

QUIZ #1 – CHAPTER 1

1. An underwriter is best described as a professional
 - a) Who sells insurance at a price likely to generate a profit.
 - b) Whose prime concern is implementing an insurer's strategic plan.
 - c) Who invests shareholder's capital by accepting or rejecting risk to implement an insurer's strategic plan.
 - d) Who is primarily concerned with protecting shareholders capital by avoiding poor risks.

2. Concerning the tools of an underwriter, the knowledge needed includes
 - a) The environment.
 - b) The product.
 - c) The risk.
 - d) All of the above.

3. Which of the following is an indication of the moral hazard of a risk?
 - a) The territory in which the risk is located
 - b) Poor financial condition.
 - c) Type of building construction.
 - d) Available fire protection.

4. Bottomry is best described as
 - a) The process of indemnifying claimants.
 - b) A loan extended to the owner of goods or ships in transit between ports.
 - c) The dredging of rivers to improve navigation.
 - d) The application of deductibles to claim settlements.

5. Reinsurance is used to
 - a) Assume the claims of other insurers.
 - b) Invest an insurer's assets.
 - c) Settle difficult claims.
 - d) Transfer part of an insurer's risk.

6. Giving Brokers the PEN means
 - a) Permitting brokers to underwrite within specified limits.
 - b) Supplying brokers with sufficient writing materials.
 - c) Requiring all broker communications to be in writing.
 - d) The process of broker rehabilitation.

NARRATIVE QUESTIONS

1. Define the term underwriter. (3 marks)

Insurance To invest shareholder's capital by accepting or rejecting risk
Refers to implement an insurer's strategic plan.

2. What are the elements of the strategic plan? (2 marks)

Type of business
Market positioning

3. An underwriter will reject a risk only if forced to by one or more of the 3 considerations, what are they? (3 marks)

Market
Type of Business
Territory

4. When can an underwriter reassess the risk? (3 marks)

Mid-term change
Renewal

5. List the underwriting needs known as the "Big Five" (5 marks)

Endorsement
Environment
Legal system
The Risk
Product
Business

6. What are two types of hard skills? (2 marks)

Technical
Analytical

7. What are two types of soft skills? (2 marks)

- Communication
- Organizational

8. What are the two types of reinsurance available to an underwriter? (2 marks)

- Facultative
- Treaty

9. In terms of capacity, list the criteria that amounts of insurance are determined by. (3 marks)

- Occupancy
- Construction
- Town Grade (Protection)

10. The "Power of Why". **Fill in the blanks with the appropriate word. (5 marks)**

A good underwriter does not approach his or her work mechanically, deciding for or against a risk and what terms are acceptable by simply matching the risk to the appropriate page of the line guide. A good underwriter will always seek to assess a risk and its context as thoroughly as time and resources permit. He or she will then be as creative as is possible or necessary to insure the risk on terms acceptable to both the insurer and the insured.