

C11 – PRINCIPLES AND PRACTICE OF INSURANCE

QUIZ – STUDY 1

14
15

10 multiple choice – 1 mark each
1 essay question – 5 marks

SECTION A; MULTIPLE-CHOICE QUESTIONS

1. Insurance is based on the existence of:

- a. legality of object
- b. loss
- c. risk
- d. utmost good faith

2. In insurance terminology, a hazard is;

- a. a factor that could influence the occurrence of a loss
- b. the chance of loss
- c. the proximate cause of a loss
- d. the risk of loss

3. Gambling is a good example of;

- a. insurable risk
- b. personal risk
- c. pure risk
- d. speculative risk

4. A peril is;

- a. the equivalent of a hazard
- b. the chance of loss
- c. an insured risk
- d. an event that may cause a loss to occur

5. An unearned premium is;

- a. that portion of the premium under all policies in that class that is set aside as a claims reserve

- b. that portion of the premium under all policies in that class that is set aside to pay for commissions and expenses
- c. that portion of the premium under an individual policy that will apply to that part of the policy period that has not yet expired
- d. the insurer's profit after all losses, expenses, and taxes with respect to all policies in that class have been paid

6. A faulty heating system is best described as a

- a. hazard
- b. peril
- c. pure risk
- d. speculative risk

7. Insurance is

- a. a contract
- b. a method of sharing the losses of the few among the many
- c. the elimination of liability
- d. the provision of total security

8. The main function of insurance is

- a. an increase in security -
- b. not putting all property in one location
- c. the reduction of the possibility of risk
- d. the spread of risk ~

forgot to answer !! ;)

9. Risk management is;

imc

- a. elimination of risk
- b. identification of risk
- c. minimization of the possible detrimental effects of risk
- d. obtaining the best possible insurance at the best possible price

10. Which of the following is true of risk?

- a. A business operation is an example of pure risk
- b. Insurance prevents risk
- c. Some risks present the possibility of either a profit or a loss
- d. There can be no risk without insurance

can't be a possible gain

speculative

SECTION B; NARRATIVE QUESTIONS

IMC

11. a. Identify three ways that a risk manager could control a risk (3 marks)

- Business Interruption Insurance
- Video Cameras / security system
- identify all types of perils

- Do walk-
arounds to
ensure safety
measures
undertaken.

b. Define indemnity (2 marks)

To indemnify is to return
 the Insured back to
 the same ^{financial} position as
 before the loss occurred.
 Whether it is financially, or
 replacement of property, etc.,
 To make as if the loss had
 not happened.

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Risk management (IMC)
 Identify
 Measure
 Control

RAT

- Reduce - identify perils and take steps to prevent perils from occurring
- Assume / transfer - decide the extent of the perils to ignore or low cost - getting insurance through an insurance company
- Retain -

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