \$20,000
 - D. \$30,000
14. The purpose of "encryption", with regard to Internet security, is to ensure privacy by _____.
 - A. Keeping data from being read by an unintended third party
 - B. Turning the computer off
 - C. Embedding false information
 - D. Limiting access to the computer between 1 and 5 PM

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15. The size of an insurance company can be important. Statistically, fewer failures have hit companies with assets over \$_____.
- A. \$10 Million
 - B. \$20 Million
 - C. \$50 Million
 - D. \$100 Million
16. In annuity analysis, the yield vs liquidity rule states that clients demanding easy access to their money should be prepared for _____.
- A. The best service
 - B. The worst service
 - C. Higher overall yields
 - D. Lower overall yields
17. An agent who professes "special expertise", establishes a _____ and assumes additional liability exposure to both his client and insurance company.
- A. Dual agency
 - B. Consulting contract
 - C. Special client relationship
 - D. Custom integration
18. Agents can become unwilling ERISA fiduciaries if they have been interpreted to be a person exercising _____ or a retirement plan's assets.
- A. Discretion
 - B. Managerial control
 - C. Influence
 - D. Signature authority
19. An agent who fails to disclose risk factors about a client to his own insurer may be liable under rules of _____.
- A. Good faith and loyalty
 - B. Roberts Order
 - C. Bad business
 - D. Ordinance
20. Which of the following are considered unlawful trade practices that apply to insurance agents?
- A. Passing off services as those of another
 - B. Causing confusion about services offered
 - C. Causing confusion about affiliation or association with another.
 - D. All of the above
21. In *Sobotor vs Prudential* a fiduciary relationship was found to exist between an agent and a one-time buyer of insurance because the agent
- A. Lied about the premiums
 - B. Held himself out to have special knowledge in insurance
 - C. Was over 60 years old
 - D. Made outrageous promises
22. An online RFQ (Request for Quotation) typically requires a _____ which the insurance consumer must answer in order to obtain a _____.
- A. Questionnaire / quotation
 - B. Survey / referral
 - C. Telephone conversation / quotation
 - D. Quiz / discount
23. The most significant advantage of the Internet to the insurance industry is the ability to
- A. Present facts in color
 - B. Communicate and transact business electronically to substantially reduce costs
 - C. Hold massive amounts of data
 - D. See all applications before signing
24. In using the rating services (AM Best, etc), agents should be cautious when ratings of an insurer
- A. Are lower than A
 - B. Are lower than B
 - C. Vary widely among rating companies
 - D. Are less than 12 months old
25. An insurer's asset-default test will lead to the establishment of various _____ to be established for various classes of investments.
- A. Management agents
 - B. Reserve accounts
 - C. Capital accounts
 - D. Monitored accounts
26. The process of risk management requires setting and achieving goals in which of the following areas?
- A. Pure risk discovery
 - B. Options to deal with risk
 - C. Implementation & on going risk monitoring
 - D. All of the above
27. Concerning agent liability created by an insurer failure, the general rule in the U.S. is that an agent is _____ from which he obtains coverage.
- A. Not a guarantor
 - B. Completely liable
 - C. Somewhat liable
 - D. Never liable
28. Agent ethics involves the maintaining of honest standards and judgments that _____.
- A. Are never compromised
 - B. Have been put to writing
 - C. Place the client first
 - D. Place the agent first

