

Course No: MAN 3317
Course Title: Insurance Management
Date:21/09/2014
No. of Questions:
Time:2 hours
Using Calculator (No)

University of Palestine

Final term Exam
3 semester 2014/2013
Total Grade:

Instructor Name: Dr. EzzElarab
Elawoor
Student No.: _____
Student Name: _____
College Name: _____
Dep. / Specialist: _____
Using Dictionary (No)

First Question

Which of the following questions are (True) or (False):

1. Risk is defined as: Uncertainty concerning the occurrence of a loss?
2. Loss Exposure is defined as: Any situation or circumstance in which a loss is possible, regardless of whether a loss occurs?
3. Chance of loss is defined as: The probability that an event will occur?
4. Chance of loss is the probability that an event that causes a loss will not occur?
5. Objective risk is the relative variation of actual loss from expected loss?
6. A hazard is defined as the cause of the loss?
7. In an auto accident, the collision is the peril?
8. A peril is a condition that increases the chance of loss.
9. A direct loss is a financial loss that results from the physical damage, destruction, or theft of the property, such as fire damage to a home.?
10. An indirect or consequential loss is a financial loss that results indirectly from the occurrence of a direct physical damage or theft loss, e.g., the additional living expenses after a fire?
11. An agent is a person authorized to act on behalf of another person who is the principal?
12. Insurance Agent and Broker are two of the INSURANCE OCCUPATIONS?
13. INSURANCE AGENT: Usual link between the consumer and the insurance company for *personal* lines.
14. In Life Insurance: Insurance agents are soliciting agents because they do not have the power to bind.
15. Insured Loss Claim [ILC] is an element of the Blocks of an Insurance Premium?
16. Value of less than 100% dose not reflects profitable insurance operations.
17. Overhead of the company is an element of the costs of operating the insurance mechanism?
18. Broker is agent of the consumer - not the company?
19. Insurance company accounting is significantly different than manufacturing?
20. In the Insurance Industry, Costs have gone up due to Increased medical costs, automobile repair costs, and legal expenses?

Second Question

Multiple choice, choose the right answer?

1. Definitions of Risk;
 - a. Any situation or circumstance in which a loss is possible, regardless of whether a loss occurs.
 - b. Uncertainty concerning the occurrence of a loss.
 - c. All the above.
2. Definitions of Loss Exposure;
 - a. Any situation or circumstance in which a loss is possible, regardless of whether a loss occurs.
 - b. Uncertainty concerning the occurrence of a loss.
 - c. All the above.

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3. Definitions of Chance of loss;

- a. The probability that an event will occur
- b. Uncertainty concerning the occurrence of a loss.
- c. The ability to earn profits.
- d. None of the above.

4. A peril is defined as the cause of the loss;

- a. Is a condition that increases the chance of loss?
- b. In an auto accident, the collision is the peril?
- c. Is a condition of producing and selling?
- d. All the above

5. A speculative risk is defined as;

- a. Is a situation in which there are only the possibilities of loss or no loss (earthquake)?
- b. Is a situation in which either profit or loss is possible (gambling)?
- c. Is a condition that increases the chance of loss?

6. The two main element of defining Insurance?

- a. Financial Definition: Premium Payment and Legal Definition: Contractual Relationship.
- b. Production and marketing elements.
- c. Financial and transportation.
- d. None of the above.

7. Hazard is defined as;

- a. Something that increases the probability of loss or increases the severity when a loss occurs (or both)
- b. The cause of a loss or contingency that causes a loss
- c. . Is a condition that increases the chance of loss
- d. None of the above

8. Enterprise Risk Management combines into a single unified treatment program all major risks faced by the firm:

- a. Pure risk & Speculative risk
- b. Strategic risk & Operational risk
- c. Financial risk
- d. All the above

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9. Building Blocks of an Insurance Premium contents;

- a. Earned Premium [EP]
- b. Insured Loss Claim [ILC]
- c. Loading Expenses [LE]
- d. Investment Income [II]
- e. Fair Rate of Return [FRoR]
- f. All the above.

10. The costs of operating the insurance mechanism contents;

- a. Commissions
- b. Overhead of the company
- c. Exaggerated claims
- d. Intentional losses (moral)
- e. General indifference about the way we treat our property, etc. (morale)
- f. None of the above
- g. All the above

11. Insurance Benefits to Society;

- a. Stability of families
- b. Aids planning ability to businesses
- c. Facilitates credit transactions
- d. A +b
- e. All the above

12. INSURANCE OCCUPATIONS contains;

- a. Insurance Agent and Broker
- b. Loss Adjuster
- c. Underwriter
- d. Actuary
- e. Lawyer
- f. All the above

13. INSURANCE AGENT's roles;

- a. Usual link between the consumer and the insurance company for *personal* lines.
- b. Commercial insurance often involves brokers.
- c. Not involve in the company/consumer relationship
- d. A + b
- e. B + c

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14. Types of Insurance Agents;

- a. In Property and Liability
- b. In Life Insurance
- c. A+ b
- d. None of the above

15. Loss adjusters make the product perform - pays the claim, Steps in adjusting a claim;

- a. Investigate
- b. Determine if policy covers
- c. Determine amount of the loss
- d. Pay the claim
- e. None of the above
- f. All the above

16. in the insurance markets, Reports of the market having problems occur regularly;

- a. Inability to afford or find coverage
- b. Health care costs and insurance
- c. Attorney Generals' suit against Insurance Industry
- d. B + C
- e. All the above

17. Conditions for Competitive Insurance Markets;

- a. Large Number of Buyers and Sellers
- b. Low Exit and Entry Barriers
- c. Homogenous Products
- d. Well-Informed Market Parties
- e. A+B+C
- f. All the above

18. Critics of the Industry Charged

- a. Collusion.
- b. Bad business practices.
- c. Inadequate rate regulation
- d. Irresponsible investment practices.
- e. All the above

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19. Requirements of a Valid Insurance Contract contents;

- a. Offer and acceptance & Consideration
- b. In most states contracts can be oral or written & Capacity
- c. Legal Purpose
- d. A+B
- e. All the above

20. In the insurance contract, Legal principles contains;

- a. Principle of Indemnity
- b. Principle of Insurable Interest
- c. Principle of Subrogation
- d. Principle of Utmost Good Faith
- e. All the above.

Third Question

Answer only 4 questions of the following questions;

1. Briefly define;
 - Risk
 - Peril
 - Hazard
 - Insurance
 - Loss
2. Firms face a variety of pure risks that can have serious financial consequences if a loss occurs, briefly mention the major commercial risks?
3. Mention in points, the costs of operating the insurance mechanism?
4. Mention in points, Insurance Benefits to Society?
5. Define, the agent in the insurance market, the agent types and their main duties?
6. Mention in points, what are the conditions for Competitive Insurance Markets?
7. Mention in points the Legal Principles' in the insurance contracts?

End of Questions
Good Luck