1. Controlling client risks involves avoiding or _______________ them.
   A. Increasing
   B. Leveling
   C. Reducing
   D. Eliminating

2. First-year reinsurance is used by insurers to shore up their surplus position from losses of _______________.
   A. The previous year
   B. First year policies
   C. Cancelled policies
   D. Lapsed policies

3. Legally, a personal relationship between agent and a prospective insured is created when ________________.
   A. A prospective insured consults and agent
   B. A prospective insured provides an agent with specific information about his unique circumstances
   C. A prospective insured relies on the agent to obtain appropriate coverage tailored to his circumstances
   D. All of the above

4. A pure risk is one which ______________ result in the possibility of gain.
   A. Cannot
   B. Might not
   C. Probably will not
   D. Could

5. A moral hazard is a condition that ______________ the likelihood that an insured or a person in a position to be paid by an insurer will intentionally cause a loss.
   A. Increases
   B. Decreases
   C. Predicts
   D. Assumes

6. The meaning of suitability conduct is that agents should size-up a client and _______________.
   A. Collect the highest commissions possible
   B. Guess about his requirements
   C. Anticipate his needs when he can’t
   D. Ask about his excess funds

7. State Guaranty Fund coverage may not be disclosed as a selling advantage in some states. If this is the case, agents should privately exercise diligence by ________________.
   A. Purchasing higher limits
   B. Having his own errors & omissions cover client losses
   C. Diversifying among several insurers and/or contracts
   D. Hoping for the best

8. Seniors like consistency and ______________ in their business dealings.
   A. High rates
   B. Nice appearance
   C. Uniformity
   D. Quiet surroundings

9. A charging order is intended to protect ______________ form the claims of another individual partner.
   A. Policy holders
   B. Partners of a partnership
   C. Innocent bystanders
   D. Insurance companies

10. Obtaining insurance for a client, with a view to earning a commission, establishes you as the client’s agent. This means you owe a duty to act with reasonable ________________.
    A. Care
    B. Skill
    C. Diligence
    D. All of the above

11. An insurer’s quick liquidity position is defined as the amount of cash and quickly convertible investments as a percentage of ________________.
    A. Total assets
    B. Liabilities
    C. Debt
    D. Premium income

12. A critical consideration in rating an insurer, according to Fitch Ratings, is the analytical judgement as to whether ________________ will persist or reverse.
    A. Historical trends
    B. Reinsurance
    C. Disintermediation
    D. Bond markets
13. Reinsurance, say industry analysts, should not exceed 0.5 to 1.3 times a company’s 
________________.
A. Liabilities
B. Assets
C. Surplus
D. Liquidity ratio

14. The agent’s role in monitoring underwriting is to meet with each client on an annual basis to 
______________.
A. Review new product
B. Review coverages
C. Ensure that information on file is accurate
D. B & C only

15. An investigative consumer report provides information on a consumer’s 
______________.
A. Character & reputation
B. Personal Characteristics
C. Mode of living
D. All of the above

16. Reinsurance is purchased by an insurer so that it can ____________ large or catastrophic losses.
A. Completely isolate itself from
B. Spread it’s risks & limit it’s own liability from
C. Make insureds pay for
D. Involve the insurance commissioner in it’s

17. In the Steadman v. McConnell case, the court determined the agent to be an expert and the insured a mere laymen. Their relationship was a ____________ one in which the insured was entitled to believe the agent’s material statements.
A. Fiduciary
B. Stressful
C. Complicated
D. Sustainable

18. Needs analysis helps the agent sell the right amount of insurance to the client for 
______________.
A. Optimum commissions
B. Less commissions
C. The right reasons
D. Less time spent

19. Loss control procedures involve the steps necessary in eliminating exposures to risk and 
______________.
A. Increasing agent commissions
B. Reporting them to the insurance commissioner
C. Reducing their frequency or severity
D. Safeguarding premiums

20. Different generations tend to define themselves in ____________.
A. In the shadow of a momentous event
B. Through members of their own generation
C. Monetary terms
D. A & B only

21. The Limited Liability Company (LLC) is a hybrid entity which has similar characteristics to both a Corporation and a 
______________.
A. General partnership
B. Limited partnership
C. Joint venture
D. Sole proprietorship

22. Agent records are admissible in court as long as they are generated ____________.
A. In the ordinary course of business
B. On a computer
C. By you and witnessed by someone else
D. In duplicate

23. Geographic and product boundaries for financial markets, traditionally not a factor for insurance companies, have faded. New products and services have ____________ between banks, security brokers and insurance agents.
A. Underscored the importance
B. Blurred the distinctions
C. Organized the relationship
D. Defined the role

24. Standard & Poor’s claims paying ability is an assessment of an insurer’s capacity to 
______________.
A. Pay it’s creditors
B. Respond quickly to claims
C. Meet it’s policyholder obligations
D. Follow state claim procedures
25. The Risk Based Capital Model Act defines acceptable levels of ___________ that insurers may incur.
   A. Opportunity  
   B. Risk  
   C. Reinsurance  
   D. Premium income