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29. Accuracy and truthfulness in insurance advertising is advertising that _____.
- A. Is approved by the insurance department
 - B. Cannot lead a person of average intelligence to any false conclusions
 - C. Has examples
 - D. Uses simple words
30. Due to the expanding legal precedent system in the U.S., events that were NOT a problem for agents in the past _____.
- A. Will probably not be a problem today
 - B. Could now represent agent liability
 - C. Will never be a problem in the future
 - D. Always come back to haunt
31. In *Lott vs Metropolitan Life*, an agent was _____ for representing to client employees that they MUST buy life insurance in order for the company's cafeteria plan to be granted tax savings.
- A. Found liable
 - B. Acquitted
 - C. Unharmed
 - D. Sent to jail
 - E. _____
32. Electronic commerce is the buying and selling of goods via _____.
- A. Phone wires
 - B. A transmission line
 - C. An electronic medium
 - D. E-Mail
33. The Internet is actually a variety of technologies including which of the following?
- A. File Transfer Protocol (FTP)
 - B. Gopher servers & E-Mail
 - C. The World Wide Web
 - D. All of the above
34. What are some insurance regulator disadvantages of agents selling on the Internet?
- A. Some states don't have adequate access to monitor activity
 - B. Increased license activity may be difficult to monitor
 - C. Insurance fraud could increase where the Internet presence was quickly terminated
 - D. All of the above
35. To verify a sender's digital signature on an insurance contract, he or she would have to also send _____.
- A. Money
 - B. A letter
 - C. A digital certificate
 - D. A copy of his driver's license
36. Does *Higginbotham vs Greer* make it clear that agents are responsible for monitoring the solvency of insurance companies they represent?
- A. Sometimes
 - B. Absolutely never
 - C. There is no legal premise
 - D. Always
37. In considering a client's "pure risk" vs "speculative risk", the agent must realize that both involve _____.
- A. Uncertainty
 - B. Certainty
 - C. Lack of purpose
 - D. Underlying issues
38. The *Southwest vs Binsfield* case has application to ALL agents in that agents may now be responsible and duty bound to explain all policy options that are _____.
- A. Widely available
 - B. Reasonably priced
 - C. Available
 - D. A & B only
39. In the *Bell vs O'Leary* case, it is clear that an agent can also be held liable for _____ even though the courts have not established "how long" or what is reasonable.
- A. Tampering
 - B. Churning
 - C. Silence or inaction
 - D. Stealing premiums
40. Liability created by insurer failures may not be a concern for most agents. However, in *Higginbotham vs Greer*, the courts further clarified that if the agent _____ he or she may be liable for the loss caused by the insolvency.
- A. Received written notice
 - B. Receives a commission
 - C. Knew or should have known the insurer was insolvent at time of placement
 - D. Had special training
41. Which of the following are NOT considered concealment?
- A. Matters which the client waives
 - B. Matters which are not material
 - C. Matters which the other party ought to know
 - D. All of the above
42. An estoppel argument may reduce an agent's liability. The basis for such an argument is _____.
- A. The age of the agent
 - B. The insurer's past practices
 - C. The age of the client
 - D. The mood of the court

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43. A "claims made" errors and omissions policy may protect you for claims that occur _____
- While the policy is in force
 - Before and after policy expiration
 - During normal business hours
 - When the client makes a mistake
44. The essence of The Uniform Consumer Sales Practices Act is that the old _____ is now replaced by real laws and enforceable legal limits.
- Ideals
 - Buyer beware attitude
 - School
 - Honor system
45. The moral of Great American Insurance vs York is that the agent is responsible for submitting _____.
- A complete application, including signatures
 - All premiums
 - His own invoice for premiums
 - All license information when appointed
46. What is another name for the Universal Resource Locators which identify websites?
- RAM
 - ROM
 - Domain name
 - Code name
47. What are current security issues regarding insurance transactions on the Internet?
- Privacy & confidentiality of personal information
 - Alteration of information provided by applicant
 - Tampering with insurer home pages
 - All of the above
48. Fundamental to proper sales conduct is the understanding that all insurance is constructed of the same elements _____, _____, _____. Therefore, a policy that appears to be significantly better than others in the marketplace should be suspect.
- Expenses, experience, return of profit
 - Mortality, premiums, claims
 - Claims, experience, forfeiture
 - Large numbers, claims, premiums
49. Which of the following is recommended for minimum illustration sales conduct by agents?
- Use specimen policies to compare with illustrations
 - Before doing business with a company, request sample illustrations
 - Print all illustration pages
 - All of the above
50. Redlining is an illegal practice where an agent / insurer refuses to take an application based on the following
- Race, marital status, sex or religion
 - Certain metropolitan areas
 - Past history
 - A & B only
51. Why are "standard operating procedures" important for agents to establish and follow?
- They make your notes and records usable evidence in a trial
 - They make agents more credible in his own defense
 - A & B above
 - There is no reason to have them
52. Which of the following are examples of unfair settlement practices by insurers?
- Knowingly misrepresenting to claimants pertinent facts relating to coverages
 - Failing to reasonably acknowledge communications with client regarding claims
 - Failing to adopt reasonable standards for prompt investigation of claims
 - All of the above
53. The importance of the Benton vs Paul Revere Life is that an agent who _____ is subject to liability for fraud.
- Doesn't sign the application
 - Does not understand the differences between two products he is selling
 - Cannot read policies
 - Has too many clients
54. The MacGillivray vs W. Dana Bartlett case is an example where an agent's failure to apprise himself of the _____ was considered gross negligence.
- Client's age
 - Non-admitted status of the insurance company
 - Application errors
 - Policy changes
55. On the Internet, Insurance Malls are sales sites that offer the products of
- High-tech insurance companies
 - Agents who do not have a website
 - More than one seller
 - The most competitive companies
56. Internet electronic signatures now come in two forms: _____ & _____.
- Ram / Rom
 - Digital / Stylus
 - Script / Serif
 - Captured / Transmitted

