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INSURANCE UNDERWRITING

- Underwriting is the function of _____ a subject of insurance and determining whether to insure it.
 - Evaluating
 - Approving
 - Testing
 - Accepting
- Insurers reject an application for insurance when they find that the applicant represents a risk that falls outside the _____ established by the insurance company.
 - Rules
 - Underwriting standards
 - Venue
 - Jurisdiction
- Judgment rating refers to the underwriter using his or her _____ to determine the rate that should be assigned to an applicant.
 - Inside information
 - Own knowledge and experience
 - Best guess
 - Personal diary
- An *inspection report* may be required if an applicant applies for amounts of insurance _____.
 - Above \$1 million
 - Above \$2 million
 - Above certain levels
 - Above the client's ability to pay
- Insurance maps are special maps that include _____ based on location.
 - Underwriter notes
 - Risk information
 - Secret underwriting codes
 - Public information
- Which of the following are some guidelines a managing general agent might be asked to follow:
 - Maximum annual premium volume
 - Types of risks that may be written
 - Applicable exclusions
 - All of the above
- The Gramm-Leach-Bliley Act states that each financial institution (insurance company) has an obligation to respect the _____ of its customers.
 - Traditions
 - Family ties
 - Privacy
 - Intentions
- Insurance sales in a depository institution e.g., a bank, must be sold in an area that is _____ from the area where deposits are accepted.
 - Adjacent
 - Contiguous
 - Nearby
 - Physically separated
- Facultative reinsurance is utilized when an application exceeds the direct writer's maximum underwriting standard. The insurer looks for a _____ to take a portion of the policy limit.
 - Partner
 - Reinsurer
 - Bank
 - Private party
- A ceding insurer passes on or cedes the insurance to an insurer that accepts it . . . also known as the _____.
 - Direct writer
 - Regional manager
 - Big brother
 - Blank premium owner
- Which of the following are functions of underwriting:
 - Examining application forms and supporting documents
 - Looking at insurance maps
 - Reviewing company records and evaluating site inspection reports.
 - All of the above
- How often is underwriting monitored
 - At policy renewal
 - Every 6 or 12 months
 - As claims occur
 - All of the above are possible times to monitor underwriting
- Many "underwriting resources" are used during the underwriting process. The most important of these resources is _____.
 - The insurance map
 - Company records
 - The application
 - The Internet
- The term moral hazard means a condition(s) that increase the likelihood that an insured or person will _____ cause, overstate or increase a loss.
 - Accidentally
 - Clearly
 - Intentionally
 - Coincidentally
- Reduction of risk occurs when steps are taken to _____.
 - Minimize loss
 - Concentrate on loss
 - Eliminate loss
 - Analyze

INSURANCE UNDERWRITING

16. Privacy laws affect underwriting because they _____ the ways in which information may be collected and used.
- A. Shape
 - B. Influence
 - C. Regulate and limit
 - D. Alter
17. Discrimination laws affect underwriting because they _____ an insurer using certain characteristics in the underwriting process.
- A. Influence
 - B. Stop
 - C. Prohibit and limit
 - D. Artificially sway
18. Post claims underwriting is illegal. The process describes a company that accepts applicants with little or no real underwriting, but when individuals file claims, the company engages in _____ to demonstrate inadequate disclosure.
- A. A letter campaign
 - B. Vigorous investigations
 - C. Clever correspondence
 - D. Harassment
19. An excess policy is specifically designed to provide _____ over other insurance the insured owns.
- A. Coverage on an excess basis
 - B. Cheaper insurance
 - C. Quality coverage
 - D. Higher rates insurance
20. Insurable interest is one of the first risks reviewed because it helps reduce the likelihood that the person(s) benefiting from the insurance will try to _____.
- A. Hide
 - B. Cause or allow the loss
 - C. Double the damage
 - D. Get coverage for free
21. An agent's statement requires the agent to report which of the following:
- A. How long he has known the applicant
 - B. If the insurance is replacing existing insurance
 - C. Basic info on the applicant's health, situation or character
 - D. All of the above
22. The Medical Information Bureau is considered an important tool because of its role in _____.
- A. Issuing policies
 - B. Underwriting coverage
 - C. Reducing fraud
 - D. Controlling duplicate records
23. File-and-use laws require that rates and rate changes be filed by the insurance company, but the insurer may use them _____.
- A. In 30 days
 - B. In 60 Days
 - C. Immediately
 - D. After a negative examination
24. The Financial Services and Modernization Act specifically disallows an insurer to discriminate on the basis of _____.
- A. Age
 - B. Social standing
 - C. Skin color
 - D. Domestic violence
25. A reinsurance pool is a group of insurers that _____.
- A. Pay claims
 - B. Jointly underwrite risks
 - C. Insure swimming pools
 - D. Underwrite the highest risks
26. An indemnity policy pays benefits to _____ for payments made for covered claims
- A. Reimburse the insured
 - B. Multiple policy owners
 - C. Non-profit insureds
 - D. Residential insureds
27. To be covered, an insurable risk must . . .
- A. Arise from pure risk
 - B. Be definable and calculable
 - C. Not occur to simultaneous people or be intentional
 - D. All of the above
28. Consumer reports produce financial information about an applicant. This is important because policies owned by people with poor credit will cause _____ to go up.
- A. Policy lapses
 - B. Consumer anxiety
 - C. Government investigations
 - D. Ratings
29. Under an open competition system, the state insurance department does not require _____.
- A. Underwriting
 - B. Rates to be filed or approved
 - C. Reserves
 - D. Applications of insurance
30. Pure risk is the risk that cannot result in the possibility of _____.
- A. A claim
 - B. Indemnity
 - C. Gain
 - D. Loss



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