26. State Guaranty Funds coverage is triggered when the insurer has ______________.
   A. Been declared financially impaired or insolvent by a court of law.  
   B. Gotten behind in payments  
   C. Less than $10 million in capital  
   D. Refused to cooperate with the insurance commissioner

27. For insurable interest to exist in life insurance, the death of the insured must ______________.
   A. Be sudden, without warning  
   B. Be investigated by the insurer  
   C. Have clear and definite financial impact on the policy owner  
   D. Always be an accident

28. The Medical Information Bureau is considered to be an important tool because of its role in ______________.
   A. Estimating illness  
   B. Reducing fraud  
   C. Defining preexisting conditions  
   D. Establishing health qualifications

29. The purpose of a need-driven sale system is to analyze a client's needs and determine ______________.
   A. How insurance can best meet those needs  
   B. How quickly you can get them covered  
   C. The highest premium possible  
   D. The maximum allowable commission

30. Repositioning to meet client needs means an agent must ______________.
   A. Ask questions of clients  
   B. Learn client objectives  
   C. Understand client groups  
   D. All of the above

31. In Parsaie v. United Olympic a ______________ was the basis of a dispute between the insured and agent. The court determined that the insured was entitled rely on the advice of the agent.
   A. Language misunderstanding  
   B. Cancelled check  
   C. Lost premium  
   D. Commission overcharge

32. The shift away from manufacturing to service orientation means that suitable workplace policies will address more ______________ coverages.
   A. Slip and fall  
   B. Estate oriented  
   C. Intellectual  
   D. Group

33. An insurer's asset-default test establishes varying reserve accounts be established for various classes of investments based on their ______________.
   A. Liquidity  
   B. Default risk  
   C. Profitability  
   D. Level of reinsurance

34. By size of company, fewer insurer failures have hit companies with assets greater than ______________.
   A. $10 million  
   B. $25 million  
   C. $50 million  
   D. $100 million

35. In Reese v. Medical Professional Liability, a State Guaranty Fund paid the ______________ of a policy for an insolvent insurer, but punitive damages were denied.
   A. Strict limits  
   B. Unpaid premiums  
   C. Commissions  
   D. Premium taxes

36. Retaining risk is a standard practice for all insureds. A ______________, is an example of a risk retained.
   A. Conditional receipt  
   B. Deductible  
   C. Return of premium rider  
   D. Liability umbrella
37. Needs-based selling "involves" the client, allowing him to use his own ideas and______________.
A. Special knowledge
B. Expertise
C. Assumptions
D. Limitations

38. In serving boomer markets it is important to be _______________ oriented.
A. More detail
B. Less detail
C. More technically
D. Graphic

39. Fraudulent conveyance is defined as a transfer of property _______________, with the intent to defraud creditors.
A. At night
B. Without adequate consideration
C. At inflated prices
D. Through the quasi-court

40. Suitability means resisting the urge to jump at the very first need your client reveals. Ask your client for ________________, never assume without their input.
A. Up-front deposits
B. Their entire history
C. Clarification
D. More business

41. The Gramm-Leah-Bliley act encourages industry convergence (mergers) because it enables financial service companies to establish _______________ that provide banking, brokerage and insurance services.
A. Holding companies
B. Reverse mortgage entities
C. Marketing groups
D. Non-profit organizations

42. Moody's financial strength ratings measure the risk that an insurer will fail to ________________.
A. Provide prompt claims service
B. Honor its senior policy holder claims in full on a timely basis
C. File required new product offerings
D. Pay commissions

43. A cut through clause requires ____________ to pay a loss, or portion of loss, directly to the policy owner or insureds when an insurer goes insolvent.
A. The state guaranty fund
B. The insurance commissioner
C. A reinsurer
D. The insurer's board of directors

44. The limitations of reinsurance are many, including . . .
A. Reinsurance does not make a bad risk insurable
B. Reinsurance does not allow for the under-pricing of risks
C. Reinsurance does not make a risk exposure more predictable
D. All of the above are limitations

45. Use of consumer reports or credit reports, under the Fair Credit Reporting Act, is limited to _______________ insurance transactions only.
A. Life
B. Casualty
C. Health
D. The firm offer of

46. When you conduct client needs research you will be able to assess your client markets and ________________ how to approach and serve them before you ever meet.
A. Identify
B. Classify
C. Guess
D. Exactly determine

47. Under community property laws a spouse who pays a single payment on behalf of the other spouse is said to have granted ________________ to the other spouse to contract joint debts.
A. Marital duty
B. Combined responsibility
C. Apparent authority
D. Divorce commencement

48. An attorney's drafting history contains insurance industry records and deliberations.
It's purpose is to seek the original meaning of ______________ and the manner in which they were intended to apply.

A. Endorsements  
B. Policy terms  
C. Conditional receipts  
D. Insurance applications

49. It is prohibited to use agent trust accounts as ______________.

A. A personal possession  
B. Collateral for either business or personal loans  
C. An asset on a personal financial statement  
D. All of the above are prohibited

50. A cohort is a group of people who share similar ______________ that create bonds or tie them together. Knowing what makes a cohort group tick is a powerful determinant of insurance needs.

A. Incomes  
B. Experiences  
C. Demographics  
D. Residence locations

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