

Risk Management and Insurance Review: Exam 2

Basic Concepts:

- Insurable Interest – Life Insurance versus Homeowner's/ Auto Insurance
- Methods of settlement in an HO policy – Actual Cash Value, Cost to Repair or Replace, Specified Value
- Proximate Cause of Loss
- Entire Contract Provision
- Requirements for an insurance policy to be considered a valid contract
- Insurable Interest
- Requirements in order to establish liability – what must a plaintiff show
- Contributory Negligence
- Assumption of Risk
- Res Ipsa Loquitur – the facts speak for themselves
- Sections to an insurance policy – Declarations, Insuring Agreements, Exclusions, Conditions, Application
- Subrogation
- Principle of Indemnity

Life Insurance

Different Types of Life Insurance – Term Life, Whole Life, Variable Life, Universal Life

Under what circumstances a permanent life insurance would have the highest cash value
Financial Planning --- What type of policy would be best for a young couple, with two dependents, having limited dollars to spend on insurance? What type of policy would be best for a middle aged couple looking to purchase a life insurance policy that would allow them to accumulate funds on a tax deferred basis by investing in an equity mutual fund?

Life Insurance Provisions -- Incontestability, Grace Period, Non-forfeiture, Settlement, Beneficiary

Features of the HO contract

Types of Coverages – Dwelling, Appurtenant Structures, Personal Property, Additional Living Expense, Medical Payments, Liability

Mortgagee Clause – sets up separate interest in the policy, lender has priority in receipt of proceeds

Medical Payments Coverage

Liability Coverage

3 Basic Types of Exclusions – Business Pursuits, Covered by Other Insurance,

Difficult to value

HO Co-insurance provision --- quantitative question

Features of the Personal Auto Policy

Liability, Medical Payments, Collision and Non-Collision Coverages, Uninsured, as well as Underinsured Motorist Coverage

Split Limits --- quantitative question

Calculating a claim on a personal auto policy—based on a deductible and policy limits for either a collision or non-collision loss --- quantitative

Health and Disability Insurance

Characteristics of Managed Care Plans --- HMO Stand Alone, HMO Network, PPO
Features of an Indemnity Plan

Retirement plans --- Differences between a defined benefit versus defined contribution plan

Annuities --- Life, joint and survivor, cash refund, installment refund annuities
What type of annuity would produce the largest amount of income per dollar of investment?

Different definitions of disability ---

Purpose of the waiting period in disability insurance

Advanced Risk Management

Loss Frequency/ Loss Severity Characteristics of Risks where you would use:

Risk assumption, Risk Avoidance, Loss Control/Loss Prevention, Risk Transfer[insurance]

Remedies an insurer might consider when dealing with a concern about rising interest rates