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57. The Risked Based Capital Model Act defines acceptable levels of _____ that insurance companies may incur with regards to their assets, insurance products, investments and other business operations.
- A. Capital
 - B. Leverage
 - C. Risk
 - D. Reinsurance
58. Traditional agency law concludes that the insurance agent, acting as agent of the insurer, owes duty primarily to _____.
- A. The insurer
 - B. The client
 - C. Himself
 - D. The agency
59. Ratification of an unauthorized act of an agent can be sufficient to release the agent from liability. Ratification is based on the practice of the insurer issuing policies even though the broker has supplied _____.
- A. All necessary forms
 - B. Incomplete information
 - C. Inaccurate data
 - D. No premiums
60. In the Brill vs Guardian life case, an agent was found negligent by failing to recommend the use of _____.
- A. Term insurance
 - B. The conditional receipt
 - C. Multiple policies
 - D. High blood pressure medication
61. Which of the following are reasons to regulate insurance?
- A. The value of the contract is only as good as the willingness to fulfill it
 - B. A system of insurance requires public confidence
 - C. Insurance is technical, requiring skills beyond the grasp of most people
 - D. All of the above
62. The Insurance Regulatory Information Systems (IRIS) monitors insurers' _____ and identifies those needing regulatory attention.
- A. Financial condition
 - B. Mistakes
 - C. Claims
 - D. Employment patterns.
63. The interstate compact agreement is a pact among states to standardize _____ and rehabilitate or liquidate insolvent insurers.
- A. Claim practices
 - B. Premiums
 - C. Applications
 - D. State guaranty funds
64. AM Best assigns a FPI Rating for companies who do not meet their size and operating experience requirements. The FPI is assigned to companies that have _____ years operating experience.
- A. Two
 - B. Three
 - C. Five
 - D. Ten
65. S&P uses a "numerical z-score" to assign a rating. The financial ratios or variables which comprise the score is measured over a _____ year period.
- A. Two
 - B. Three
 - C. Four
 - D. Five
66. Give reasons why State Guaranty funds are needed as a safety net?
- A. To catch insolvency early to cut losses
 - B. To encourage regulators to act promptly to take over insolvent insurers
 - C. To satisfy consumer groups
 - D. A&B only
67. All states require insurance contracts to include an _____ clause which requires the reinsurer to pay all reinsurance proceeds to the liquidator.
- A. Insolvency
 - B. Axiom
 - C. Asset reimbursement
 - D. Equalizer
68. When an insurer is liquidated, the liquidation order of priority is
- A. Expenses / unpaid wages / taxes / policyholders / reinsurers
 - B. Policyholders / taxes / reinsurers
 - C. Taxes / policyholders / costs / reinsurers
 - D. Reinsurers / taxes / policyholders / costs
69. The Parker vs Metropolitan Life case underscores the court's partiality to _____ claimants.
- A. Poor
 - B. Rich
 - C. ADA eligible
 - D. Family
70. The McCarran-Ferguson Act of 1945 formally invited states to _____ and to regulate insurance.
- A. Bypass federal laws
 - B. Preempt federal antitrust laws
 - C. Override national statutes
 - D. Ignore federal laws

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71. The Securities Valuation Office (SVO) of the National Association of Insurance Commissioners determines _____.
- How much stock an insurer can buy
 - What kind of stock an insurer may buy
 - Uniform accounting values of insurers' securities investments
 - The liquidation value
72. Problems in the life industry during the late 1980's and early 1990's stem from the transformation of life clients from _____ to _____.
- Savers to investors
 - Investors to savers
 - Watchers to actors
 - Viewers to Risk takers
73. A Solvency & Financial Enforcement Trust (SAFE-T) is an alternative to complex risk based capital rules. The SAFE-T method requires each insurer to _____.
- Acquire 30% reinsurance
 - Double state guaranty pledges
 - Fund a custodial account with liquid assets
 - Sign personal guarantees
74. Standard & Poors claims paying ability ratings are _____ >
- Involuntary
 - Voluntary
 - Mandatory
 - Statistically flawed
75. Moody's qualitative evaluation of an insurer includes an assessment of which of the following:
- Franchise value
 - Management
 - Organizational structure
 - All of the above
76. Weiss' ratings are _____.
- Involuntary
 - Voluntary
 - Mandatory
 - Statistically flawed
77. In general, guaranty acts exclude from coverage policies issued by entities that are _____.
- Over \$100 million
 - In business longer than 100 years
 - Not regulated as a legal reserve carrier
 - Reinsured up to \$50 million
78. Concerning the limit of reinsurance, it is noted that reinsurance does not change the _____.
- Inherent nature of the risk being insured
 - Premium payments
 - Claims response
 - Application approval process
79. An insurer's loss ratio is the ratio of actual _____ compared to earned premiums.
- Profits
 - Losses and loss adjustments
 - Claims
 - Applications
80. The basic premise of an insurer reserve is to _____ to cover anticipated losses.
- Build bank accounts
 - Invest large sums
 - Stock-up capital
 - Trade equities
81. A "surplus to admitted assets ratio" of less than _____ percent for an individual insurance company should be considered questionable.
- 35%
 - 30%
 - 25%
 - 20%
82. An insurer "drop down" occurs when an excess insurer "drops down" to provide insurance when the primary insurer _____.
- Cannot pay its claim
 - Refuses to pay its claim
 - Has become insolvent
 - Requests it
83. The Rizk vs Dun & Bradstreet decision reinforces reimbursement for illnesses that have been _____.
- Faked
 - Longer than 3 months
 - Psychologically induced
 - Serious
84. Before 1850, insurers operated with little regulation. Their powers were defined _____.
- By Congress
 - In their charters
 - In each policy
 - By each state
85. The Reinsurance Intermediary Model Act mandates _____ for brokers and managers of reinsurance and established minimum requirements.
- Licensing
 - Surplus capital
 - Errors and omissions
 - Financial disclosure
86. State regulation of insurance offers what two layers of protection?
- State of domicile
 - Regulation by the state where the company is located
 - Control by Congress
 - A & B only

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87. Holding company abuse of insurers is well documented. The failure of some insurers can be directly tied to a _____.
- A. Lack of capital input
 - B. Systematic "milking" by a non insurance parent
 - C. Claim stealing
 - D. Premium withdrawals
88. The stated mission of AM Best is to perform a constructive and objective role towards the _____.
- A. Prevention of insurer insolvencies
 - B. Role of master rater
 - C. Deregulation of insurance
 - D. Ultimate solvency of all insurers
89. S&P's "industry risk" rating looks at four competitive factors. They are:
- A. New entrants / threat of substitute products / rivalry / bargaining power
 - B. Risk / reward / taxes / profits
 - C. Surplus / risk / competition / staying power
 - D. Claims / taxes / premiums / new competitors
90. Which of the following are factors used by Moody's to assess an insurer's expected long-run profitability
- A. Market focus & competitive dynamics
 - B. Distribution costs & underwriting record
 - C. Investment strategy
 - D. All of the above
91. Weiss research basis its ratings only on objective, quantifiable information. It does not interview management because Weiss believes that good management will produce good results and bad results _____.
- A. Produce bad records
 - B. Are explained in a letter
 - C. Cannot be explained away by management
 - D. Are public record anyway
92. The purpose of state guaranty funds is to fully guaranty the _____ of individual policy and group insurance certificate holders.
- A. Complete faith
 - B. Reasonable expectations
 - C. Principal
 - D. Cash values
93. Retrocession is reinsurance purchased by _____.
- A. Insurers
 - B. Clients
 - C. Reinsurers
 - D. Agents
94. Concerning alien reinsurers, the U>S> is one of the few countries in which alien reinsurers may operate. Which of the following is true of alien reinsurers?
- A. They operate through wholly owned subsidiaries or branches
 - B. They must file financial reports and be examined
 - C. They provide substantial reinsurance capacity
 - D. All of the above
95. Asset spin off is a procedure used by insurers to clean up their balance sheets. Insurers transfer or "spin off" _____ to a new entity which they create.
- A. Liquid securities
 - B. High performing bonds
 - C. Foreclosed or underperforming assets
 - D. Bad insurance policies
96. In insurance litigation, the "trigger of coverage" is a label for the event that determines whether a policy must _____.
- A. Respond to a claim
 - B. Pay a claim
 - C. Hear the claimants
 - D. Go to court to win
97. A warranty or condition is a promise by the insured. A warranty or condition statement that is untrue and relied upon by the insurer can _____.
- A. Delay a claim
 - B. Void the contract
 - C. Result in jail and fines
 - D. Always be rescinded later
98. Federal government assistance is helpful to state insurance regulators in which of the following areas?
- A. Interstate crime
 - B. Federal fraud statutes (mail and wire fraud)
 - C. Insurance fraud
 - D. A & B only
99. Concerning future operational changes, the biggest challenge facing insurance companies is how to balance _____ and _____.
- A. Profits and solvency
 - B. Liquidity and return
 - C. Capital valuation and ROI
 - D. Taxes and profits
100. AM best's quantitative evaluation analyzes an insurer's reported financial condition for at least _____ years against industry peer group.
- A. Two years
 - B. Three years
 - C. Four years
 - D. Five years



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